



Unilever in 1986

ANNUAL REPORT AND SALIENT FIGURES

ENGLISH VERSION IN GULDERS



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Introduction

The first part of this booklet comprises an English translation of the Unilever N.V. Directors' Report for 1986. The second part, entitled 'Salient Figures', contains extracts from the combined consolidated annual accounts 1986 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 1986, 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 in 1986, Annual Accounts'. 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, together where necessary with the Chesebrough-Pond's Inc. Consolidated Financial Statements for 1986, comprise the complete annual report and accounts and further statutory information, drawn up 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.

The Unilever group of companies is one of the world's largest businesses employing some 300 000 people and providing a wide range of products and services in some 75 countries.

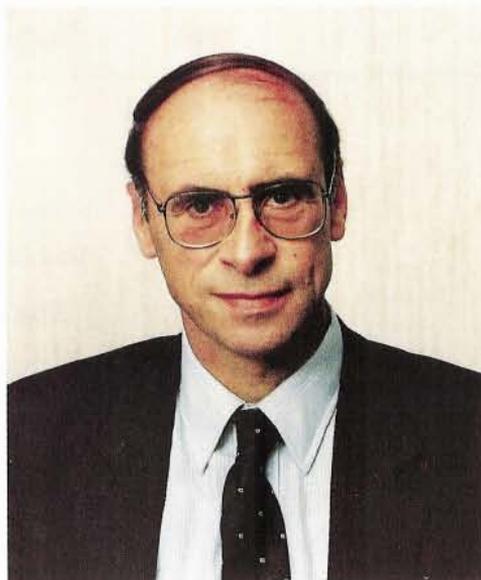
There are two parent companies: Unilever N.V., Rotterdam, and Unilever PLC, London. These companies operate as nearly as is practicable as a single entity, have identical Boards of Directors and are linked by a series of agreements of which the principal is the Equalisation Agreement. Among other things,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

As a consequence, the combined affairs of N.V. and PLC are more important to shareholders than those of the two separate parent companies and this review accordingly deals with the operations and results of Unilever as a whole.

The larger part of Unilever's business is in branded and packaged consumer goods such as washing powders, margarines, personal products and a wide range of frozen and other foods and drinks. Unilever's other activities include speciality chemicals, agribusiness operations, including plantations and animal feeds, and medical products. In addition, there are merchandising and service operations conducted in tropical Africa and the Arabian Gulf.

	1985	1986
Results		
Fl. million		
Turnover	66 771	55 363
Operating profit	3 797	3 632
Profit before taxation	3 814	3 694
Profit after taxation	2 223	2 265
Profit attributable to shareholders	2 064	2 144
Ordinary dividends	(718)	(751)
Profit of the year retained	1 330	1 377
Earnings per share ^{a)}		
Guilders per Fl. 20 of capital	36.79	38.22
Pence per 25p of capital	137.96	177.55
Ordinary dividends		
N.V.: Guilders per Fl. 20 of capital	14.82	15.33
PLC: Pence per 25p of capital	38.62	51.16
	%	%
Operating margin ^{a)}	5.7	6.6
Return on capital employed ^{a)}	10.5	11.3
Return on shareholders' equity ^{a)}	15.5	17.8

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



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.*)
W. K. Grubman
M. G. Heron
J. A. Houtzager
H. Meij
M. S. Perry
G. K. G. Stevens
M. Tabaksblat
T. Thomas
K. H. Veldhuis
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.

Price Waterhouse Nederland
Coopers & Lybrand Nederland

Auditors of PLC

Coopers & Lybrand
Price Waterhouse

This list contains the names of all the Directors in office both at 31st December, 1986, and at the date of signing the Report and Accounts 31st March, 1987.

Sir Kenneth Durham retired at the Annual General Meetings in 1986.

1986 has been a year of very good progress. We are particularly encouraged by the general improvement in performance in almost all sectors of the business, which is clearly reflected in a growth of 21% in earnings per share at constant exchange rates.

Once again the impact of our results will vary with the currency in which the accounts are stated. In sterling and US dollars our earnings rose by an even better 29% and 31% respectively. On the other hand, in guilders the growth was a seemingly modest 4%, because of the major strengthening of this currency.

There has been considerable progress in the year towards achieving our strategic objectives. Our core activities have been further strengthened by acquisitions and by rigorous attention to efficiency and innovation. Most of the companies with no place in our future strategy have now been sold. Restructuring has been costly, but as a result the profitability of the business is much improved and more securely based.

Our planned investment in strengthening our position in the United States has continued and has brought about significant increases in market share. We are now materially stronger in one of the world's most important and competitive markets.

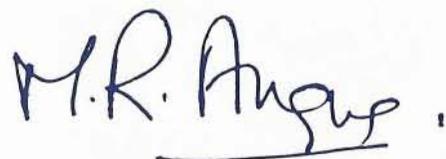
Our sales value in 1986 is much affected by divestments. These obscure the fact that our underlying business has grown appreciably during the year and that volume has increased by a noteworthy 5%.

The highlight of 1986 was the acquisition of Chesebrough-Pond's at the end of the year. We have long declared that an increased presence in the United States by means of a major acquisition was a fundamental strategic aim. With Chesebrough-Pond's we achieve this and at the same time strengthen our profitable personal products business worldwide. A number of other acquisitions were also completed, all in our core product areas. Of these the purchase of Naarden International was also of global importance and will double the size of our international fragrances and flavours business.

The Company is now well placed for further profitable growth and is better equipped to face the competitive challenge. We shall continue to concentrate our resources on those businesses in which we have the necessary skills to compete effectively.

However, there are external factors which could impede our progress. The long overdue measures recently taken by the European Community to reduce excess milk production and eventually butter stocks are welcome. To our dismay however came the subsequent proposal for a new levy on oils and fats. This would create yet another arbitrary distortion in one of our principal markets, as well as levying an unwarranted impost on the consumer. We strongly oppose this measure.

The tempo of activity seen in the business in recent years has made special demands on our personnel - particularly our management. They have splendidly risen to the challenge and we would like to pay tribute to all their hard work and effort.



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



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

'A fundamentally strong result'

Results

The reported financial results of 1986 have been much influenced by the differing strengths of our two reporting currencies, the pound sterling and the guilder. Whilst most European currencies appreciated substantially against sterling, the guilder remained one of the world's strongest currencies.

A fundamentally strong 1986 result throughout the world therefore became an excellent one when expressed in sterling, with operating profit and profit attributable respectively 18% and 29% better than 1985. The same result expressed in guilders showed a 4% decline in operating profit and only a modest 4% increase in profit attributable. When expressed in US dollars the trend is similar to sterling with increases of 21% and 31%.

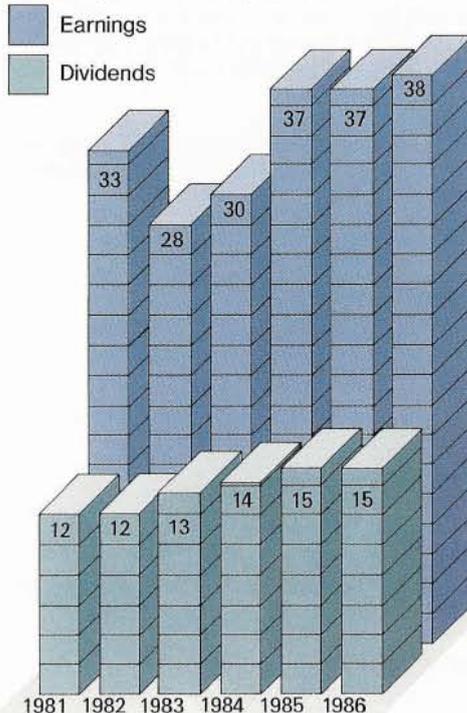
In Europe improving results continued to flow from our policy of concentrating on core activities. Operating profit at constant exchange rates improved by 6% despite substantial restructuring costs. The major

costs are included in the total exceptional items charge of Fl. 221 million (1985: Fl. 137 million). In the United States we continued to gain market share but the heavy investment in promoting both established and new products held back the increase in dollar operating profit to 7%. In the rest of the world we had an excellent year with operating profit at constant exchange rates up by 20%.

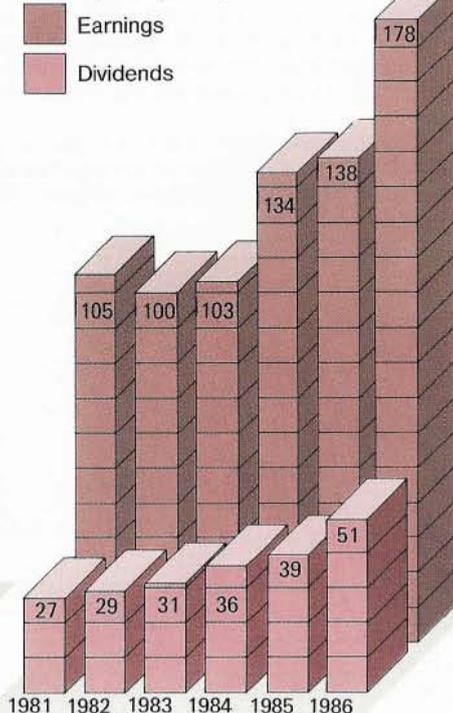
Our 1984 results contained an extraordinary provision of Fl. 356 million for losses consequent on the decision to withdraw from certain activities. Most of the businesses concerned have now been sold and the provision made in 1984 is proving to be adequate.

Earnings and dividends per share

Guilders per Fl. 20 of capital



Pence per 25p of capital





The acquisition of Chesebrough-Pond's has brought with it brand names which are famous in the United States and throughout the world.

Acquisitions

On 30th December, 1986 we made a major strategic acquisition in the United States when the shareholders of Chesebrough-Pond's Inc. accepted the tender offer for that company which we had made with the recommendation of its board. The amalgamation of Chesebrough-Pond's with Unilever will strengthen our business base in the United

States and thus supports a cardinal part of our strategy. It will provide the means to build a major stake in the American personal products market in combination with our existing business. It will also give our operations around the world a presence in the skin care market where we have hitherto been under-represented.

We have purchased famous international brands such as *Pond's* creams, *Vaseline Intensive Care*, *Q-tips* and the *Cutex* range of cosmetics. The portfolio also includes in the United States the *Prince Matchabelli*

'We have purchased famous international brands'

range of fragrances and cosmetics, and the *Ragù* brand of spaghetti sauces, which is the market leader and highly complementary with our foods interests.

We plan to integrate the management and administration of these businesses with our own around the world during the first half of 1987 in order to benefit as quickly as possible from the combination of our strengths. We believe that there are good opportunities to extend the distribution of the brands of both companies.

There are also some businesses which do not fit our future plans and we are actively taking steps to sell them.

Chesebrough-Pond's and its subsidiaries have not been included in the consolidated group accounts for 1986. The acquisition took place on the penultimate day of the year, and we took the view that their inclusion at appropriate values would involve expense and delay out of all proportion to the benefit to shareholders. Therefore our investment is included in the Group accounts at cost.

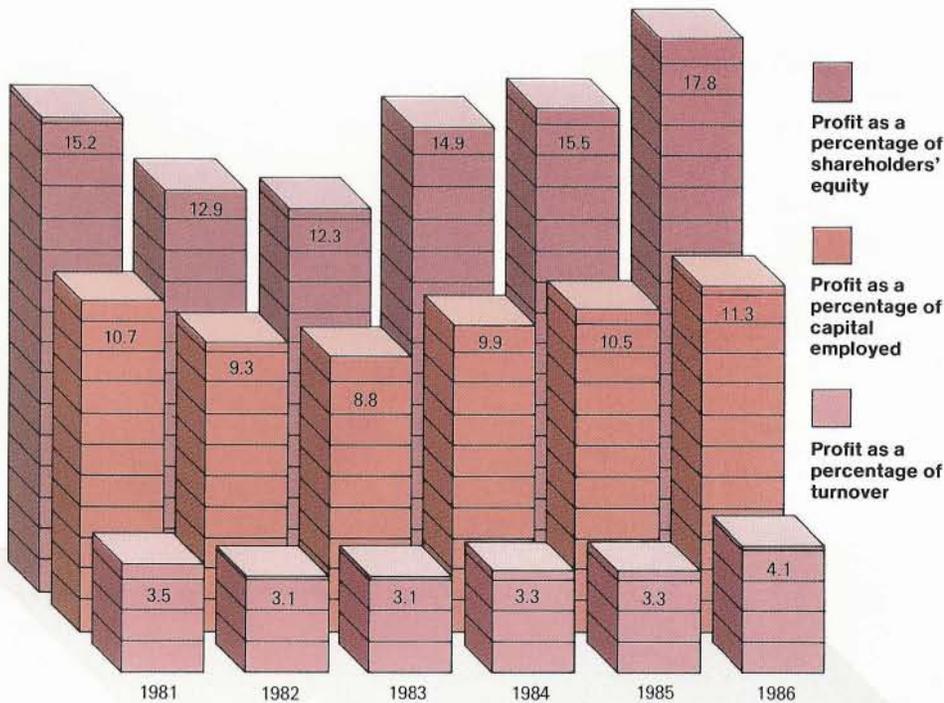
Naarden International was also acquired in 1986. This company is based in the Netherlands and operates in 24 countries as a leading international supplier of flavours and fragrances. The combination of this company with PPF International will create a total business which ranks as a world leader. Naarden's expertise in flavours fully complements PPF's strong

position in the world market for fragrances. Geographically the businesses fit well together and their combined research, development and creative strengths should enable them to achieve a faster growth than would have been possible as independent companies.

We continued to seek acquisitions which add value by enabling extension into countries where we are not yet represented in a particular market, or by adding products to our core businesses or in areas related to them. For example in 1986 we completed the purchase of the J.H. Filbert margarine business in the United States, and of the majority holdings in the Anderson Clayton companies in Brazil and Mexico which principally sell margarine and other foods. We also made an important addition to our food interests in Spain by the acquisition of the Revilla meat company.

Naarden International brings to Unilever additional expertise in fragrances and flavours.





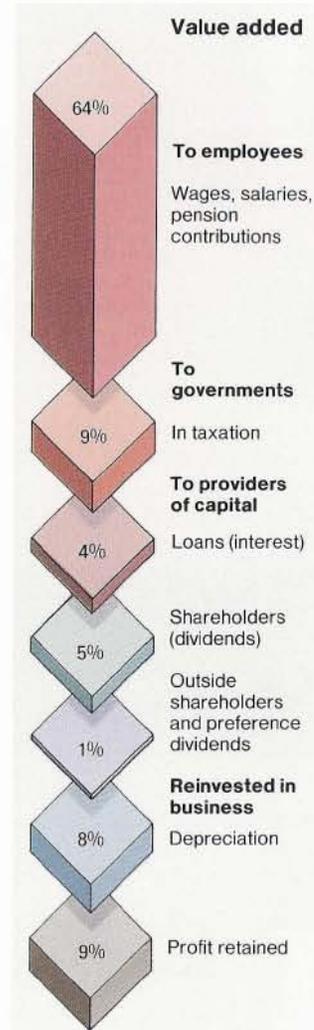
Finance

During 1986 we continued to strengthen the balance sheet and to increase our ability to finance a major strategic investment. Net liquid funds, including the effect of exchange gains, increased by Fl. 1 347 million as payment for the shares of Chesebrough-Pond's was not made until January 1987. Cash and current investments were managed to ensure their ready availability if needed for strategic use whilst achieving optimum returns. In addition we increased our borrowing capability by negotiating with a group of major banks stand-by facilities of Fl. 5.8 billion at very competitive rates. We continued to manage our borrowings in order to minimise financing costs; a number of opportunities were taken to arrange borrowings through long-term issues at attractive rates, making use where appropriate of currency and interest rate swaps.

The consideration for the purchase of the shares of Chesebrough-Pond's was US\$ 3.1 billion. The immediate financing came from existing cash resources and from additional short-term borrowing, mainly the issue of US commercial paper. This was the cause of the substantial increase at the year end in borrowings due within one year. We intend to repay the majority of

these additional borrowings and where appropriate Chesebrough-Pond's existing debt during 1987. The cash for these repayments will come from drawing further on Unilever's existing cash resources, the proceeds of disposal of those parts of the company which we intend to sell and on-going cash flow. In this way we expect rapidly to restore the strength of the balance sheet. The major credit agencies reviewed our financing plans following the acquisition and subsequently confirmed a continued rating of our long-term debt of 'AAA', their highest rating.

We spent Fl. 1 246 million on acquisitions other than Chesebrough-Pond's, some of which represent important developments for the business groups concerned. We sold another 24 businesses which did not fit our core business strategy; these realised proceeds of Fl. 641 million.



'We have actively sought growth'

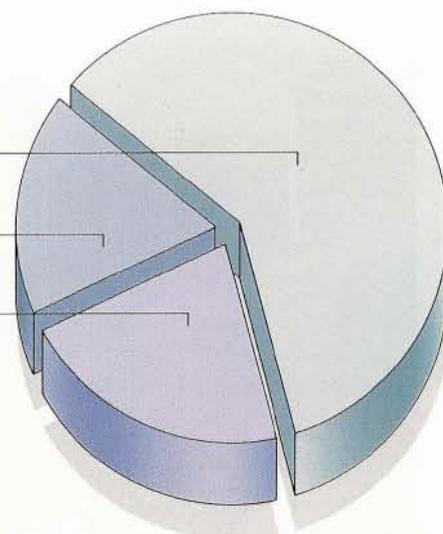
Turnover by geographical areas 1986
(Fl. million)

Europe **33 823**

North America **9 726**

Rest of the World **11 814**

Total **55 363**



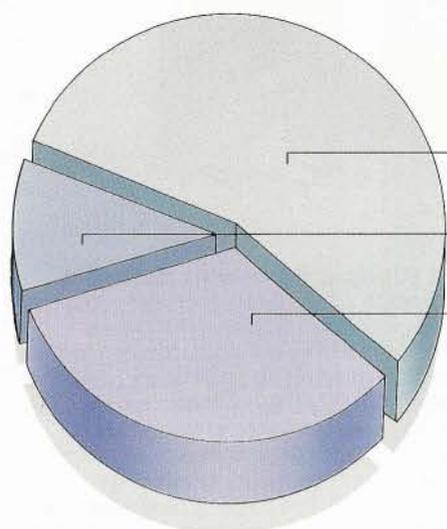
Operating profit by geographical areas 1986
(Fl. million)

Europe **2 047**

North America **369**

Rest of the World **1 216**

Total **3 632**



Europe

Fl. million	1985	1986
Turnover	42 381	33 823
Operating profit	2 083	2 047

A combination of stronger currencies and significant falls in raw material prices contributed to another marked decline in the rate of inflation throughout Europe. In two of our major markets, Germany and the Netherlands, the consumer prices index did not change. Economic growth was much the same as in 1985, but consumer spending increased sharply, particularly in Germany and in the United Kingdom.

In the past few years our clear purpose has been to concentrate on core activities and to ensure that our operations are efficient and that our products are competitive. Considerable sums have been invested in restructuring and a number of

businesses which no longer fitted our strategy have been sold. At the same time we have actively sought growth both from existing core businesses and by acquisition. The purchase of companies such as Naarden International in the Netherlands and Revilla in Spain will make an important contribution to the future development of our European business.

In 1985 we noted that the pursuit of this strategy had improved our profitability; in 1986 the improvement has continued. The cost of our principal raw materials such as tea, oils and fats fell as did the cost of energy. Turnover has declined because of the consequent lower selling prices and the effect of disposals, but we have achieved growth in our core businesses. Most countries made significant gains in profit in their own currencies, except the United Kingdom where provision has been made for further major restructuring in the



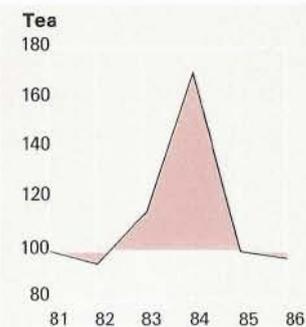
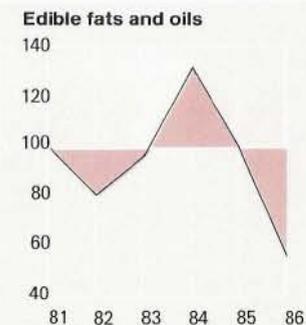
foods area. There was a notable advance in Germany where our companies are recovering well from a difficult period.

During the year we completed the sale of the oil mills in Hamburg and Spyck in Germany and Europoort in the Netherlands. Despite the sale we still retain significant crushing capacity in Germany and the United Kingdom. We also sold a substantial part of the Thames group in the United Kingdom and reached

The liquid detergent *Wisk* has recently been launched by Lever Brothers in the United Kingdom.

World raw material price developments

Indices are based on yearly average prices expressed in US dollars 1981 = 100



agreement to sell our international market research organisation.

The agricultural problems of the European Community became more acute; butter stocks reached record levels and despite quotas the production of milk and butter increased yet again. The original quotas were clearly set at levels far above demand, and the recent decision by the Council of Ministers to lower the quotas further with the intention of reducing production by about 10% by 1988/89 is to be welcomed. This is a step towards the solution of a major problem facing the Community, but it is open to doubt whether we have seen an end to over-production and its wasteful consequences.

However, the even more recent proposal to impose a levy on all vegetable and marine oils and fats intended for human consumption would, if enacted, create yet another absurd distortion of the market. It would be a purely arbitrary means of raising revenue to finance the uneconomic and ever increasing production of

European oilseeds and would create yet another burden on the consumer. Such a measure should be strongly opposed.

North America

Competition for market share remained a major feature in the United States and we continued to invest heavily in promoting our established brands as well as new products. Against this background it is pleasing to report that our companies again achieved a substantial growth in volume and that our market shares increased in almost all categories. Despite the continuing high level of market investment there was an improvement in dollar operating profit.

In the United States Lever Brothers' detergents volume grew by 18% and there was again an increase in market share as the geographic distribution of new products was extended. The margarine business continued to grow and we have achieved clear market leadership. Some progress was made in resolving the problems of the personal products business, and our presence in this market has been considerably enhanced by the acquisition of Chesebrough-Pond's at the end of the year.

Lipton again achieved record results and continued to grow steadily despite strong competitive attacks in its established markets. Market share in tea was strengthened and considerable progress was made in the new areas of side dishes and fruit snacks. The National Starch businesses made satisfactory progress in a relatively unfavourable economic environment.

The overall result in Canada was again modest, but carried the cost of a major restructuring programme. Considerable progress has been made in positioning the business to secure improved results in the future.

Fl. million	1985	1986
Turnover	11 553	9 726
Operating profit	432	369

'Our market shares increased in almost all categories'

The Rest of the World

We have continued to exceed prevailing rates of economic growth and our companies have again achieved a substantial increase in both sales volume and in profit when stated in local currencies. Our growth has been boosted by the introduction of new products, by acquisition and by a determined attention to cost competitiveness.

In Latin America trading conditions generally improved and inflation was under better control; our results were consequently much improved. With the purchase of majority holdings in the Anderson Clayton companies in Brazil and Mexico we have considerably strengthened our edible oils and fats businesses in those countries, and obtained a base from which to develop a foods operation. We now have a substantial presence in our core product areas in both these important countries.

In Africa and the Middle East economic growth was constrained by low world prices of mineral oil and other commodities, and our ability to import

necessary raw materials was severely restricted by shortages of foreign exchange. Because of this our sales and production efficiencies were adversely affected, but a prompt reaction by management to the new situation ensured a satisfactory outcome to the year.

There was a notable increase in market activity in the Far East and the majority of our companies there had a good year. Most of the economies in the area are well managed and we continue to believe that there are excellent prospects for profitable growth. Accordingly we have stepped up the rate of investment in our companies. Our business in Japan moved ahead significantly and we are now gaining market share in several key areas.

Fl. million	1985	1986
Turnover	12 837	11 814
Operating profit	1 282	1 216

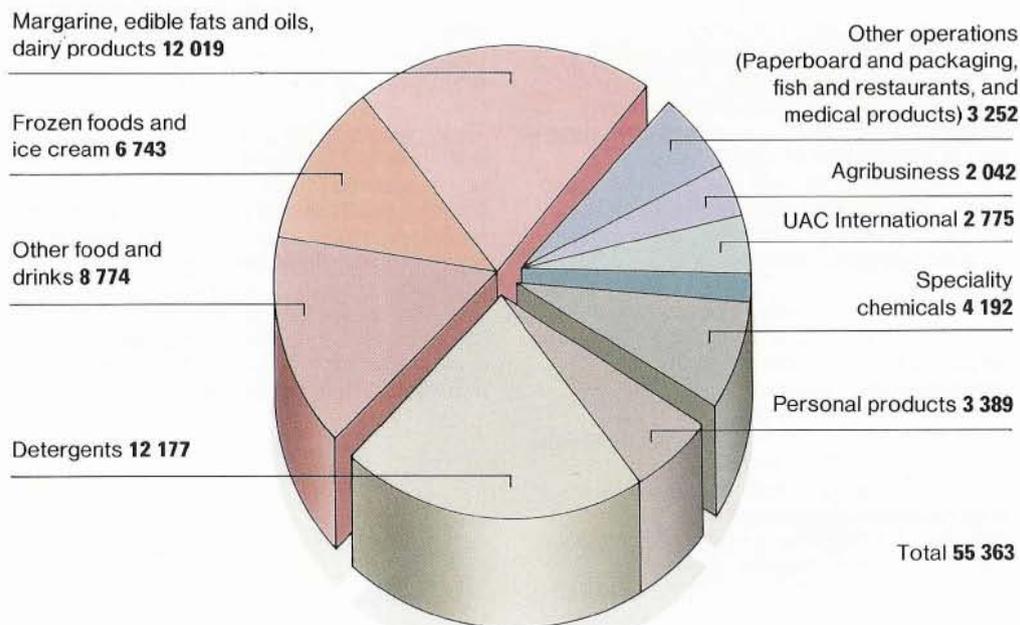
'Our companies have again achieved a substantial increase in both sales volume and profit'



The Anderson Clayton brands have considerably strengthened our foods business in Brazil where *Fiorella* is a popular margarine.

Turnover by operations 1986

(Fl. million)



Margarine, edible fats and oils, dairy products

The fall in raw material costs and the consequent lower selling prices for our products had a favourable effect on our volume and profitability and, even though substantial restructuring costs were again incurred in Europe, operating profit at constant exchange rates improved by 18% over 1985. In 1986 less subsidised butter was made available to consumers in the European Community than in previous years.

The general decline in fat consumption in Europe continued. Butter was the most affected and lost ground to the increasing number of mélange products (mixtures of butter and non-dairy fats) on the market. Our health brands of margarine such as *Flora* in the United Kingdom and *Becel* in Belgium, Germany and the Netherlands performed particularly well.

The growth of low calorie products continued. Several new lines were added to the *Du darfst* range in Germany and similar ranges were launched in Belgium and the Netherlands. We were active in the important low fat sector with the launches of *St. Florigny* mélange in France and a low

fat butter under the *Du darfst* name in Germany. We also introduced a low fat variety of *Becel* in Belgium and Germany. In the United Kingdom we extended *Delight!* nationally following a successful test in 1985.

The liquid oil market in Europe grew slightly and we improved our overall share. We entered the Spanish market with *Flora* oil.

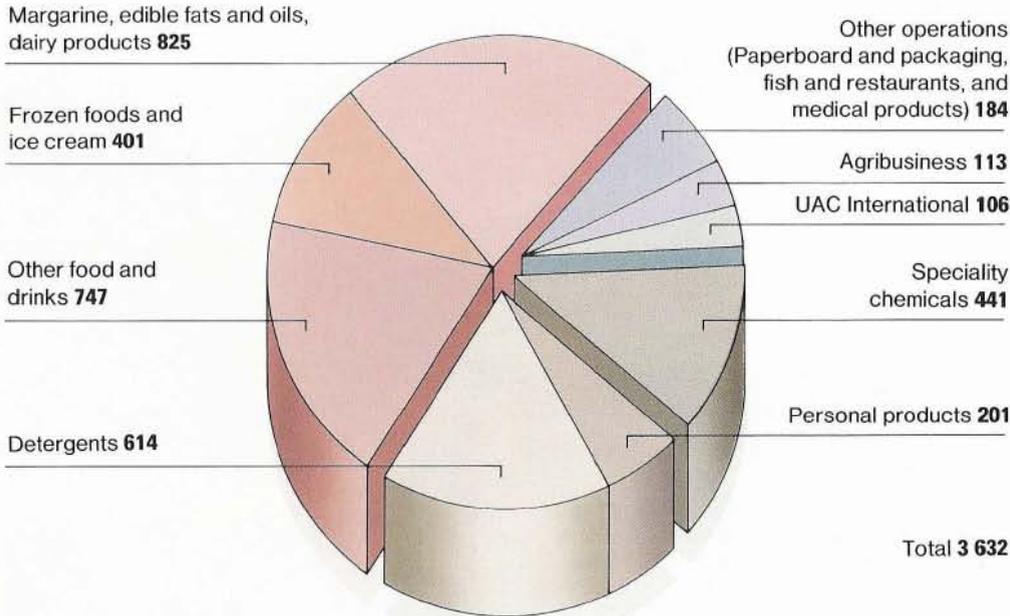
Our companies which sell fats and other products to bakeries, catering outlets and food industries had another good year and we gained market share. The provision of ingredients for a wide range of bakery products is an increasingly important business for us and we have been active in product innovation and in extending our range to new markets. Sales of portion packs of our retail brands to the catering trade have also made good progress, especially in the United States.

In the United States our margarine business has made great strides and achieved market leadership.

Fl. million	1985	1986
Turnover	15 828	12 019
Operating profit	759	825

Operating profit by operations 1986

(Fl. million)



The J. H. Filbert company was integrated into the Lever Foods/Shedd's operation and we now have a very substantial and profitable margarine business. In Canada 1986 was a year of reorganisation and the benefits are beginning to appear.

In the rest of the world there was significant growth in volume to which the newly acquired operations in Brazil and Mexico made an important contribution. Profits also improved satisfactorily despite stringent price control in some countries.



Becel margarine continues to increase in popularity in Germany and other European countries.

Fl. million	1985	1986
Turnover	6 791	6 743
Operating profit	399	401

Frozen foods and ice cream

1986 was a very good year for ice cream. The summer was fine in much of Europe and there was some growth in the total market. With exciting products and strong innovation programmes, most of our companies improved their market positions and in Germany we did particularly well. We have been successful in developing strong international brands both for consumption outside the home and for use at the table. Much of our success in both new and existing products stems from the use of sophisticated production technology.

Outside Europe there was a modest increase in profit. The extension of sales tax to ice cream checked the growth of our company in Australia.

Growth in frozen foods was lower than in previous years and although there is evidence of some decline in demand for frozen vegetables there remains a strong demand for quality convenience products. We have made successful and innovative entries into specific segments of the market such as plated meals (a complete meal in an attractive ready to serve presentation), light menus (aimed at consumers who prefer low calorie eating), potato products and products which can be prepared in the microwave oven. We maintained our leading position in most markets, and our companies in Austria, Belgium, Italy and the Netherlands again produced good results.

In the United Kingdom agreement was reached to transfer the Birds Eye Wall's distribution operation to third parties. The major reorganisation of production



facilities proceeded according to plan with the closure of the Acton and Great Yarmouth factories and the transfer of their production to other sites.



The development of the kiosk has contributed to the increase of ice cream sales and market share in Spain.

Other food and drinks

Our European tea businesses had an outstandingly successful year. Marketing activity in support of the *Lipton* and *PG Tips* brands was stepped up and with the benefit of favourable tea prices there was excellent progress in both volume and profit. In the United States Lipton introduced new flavoured teas and fruit tea varieties and further strengthened their market position. Our tea businesses overseas have continued to grow and new ventures have been started in Turkey and Korea.

We maintained leadership of the instant soup market and products with improved formulations were successfully relaunched in a number of countries. Particularly good results were achieved in Canada and the Netherlands. Little progress was made in the static regular soups market in Europe; however, in the United States Lipton held its leading position in the face of determined competition. In France a new range of liquid bouillons was launched under the *Royco* name, and in the United Kingdom the long established *Oxo* cubes improved upon their already strong market position.

The European dressings business, which covers a wide variety of sauces, salad

Fl. million	1985	1986
Turnover	11 311	8 774
Operating profit	800	747

dressings and mayonnaise, continued to grow profitably. *Calvé* mayonnaise and sauces were particularly successful in Belgium, Italy and the Netherlands.

In the United States Lipton built upon the success of its rice and pasta based side dishes with the addition of new varieties. Side dishes have also been adopted in Canada with considerable success, and special rice dishes have been well received in the United Kingdom. The nutritional snack market in the United



A delivery of new stocks of *Lipton* ice tea to a kiosk in Cape Sounion near Athens.



Brooke Bond is developing clonal tea in Kenya in order to increase yields on its tea estates.

States has developed into an important food sector in which Lipton has gained brand leadership with its *Fun Fruits* range. These fruit snacks were also successfully introduced into Canada.

A major restructuring of our United Kingdom meat companies was announced and as part of this programme Mattessons and Wall's were merged. Particular attention is being paid to improving operational efficiency and developing products to satisfy changes in consumer preference. A range of low fat sausages under the *Light & Lean* label was introduced successfully and several other meat products were relaunched. Elsewhere in Europe the meat companies had a good year and sales of pâtés, spreads and meat snack products continued to grow. At the end of the year we acquired the Revilla meat business which has an important share of the branded meat products market in Spain.

Detergents

We succeeded in further increasing our share of the world market and also achieved a substantial improvement in profitability.

In Europe there was no respite in the fight for share of the consumer market, which grew only slightly in volume terms. Our sales increased in line with the market; we held our position in fabric powders and made good progress with fabric softeners and dishwashing products, but lost some ground with hygienic cleaners. In Austria, Germany and Switzerland we introduced phosphate-free washing powders. In the United Kingdom a liquid detergent for the machine washing of clothes was launched under the *Wisk* name.

Operating efficiencies were further improved and margins were strengthened in almost all countries; our German business produced a much better result than in recent years.

Fl. million	1985	1986
Turnover	12 810	12 177
Operating profit	504	614



FaFa fabric conditioner was launched in Japan during 1986.

Our European industrial detergents business continued to concentrate on sectors which offer high added value and by means of selective minor acquisitions we entered new areas of the market. We

also increased our presence in industrial markets in many countries outside Europe.

In the United States we continued our programme of strong support for new and existing products, with the main emphasis on fabric washing. Sales rose substantially and our market share again improved. *Surf* laundry powder was further extended into new regions, and *Surf* liquid was introduced. *Snuggle* fabric softener sheets were extended nationally and we continued successfully to defend *Wisk* volume against fierce competitive attack.

Elsewhere our businesses made significant gains both in volume and profit. In Japan a fabric conditioner was launched nationally. A detergent paste was introduced into a major region of Indonesia, and in Brazil we successfully introduced an improved household soap; sales of our detergent bars made significant gains in many countries of South East Asia and in India.

Personal products

Fl. million	1985	1986
Turnover	3 432	3 389
Operating profit	195	201

In Europe the personal products market grew by about 4%, whereas our business has grown at a faster rate and gained in market share. We have done particularly well with deodorants and shampoos, and have held our ground in the toothpaste market where the introduction of anti-tartar brands was the signal for intense market activity.

We have continued to raise efficiencies and this, together with good progress towards buying on a European scale and favourable movements in raw material prices, has provided the opportunity to support our brands strongly and thus accelerate the growth of both sales and profit.

In order to improve manufacturing effectiveness, plans have been announced to close one of the two Italian factories and to relocate the French factory. The main distribution warehouse in the United Kingdom has been sold and the distribution operation taken over by third parties.

The result in the United States was again a disappointment. However, new marketing initiatives such as the launch of *Trust* deodorant and *Axis* deo-cologne have started well. The combination of our existing business with the newly acquired Chesebrough-Pond's will result in a strong position in the huge United States market for personal products.

Overseas markets were particularly buoyant and we saw significant growth in many countries in all our product groups. In Japan, *Timotei* has proved to be a great success following its launch in 1985.



In France *Signal Plus* is a popular toothpaste with children.

Speciality chemicals

Sales and operating profit improved at constant exchange rates as we continued our policy of expanding the speciality segments of our business through internal investment in plants and research, and by selective acquisition throughout the world.

National Starch's adhesive business performed well worldwide; sales of hot

melts in North America were strong and sales of adhesives to the electronics industry recovered. The resin business benefited from lower basic chemical prices and from the start-up of a new pressure polymer plant in the Netherlands. Important new speciality starch capacity in the United States was brought on stream at Kansas City, and additional wet milling capacity was acquired in Hamburg to supply growing European speciality starch demand. Other strategic acquisitions to strengthen the worldwide adhesives business were made in South East Asia and in Italy.

PPF International continued to develop its worldwide flavours and fragrances business; there was some weakness in sales to overseas countries but this was compensated by a stronger performance in Europe, the United States and Canada.

The acquisition of Naarden International was an event of considerable strategic importance. Naarden is one of the world's leading flavours and fragrances

Fl. million	1985	1986
Turnover	4 785	4 192
Operating profit	508	441

companies with a turnover of similar size to PPF International. Naarden and PPF will jointly provide a most comprehensive product range throughout the world backed by excellent research and creative capabilities.

In oleochemicals Unichema made excellent progress in the industrial chemicals sector, but profits in the glycerine market were significantly eroded by falling prices. During the year a major investment in upgrading and extending the nickel catalyst manufacturing plant at Emmerich in Germany was completed.

Crosfield has now secured an important share of the European market with its new petroleum cracking catalysts. The metasilicate plant at Eijsden in the Netherlands had a very successful first full year and made a good contribution to profit. In the United Kingdom the silicate and speciality silica businesses showed some improvement in both sales and profits.



UAC International

Fl. million	1985	1986
Turnover	3 528	2 775
Operating profit	106	106

The figures in the margin relate only to those companies in which UAC International has a majority shareholding and which are consolidated in the accounts. In addition there are substantial holdings in associated companies, mostly in Nigeria. The principal activity of the UAC group of companies is the sale in tropical Africa and the Middle East of specialised consumer and industrial products and capital goods. These are sourced both from world markets and to an increasing extent from local investments in manufacturing and assembly.

Most of UAC's businesses faced difficult

economic conditions as the countries in which they operate were affected by falling income from mineral oil or the weakness of agricultural and other commodity prices. The restructuring of the group, carried out after a strategic review in 1984, has been instrumental in enabling a profit to be made despite these adverse conditions. Further progress in implementing the new strategy was achieved during the year. In the United Kingdom and France several companies considered peripheral to the mainstream activities were sold.

In Nigeria it was a year of adapting to a changing and uncertain economic climate. Our consumer businesses suffered from reduced demand and shortage of stocks; but the technical business concentrated successfully on servicing and rehabilitating existing equipment. Substantial investments were also made in agricultural



National Starch's new modified starch plant in Kansas City.



Technical expertise and local added value are an important aspect of the UAC group's activities in Nigeria.

projects to provide raw materials for group industries.

The businesses in French speaking Africa were affected by the general reduction in demand. Our partnership companies in the Middle East performed well and held their profit levels despite the fall in government spending and the reduction in purchasing power.

Our Scottish salmon farms continued to produce very good results, and the development work in Sri Lanka on prawns has reached a viable level of output.

Other operations

Paperboard and packaging

In the United Kingdom substantial parts of the Thames group were sold during the

Agribusiness

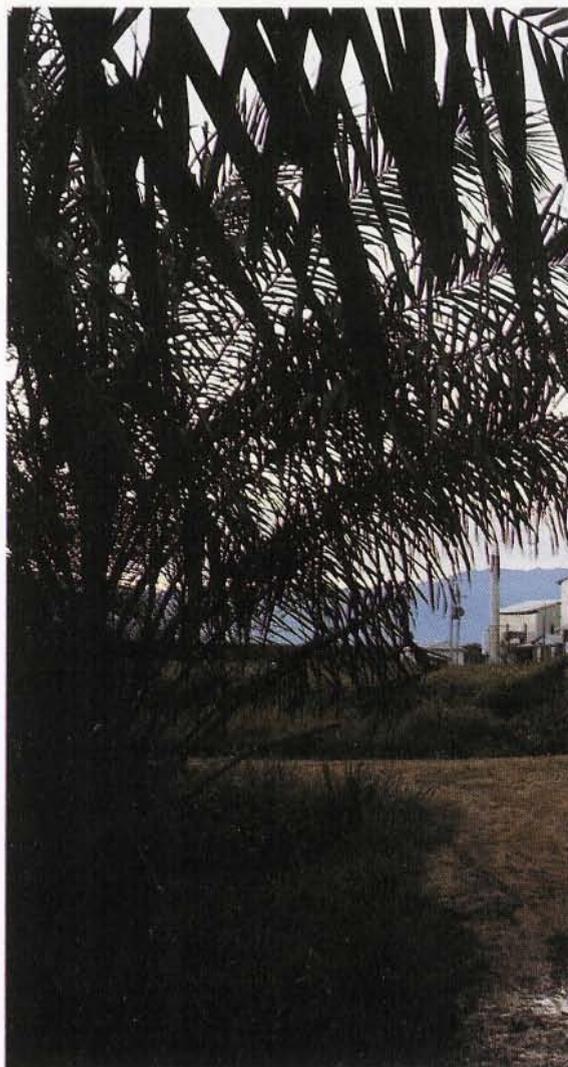
Our agribusiness interests consist of plantations companies, seed breeding and tissue culture, animal feeds and fish farming.

The unprecedented fall in palm oil prices to the lowest level in real terms ever known caused a sharp decline in the profitability of our plantations business. Urgent measures were taken to cope with this situation, some of which will have long-term benefit. Production of palm oil commenced in Colombia; our new plantation there is producing higher yields than expected, in a country where internal demand still exceeds supply.

Tea prices were down on 1985 but our estates managed to achieve satisfactory results through improvements in productivity and technology, and astute marketing. The expansion of the estates in Kenya, using high-yielding clonal tea plants, is already well advanced and results so far have been very favourable.

Our animal feeds business in the United Kingdom benefited from improved efficiencies and, with some assistance from favourable weather, produced a most satisfactory result.

Fl. million	1985	1986
Turnover	3 228	2 042
Operating profit	224	113



year; only the cartonboard mill at Workington now remains where further advances were made both in sales volume and margins. In Germany the 4P group of packaging companies produced further growth in sales and profit.

Fish and restaurants

Nordsee introduced successful new concepts into its fish retail and restaurant operations in Germany. Our fast food business in Canada extended its range of outlets and had another successful year.

Medical products

The new pregnancy testing kit *Clearblue* has been a success in the United Kingdom and has been extended to other European countries. Development work on new products in the areas of diagnostics,

immunology and bacteriology has continued, and to widen our coverage of these markets the operations of Oxoid and Unipath have been merged.



The newly opened extraction plant for palm oil in Colombia.

Research and development

During 1986 the Group's expenditure on research and development amounted to Fl. 985 million (1985: Fl. 1 013 million). This substantial investment in science and technology is dedicated both to the development of new businesses and to the continuing improvement and development of our existing products and manufacturing processes. We believe this investment is essential if we are to compete effectively and satisfy the requirements and expectations of the consumer. Harnessing this effort to our proven marketing skills will help create the growth upon which the continued success of the business depends.

Many of our products contain natural ingredients which can vary both in composition and availability. An increased understanding of these materials through basic and applied research has enabled us to overcome many of the inevitable production problems and to maintain the consistently high level of quality and safety of our products. Equally, we can respond effectively to changes in consumer preference, whether they concern the flavour and texture of foods, more convenient methods of cooking or the introduction of low calorie and low fat products. Examples of areas where such understanding makes a great impact include margarines, where melting behaviour and flavour release can be tailored; meat products, where textures can be fully adapted to the consumers' preference; and fish dishes which can be easily prepared in the microwave oven or grill.

Our knowledge of the control of water structure has allowed major progress in products as different as liquid detergents and low fat spreads, and our skill base in biotechnology has enabled a natural route to be developed for the production of savoury flavours.

Much of our work is directed to the development of sophisticated manufacturing techniques enabling us to produce unique products with a resulting competitive advantage - one area where this can be seen to considerable effect is ice cream and prepared desserts, although it is of relevance across the range of our businesses.

In striving for greater understanding of the scientific factors which determine the behaviour of our products and govern the efficiency of production processes, our laboratories have identified a number of scientific areas which have application over many of our product groups. In response to this feature we have established research teams in these generic areas, better staffed and equipped than any one sector of our business alone could support, which attract scientists of high calibre and which benefit from a wide range of contacts with the academic world.

Personnel

At the end of the year the number of people employed by the Unilever Group around the world was 298 000, of whom over half were employed outside Europe.

There are at any one time within the organisation many employees serving away from their own countries gaining the day to day experience of running Unilever's businesses which will equip them as candidates for senior positions in the Concern.

This is one aspect of the continuous attention to career development and personnel planning which has long been a feature of our staffing policies. We continue to identify the most able managers as early as possible in their careers and to place them in positions of responsibility and challenge. We are aided in this by our basic management philosophy that operating decisions should be decentralised and taken in the relevant businesses around the world.

The table shows the numbers of employees in our parent and group companies and in our associated companies at the end of the year. It should be noted that the 1986 figures do not include 23 000 employees resulting from the acquisition of Chesebrough-Pond's.

(000's)	Parent and group companies		Associated companies		Total	
	1985	1986	1985	1986	1985	1986
Europe	131	119	4	4	135	123
North America	22	23	–	–	22	23
Rest of the World	151	156	45	38	196	194
Total	304	298	49	42	353	340

Because of the need to remain competitive we continue to work hard on raising productivity and our organisation remains responsive to changing market and economic conditions. To do this successfully with the support of our employees, whilst at the same time honouring our commitments to them, requires a procedure for open communication and consultation. The form this takes depends on the local situation and the particular requirements of respective jurisdictions. The practice of consultation however is to be found throughout the Concern as an integral part of our management philosophy. We are actively encouraging the development of consultation procedures in our countries so as to involve all levels of employees in measures to improve efficiency.

As a further stimulus to efficiency and performance a growing proportion of the remuneration of our senior managers is being linked to results and the achievement of agreed objectives. Where Directors' remuneration contains such payments, then this arrangement, in common with other aspects of their remuneration, is monitored by a committee of Advisory Directors. We believe that this closer identification with business performance will improve our competitive ability, to the advantage of employees and shareholders alike.

The Concern's management policies require that any employee's career will be determined solely by personal merit. No employee will suffer because of his or her sex, race, ethnic origin or religious beliefs. These principles guide our operations

around the world. In particular we look to our female staff to play an increasing role in the progress of the business.

The aim of our personnel policy, therefore, is to ensure that all employees are able to realise their potential within the business and to enhance their contribution to the success of the Concern.

Thanks to employees

The success achieved by the Concern during 1986 is principally due to the dedication, skill and effort of our employees throughout the world. The Directors wish to record their sincerest appreciation of the way in which all employees have responded to the challenges and opportunities of the past year.

Capital expenditure

Capital expenditure in 1986 amounted to Fl. 2 245 million (1985: Fl. 2 653 million). The tables on page 35 give an analysis by geographical areas and by operations both for 1986 and for earlier years.

A reactor at Lever Brothers' new Hammond Indiana plant, opened in May 1986 for the specialised production of *Dove* and *Caress* beauty bars.



Capital projects

Capital projects totalling Fl. 2 799 million were approved by the Board in 1986 (1985: Fl. 2 352 million). These projects include:

Installation of manufacturing facilities for low fat products in the United Kingdom.

Modernisation of manufacturing facilities for bread improver products in Germany.

Modernisation of a processed meats factory in Germany.

Relocation of the personal products manufacturing facilities in France.

Replacement of a silicate plant in the Netherlands.

Construction of an adhesives plant and Continental headquarters for starch products in Germany.

Modernisation of a soap-making plant in the United Kingdom.

Modernisation and replacement of two animal feeds mills in the United Kingdom.

Several important projects to increase manufacturing capacity for liquid and powder detergents in the United States.

Construction of a new powder detergents plant in Thailand.

Purchase of a factory for the production of toilet soap and toothpaste in Korea.

Relocation of a margarine factory in Turkey.

Development of oil plantations in Thailand.

Outlook for 1987

We do not foresee any developments in the economies that are important to us which are likely to have a material effect on the business. Although the prices of our principal raw materials could well recover from the low levels experienced during 1986, we think that any increase will be gradual and unlikely to have a significant impact on results or cash flow.

We plan to continue to invest substantial sums in our factories and in support of our brands. The level of capital expenditure is expected to grow in 1987 as it has in past years, and will be financed out of funds generated by the business.

It continues to be necessary to produce and distribute our products as efficiently as possible in order to maintain and

strengthen our market position. This will mean that employee numbers may be reduced in a number of instances. An increase in personnel establishment can therefore only be expected in those operating units where turnover increases rapidly.

We remain confident that the Company will continue to make good progress.

Directors

As already announced, Mr K. H. Veldhuis, having reached the age of 62, will not be offering himself for re-election at the Annual General Meetings.

Mr Veldhuis joined Unilever in the Netherlands in 1950. After working in Germany, Sweden and Indonesia, where he was Chairman of our business, he joined the London Head Office in 1967 and was elected to the Boards of Unilever in 1968, assuming responsibility for Engineering and, later, Research Division. He took up his present post as Regional Director for Continental Europe in 1982. In 1984 Queen Beatrix appointed him a Knight of the Order of the Netherlands Lion. His colleagues record their sincere appreciation of his distinguished contribution to the business.

The Directors also wish to express their appreciation of the services of Mr A. W. P. Stenham, Financial Director for sixteen years, who resigned from the Boards of both Companies in November 1986 to take up a senior external appointment.

All the remaining Directors named on page 4 will, in accordance with the Articles of Association of N.V. and PLC, retire from office at the forthcoming Annual General Meetings and will offer themselves for re-election. In addition, Mr N. W. A. FitzGerald and Mr J. Peelen have been nominated for election as Directors of both Companies.

Mr FitzGerald joined Unilever in the Republic of Ireland in 1967. He served in the London Head Office from 1972 to 1980 and after a period overseas returned to London to become Treasurer of Unilever in 1985. He assumed the responsibilities of Financial Director in November 1986.

Mr Peelen joined Unilever in 1966 and served mainly in our meat business in the Netherlands until 1979 when he became Chairman of Van den Bergh en Jurgens B.V. He was appointed Vice-Chairman of Industrias Gessy Lever, Brazil in 1983 and Chairman of that company in 1984.

Advisory Directors

In 1986 Sir Robert Haslam and Dr Alfred Herrhausen were appointed Advisory Directors of N.V. and PLC.

Sir Robert is Chairman of British Coal, a Director of the Bank of England and a former Chairman of the British Steel Corporation. Dr Herrhausen is a member of the Managing Board of Deutsche Bank AG and Chairman of the Supervisory Board of Daimler-Benz AG.

Secretaries

Mr M. D. Snoxall retired at the end of 1986 after nearly 33 years service. He had been a Secretary of N.V. and PLC since 1984. The Directors record their warm appreciation of his valued counsel and service. He was succeeded by Mr S. G. Williams.

Dividends

The Boards have resolved to recommend to the Annual General Meetings on 20th May, 1987 the declaration of final dividends on the ordinary capitals in respect of 1986 at the rates shown in the table below, which are equivalent in value in terms of the Equalisation Agreement:

	1985	1986
N.V. per Fl. 20 ordinary capital		
Interim	Fl. 4.66	Fl. 4.66
Final	Fl. 10.16	Fl. 10.67
Total	Fl. 14.82	Fl. 15.33

PLC
per 25p
ordinary share

Interim	11.57p	14.99p
Final	27.05p	36.17p
Total	38.62p	51.16p

The N.V. final dividend will be payable as from 3rd June, 1987 (or in the case of the New York shares on 16th June, 1987).

The PLC final dividend will be paid on 3rd June, 1987 (or in the case of holders of American Depositary Receipts on 11th June, 1987) to shareholders registered on 1st May, 1987.

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 1986 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 17th March, 1987; 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

As already announced, it is the intention to recommend the appointment of sole auditors at the Annual General Meetings.

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 together with those of Price Waterhouse Nederland as auditors of N.V. and Price Waterhouse as auditors of PLC will end at the conclusion of the Annual General Meetings.

The Directors wish to record their sincere appreciation of the excellent service given to Unilever by Price Waterhouse over the years.

Other information

A review has recently been completed of Unilever's methods and rates of depreciating tangible fixed assets. As a result of the review changes will be implemented in our accounting for these assets with effect from 1st January, 1987. The changes will increase the balance sheet value of tangible fixed assets at 1st January, 1987 by approximately Fl. 900 million and will increase operating profit in 1987 by some Fl. 135 million. Fuller details of the changes appear on page 12 of the annual accounts booklet.

By Order of the Board

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

31st March, 1987

The following figures are largely extracted from the full combined consolidated Unilever N.V. and Unilever PLC Annual Accounts for 1986 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 pounds sterling and US dollar combined statements contained in other versions of this booklet.

Statement from the auditors

We have issued an unqualified report dated 31st March, 1987 on the full accounts of Unilever N.V. and Unilever PLC and their combined accounts for the year 1986, which are included in the Annual Accounts 1986 of Unilever N.V. and Unilever PLC.

Auditors of Unilever N.V.:

Auditors of Unilever PLC:

Price Waterhouse Nederland
The Hague

Coopers & Lybrand
London

Coopers & Lybrand Nederland
Rotterdam

Price Waterhouse
London

31st March, 1987

for the year ended 31st December

Fl. million	1981	1982	1983	1984	1985	1986
Turnover ^{a)}	56 115	55 903	59 434	66 791	66 771	55 363
Costs	(52 790)	(52 904)	(56 111)	(62 950)	(62 974)	(51 731)
Operating profit	3 325	2 999	3 323	3 841	3 797	3 632
Income from fixed investments ^{b)}	313	295	264	292	302	166
Other interest receivable and similar income	435	477	494	459	494	579
Interest payable and similar charges	(726)	(703)	(665)	(769)	(779)	(683)
Financial items	22	69	93	(18)	17	62
Profit on ordinary activities before taxation	3 347	3 068	3 416	3 823	3 814	3 694
Taxation	(1 381) ^{c)}	(1 351)	(1 566)	(1 605)	(1 591)	(1 429)
Profit on ordinary activities after taxation	1 966	1 717	1 850	2 218	2 223	2 265
Outside interests in group companies	(102)	(122)	(137)	(140)	(159)	(121)
Profit on ordinary activities attributable to shareholders	1 864	1 595	1 713	2 078	2 064	2 144
Extraordinary items, less taxation and outside interests	—	—	—	(108) ^{d)}	—	—
Profit after extraordinary items attributable to shareholders	1 864	1 595	1 713	1 970	2 064	2 144
Preference dividends	(16)	(16)	(16)	(16)	(16)	(16)
Dividends on ordinary capital	(586)	(578)	(634)	(684)	(718)	(751)
Profit of the year retained	1 262	1 001	1 063	1 270	1 330	1 377
Movements in profit retained						
Profit of the year retained	1 262	1 001	1 063	1 270	1 330	1 377
Goodwill	66	(165)	(51)	(973)	(152)	(572)
Effect of exchange rate changes ^{e)}	287	12	128	315	(1 526)	(799)
Sterling/guilder realignment ^{e)}	(419)	(676)	322	(514)	(209)	(1 234)
Net movements during year	1 196	172	1 462	98	(557)	(1 228)
Profit retained – 1st January	9 980	11 176	11 348	12 810	12 908	12 351
Profit retained – 31st December	11 176	11 348	12 810	12 908	12 351	11 123

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

	1981	1982	1983	1984	1985	1986
UAC International	177	159	162	185	137	36
Other operations	84	73	56	72	93	81
	261	232	218	257	230	117

^{c)} Includes Fl. 105 million stock relief benefit, mainly applicable to 1980, arising from changes contained in the United Kingdom Finance Act 1981.

^{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)} 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, profit and loss accounts for the year and assets and liabilities at the year end 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	1981	1982	1983	1984	1985	1986
Fixed assets						
Tangible assets	9 752	10 108	11 110	12 915	12 162	11 316
Investment in Chesebrough-Pond's Inc. ^{a)}	—	—	—	—	—	6 438
Fixed investments	1 472	1 562	1 454	1 626	1 246	795
Current assets						
Stocks	8 863	8 390	9 267	11 501	9 744	8 210
Debtors	7 579	7 442	8 336	9 359	8 259	7 327
Current investments	895	865	1 744	1 856	3 492	6 467
Cash at bank and in hand	2 376	2 349	2 400	2 752	2 398	3 997
	19 713	19 046	21 747	25 468	23 893	26 001
Less: Creditors due within one year						
Borrowings	2 077	1 952	2 032	4 285	3 919	7 146
Trade and other creditors	7 593	7 146	8 362	10 155	9 404	8 507
Unpaid acceptances from previous shareholders of Chesebrough-Pond's Inc.	—	—	—	—	—	6 438
Taxation on profits	911	931	949	1 048	1 020	945
Dividends	372	372	432	480	502	531
Net current assets	8 760	8 645	9 972	9 500	9 048	2 434
Total assets less current liabilities	19 984	20 315	22 536	24 041	22 456	20 983
Creditors due after more than one year						
Borrowings	2 992	2 844	2 739	3 274	2 587	2 678
Other creditors	165	204	429	436	419	519
Provisions for liabilities and charges						
Pensions and similar obligations	1 841	2 066	2 526	2 930	2 978	3 166
Deferred taxation and other provisions	1 893	1 951	2 213	2 551	2 258	1 800
Outside interests in group companies	678	692	597	738	684	563
Capital and reserves						
Called up share capital	1 478	1 476	1 477	1 400	1 399	1 396
Share premium account	94	90	91	89	87	81
Profit retained and other reserves	10 843	10 992	12 464	12 623	12 044	10 780
	12 415	12 558	14 032	14 112	13 530	12 257
Total capital employed	19 984	20 315	22 536	24 041	22 456	20 983

^{a)} 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.

Significant parts of the Chesebrough-Pond's group are intended for early disposal and steps are actively being taken to sell them. Completion of the complex process of attributing fair values to the worldwide assets and liabilities of the remaining businesses, and of restating them in accordance with Unilever's accounting policies, would have given rise to a delay in the preparation of Unilever's group accounts disproportionate to the value of the information to shareholders. 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 is considered that the true and fair view in the Unilever 1986 Annual Accounts is better served by not consolidating Chesebrough-Pond's Inc. and its subsidiaries.

Accordingly, the Unilever investment in Chesebrough-Pond's Inc. is included in the group accounts at cost. It is expected that, following the revaluation and restatement of the assets and liabilities of the Chesebrough-Pond's group in 1987, a substantial part of the purchase consideration will relate to intangible assets and goodwill.

A summary of the audited consolidated balance sheet of Chesebrough-Pond's Inc. and its subsidiaries at 31st December, 1986, prepared in US dollars under United States' generally accepted accounting principles and translated into guilders at the year-end rate of exchange, appears in note (9) on page 14 of the annual accounts booklet.

for the year ended 31st December

Fl. million	1981	1982	1983	1984	1985	1986
Funds generated from operations						
Profit on ordinary activities before taxation	3 347	3 068	3 416	3 823	3 814	3 694
Elimination of items not involving a flow of funds:						
Depreciation	1 098	1 153	1 319	1 395	1 385	1 282
Others	115	179	267	150	142	260
	4 560	4 400	5 002	5 368	5 341	5 236
Increase/decrease in borrowings due after more than one year	292	(84)	(135)	107	(473)	330
Total sources	4 852	4 316	4 867	5 475	4 868	5 566
Taxation payments during the year	(924)	(1 091)	(1 325)	(1 198)	(1 406)	(1 317)
Dividends paid during the year	(564)	(580)	(591)	(641)	(690)	(704)
Capital expenditure less disposals	(1 911)	(1 821)	(1 960)	(2 101)	(2 363)	(1 932)
Purchase/sale of group companies	52	(370)	(46)	(2 340)	402	(605)
Purchase/sale of fixed investments	(18)	1	280	(7)	57	25
Increase/decrease in stocks, debtors, trade and other creditors	(794)	(263)	(95)	(659)	388	448
Other uses	185	(21)	(152)	(141)	(257)	(303)
Total uses	(3 974)	(4 145)	(3 889)	(7 087)	(3 869)	(4 388)
Net increase/decrease in net liquid funds ^{a)}	878	171	978	(1 612)	999	1 178
Net liquid funds - 31st December	1 189	1 262	2 112	323	1 971	3 318
of which:						
Current investments	897	865	1 744	1 856	3 492	6 467
Cash at bank and in hand	2 374	2 349	2 400	2 752	2 398	3 997
Borrowings due within one year	(2 082)	(1 952)	(2 032)	(4 285)	(3 919)	(7 146)

^{a)} Excludes effect of exchange rate changes on opening balances.

ADDITIONAL GEOGRAPHIC AND SEGMENTAL INFORMATION

Fl. million	1981	1982	1983	1984	1985	1986
Turnover						
Europe	37 943	36 503	37 938	40 544	42 381	33 823
North America	7 020	7 565	9 550	12 838	11 553	9 726
Rest of the World	11 152	11 835	11 946	13 409	12 837	11 814
	56 115	55 903	59 434	66 791	66 771	55 363
Food products	25 770	25 800	28 485	33 507	33 930	27 536
Detergents and personal products	13 210	13 763	15 407	17 371	16 242	15 566
Speciality chemicals	3 418	3 596	4 068	4 998	4 785	4 192
Other operations	13 717	12 744	11 474	10 915	11 814	8 069
	56 115	55 903	59 434	66 791	66 771	55 363
Operating profit						
Europe	1 783	1 363	1 473	1 707	2 083	2 047
North America	360	428	622	784	432	369
Rest of the World	1 182	1 208	1 228	1 350	1 282	1 216
	3 325	2 999	3 323	3 841	3 797	3 632
Food products	1 545	1 445	1 622	2 001	1 958	1 973
Detergents and personal products	1 030	984	1 070	1 030	699	815
Speciality chemicals	272	309	433	533	508	441
Other operations	478	261	198	277	632	403
	3 325	2 999	3 323	3 841	3 797	3 632
Profit on ordinary activities attributable to shareholders						
Europe	1 080	825	877	1 103	1 359	1 522
North America	155	194	298	349	159	97
Rest of the World	629	576	538	626	546	525
	1 864	1 595	1 713	2 078	2 064	2 144
Capital employed						
Europe	13 531	13 152	14 243	13 811	13 884	14 167
North America	2 897	3 056	3 692	4 607	3 942	3 117
Rest of the World	3 556	4 107	4 601	5 623	4 630	3 699
	19 984	20 315	22 536	24 041	22 456	20 983
Capital expenditure						
Europe	1 338	1 233	1 270	1 333	1 515	1 387
North America	208	254	443	675	704	452
Rest of the World	555	546	467	458	434	406
	2 101	2 033	2 180	2 466	2 653	2 245
Food products	882	843	843	1 028	1 056	999
Detergents and personal products	468	522	574	698	616	583
Speciality chemicals	146	132	204	244	457	277
Other operations	605	536	559	496	524	386
	2 101	2 033	2 180	2 466	2 653	2 245

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total year
Turnover					
1986					
Fl. million	13 196	14 153	13 526	14 488	55 363
%	24	26	24	26	100
<hr/>					
1985					
Fl. million	17 314	16 663	16 301	16 493	66 771
%	26	25	24	25	100
<hr/>					
Operating profit					
1986					
Fl. million	745	1 024	997	866	3 632
%	21	28	27	24	100
<hr/>					
1985					
Fl. million	817	959	960	1 061	3 797
%	22	25	25	28	100
<hr/>					
Profit before taxation					
1986					
Fl. million	762	1 003	1 031	898	3 694
%	21	27	28	24	100
<hr/>					
1985					
Fl. million	782	948	979	1 105	3 814
%	20	25	26	29	100
<hr/>					
Profit on ordinary activities attributable to shareholders					
1986					
Fl. million	420	540	585	599	2 144
%	20	25	27	28	100
<hr/>					
1985					
Fl. million	383	492	527	662	2 064
%	18	24	26	32	100
<hr/>					
Earnings per share					
1986					
Guilders per Fl. 20 of capital	7.47	9.63	10.43	10.69	38.22
Pence per 25p of capital	34.76	44.72	48.50	49.57	177.55
<hr/>					
1985					
Guilders per Fl. 20 of capital	6.81	8.77	9.39	11.82	36.79
Pence per 25p of capital	25.60	32.87	35.30	44.19	137.96

The figures differ from those originally published due to results for both years having been recalculated at the year-end rates of exchange used for the respective years.

	1981	1982	1983	1984	1985	1986
Earnings per share ^{a)}						
Guilders per Fl. 20 of capital	33.16	28.34	30.46	37.01	36.79	38.22
Pence per 25p of capital	105.39	100.41	102.84	134.33	137.96	177.55
Ordinary dividends						
N.V. - Guilders per Fl. 20 of capital	12.04	12.04	13.02	14.11	14.82	15.33
PLC - Pence per 25p of capital	26.87	28.83	30.86	35.52	38.62	51.16
Capital expenditure (Fl. million)						
Depreciation (Fl. million)	2 101	2 033	2 180	2 466	2 653	2 245
	1 098	1 153	1 319	1 395	1 385	1 282
Employees (group companies)						
Staff costs (Fl. million)	10 814	10 697	11 491	11 701	11 418	10 006
Number (in thousands) at 31st December	292	283	267	254 ^{b)}	304	298^{c)}
Ratios ^{d)}						
Operating margin (%)	5.9	5.4	5.6	5.8	5.7	6.6
Return on capital employed (%)	10.7	9.3	8.8	9.9	10.5	11.3
Return on shareholders' equity (%)	15.2	12.9	12.3	14.9	15.5	17.8
Gearing (%)	27.9	26.2	24.6	33.7	31.4	43.4
Share prices						
N.V. per Fl. 20 ordinary share						
In Amsterdam (guilders)						
High	164	211	254	317	405	528
Low	123	143	188	231	313	344
PLC per 25p ordinary share						
In London (pence)						
High	652	805	895	1 100	1 375	2 208
Low	438	555	695	835	1 000	1 325

^{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 the dividends and other rights and benefits attaching to each Fl. 12 nominal of ordinary capital of N.V. to 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)} 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.

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

^{d)} Operating margin is operating profit expressed as a percentage of turnover. Return on capital employed is the sum of profit 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.

1986 above 1985	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.)		3.23 4.00	0.0543 0.0551	1.1296 1.1264	0.3409 0.3670	0.1604 0.1603	2.1800 2.7600	1.3511 1.3365
In millions of currency								
Turnover	55 363 66 771	17 140 16 693	1 019 499 1 211 902	49 021 59 260	162 318 181 952	345 204 416 487	25 368 24 205	40 965 49 912
Operating profit	3 632 3 797	1 124 949	66 873 68 912	3 215 3 370	10 647 10 346	22 643 23 683	1 664 1 376	2 687 2 838
Profit on ordinary activities before taxation	3 694 3 814	1 143 953	68 015 69 219	3 270 3 385	10 829 10 392	23 030 23 788	1 692 1 382	2 733 2 851
Profit on ordinary activities after taxation	2 265 2 223	701 556	41 695 40 340	2 005 1 973	6 638 6 056	14 118 13 863	1 037 805	1 675 1 661
Profit on ordinary activities attributable to shareholders	2 144 2 064	664 516	39 483 37 467	1 898 1 832	6 286 5 625	13 369 12 876	982 748	1 586 1 543
Ordinary dividends	751 718	232 179	13 831 13 042	665 638	2 202 1 958	4 683 4 482	344 260	556 537
Profit of the year retained	1 377 1 330	427 333	25 365 24 139	1 220 1 180	4 038 3 624	8 589 8 296	631 482	1 019 994
In units of currency								
Earnings per share								
Per Fl. 20 of capital	38.22 36.79	1 183.67p 919.71p	703.91 667.67	33.84 32.66	112.12 100.24	238.29 229.50	17.51 13.33	28.29 27.53
Per 25p of capital	5.73 5.52	177.55p 137.96p	105.59 100.15	5.08 4.90	16.82 15.04	35.74 34.42	2.63 2.00	4.24 4.13
Ordinary dividends ^{b)}								
N.V. – per Fl. 20 of capital	15.33 14.82	474.61p 370.50p	282.32 268.97	13.57 13.16	44.97 40.38	95.57 92.45	7.03 5.37	11.35 11.09
PLC – per 25p of capital	1.65 1.54	51.16p 38.62p	30.43 28.04	1.46 1.37	4.84 4.21	10.30 9.64	0.76 0.56	1.22 1.15

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

^{b)} 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.

Movements between 1985 and 1986 will vary according to the currencies in which the figures are expressed.

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.

The geographical spread of N.V.'s ordinary shareholdings (which are largely in bearer form) based on the country of payment of the final dividend paid in 1985 and 1986 was:

	1985	1986
	%	%
The Netherlands	55	58
United States	20	16
Switzerland	15	15
United Kingdom	4	4
Germany	2	2
Belgium	2	2
France	1	1
Other countries	1	2
	100	100

PLC

The shares of Unilever PLC are listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited and, as American Depository Receipts, in New York.

In 1986, as in 1985, the holders of over 99% of PLC's ordinary shares had registered addresses in the United Kingdom.

**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
6¾% 1991	Paid 26th August
7½% 1993	Paid 12th November

PLC

Unsecured loan stocks	Paid 30th June and 31st December
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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	Early March

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, 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 1986, together with the auditors' report thereon and some additional information, are contained in a separate booklet entitled 'Unilever in 1986, Annual Accounts', 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 1986.

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, of the Chesebrough-Pond's Consolidated Financial Statements for 1986, 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.

