

Disclaimer

This PDF is a section of the Unilever Annual Report & Accounts and Form 20-F 2003 provided to Unilever's shareholders. It does not contain sufficient information to allow a full understanding of the results of the Unilever Group and the state of affairs of Unilever N.V., Unilever PLC or the Unilever Group. For further information the Unilever Annual Report & Accounts and Form 20-F 2003 should be consulted.

Certain sections of the Unilever Annual Report & Accounts and Form 20-F 2003 have been audited. Sections that have been audited are set out on pages 73 to 125, 131 to 147 and 149 to 150. The auditable part of the Directors' Remuneration report as set out on page 68 has also been audited.

The maintenance and integrity of the Unilever website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters. Accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially placed on the website.

Legislation in the United Kingdom and the Netherlands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclaimer Except where you are a shareholder, this material is provided for information purposes only and is not, in particular, intended to confer any legal rights on you.

The Annual Report & Accounts and Form 20-F does not constitute an invitation to invest in Unilever shares. Any decisions you make in reliance on this information are solely your responsibility.

The information is given as of the dates specified, is not updated, and any forward-looking statements are made subject to the reservations specified on page 3 of the Report.

Unilever accepts no responsibility for any information on other websites that may be accessed from this site by hyperlinks.

Operating review by region

Europe

Turnover € million

2003	18 297
2002	19 657
2001	20 220

At current exchange rates

Operating profit € million

2003	2 576
2002	1 620
2001	2 433

At current exchange rates

Operating profit BEIA € million

2003	3 032
2002	2 746
2001	2 690

At current exchange rates

2003 results compared with 2002

	€ million	€ million	€ million	€ million	%	%
	2003 at 2002 rates	Exchange rate effects	2003 at 2003 rates	2002 at 2002 rates	Change at actual current rates	Change at constant 2002 rates
Group turnover	18 720	(512)	18 208	19 573	(7)%	(4)%
Group operating profit	2 617	(54)	2 563	1 598	60%	64%
Turnover	18 809	(512)	18 297	19 657	(7)%	(4)%
Operating profit BEIA	3 101	(69)	3 032	2 746	10%	13%
Exceptional items	46	3	49	(615)		
Amortisation – goodwill and intangible assets	(516)	11	(505)	(511)		
Operating profit	2 631	(55)	2 576	1 620	59%	62%
Operating margin	14.0%		14.1%	8.2%		
Operating margin BEIA	16.5%		16.6%	14.0%		

Turnover and underlying sales growth (at constant 2002 rates)

	2003 vs 2002
Underlying sales growth (%)	0.6
Effect of acquisitions (%)	0.4
Effect of disposals (%)	(5.3)
Turnover growth (%)	(4.3)

Turnover fell by 7% at current rates of exchange, with currency movements contributing a 3% decline. Operating profit grew by 59% and operating profit BEIA grew by 10%, with currency movements contributing 3% declines in both cases. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Difficult economic conditions in a number of countries have been reflected in the consumer, retail and competitive environment in 2003 and in general market growth rates have slowed significantly. Against this background, underlying sales grew by 0.6%, with volume ahead by 0.4%. Turnover was 4% lower than last year through the impact of planned disposals.

There has been continued strong growth in mass personal care, partly offset by a sharp decline in prestige fragrances and the impact of price-competitive markets in laundry. In foods, growth by category in part reflects the exceptionally hot summer weather, with strong gains in ready-to-drink tea and ice cream, but lower consumption in savoury, frozen meals and cooking products.

Highlights of another good year in personal care were the launch of *Sunsilk* across the region and the roll-out of *Dove* shampoo. Other key innovations included the *Dove Silk* hand, body and shower range, *Dove* exfoliating bar, new variants of *Axe* and the *Crystal* variant of *RexonaSure*.

In laundry, good progress has been made in improving the profitability of our business through cost reduction and a strategy of focus on priority brands and markets. This has allowed us both to increase margins and to generate the funds to respond to increased levels of price competition which had led to the loss of one market share point in the year, primarily to retailer own brands.

There has been good growth in spreads and cooking products for our Healthy Heart brands *Becel/Flora*. For our family brands such as *Rama* and *Blue Band* we adopted a strategy of recovering substantial increases in edible oil costs which some competitors have not followed. However, overall we have held market share. We have a strong innovation programme planned for both family and heart health brands into 2004. This includes the roll-out of the *Rama/Blue Band Finesse* range of cream alternatives and the extension of the *pro-activ* brand to adjacent categories, for which we now have regulatory clearance.

Knorr Mealkits and *Good For You* soups were successfully launched, though overall growth for the year was held back by low consumption in the very hot summer months. *Hellmann's* and *Bertolli* both grew strongly, with the latter benefiting from extensions into pasta sauces, dressings and toppings. Growth in *UBF Foodsolutions* accelerated through the year, returning to a good level in the second half, particularly through soups in the UK, the *Bertolli* range in Italy and the launch of *Knorr* dairy cream alternatives in the fourth quarter.

Tea-based beverages have performed well with an excellent contribution from *Lipton* ready-to-drink, including green tea and fruit juice variants. Ice cream sales also grew strongly, helped by the hot summer weather and innovations including *Magnum 7 Sins*, *Magnum Moments*, *Magnum* snacking bars and the roll-out of the *Fruit & Fresh* mix of yoghurt and ice cream.

In frozen foods we have been reshaping around faster-growing segments of the market and have been restructuring with further gains in profitability. Our priority going forward will be to return the business to a consistent level of sales growth through a more rapid transfer of successful concepts across markets, including *Knorr* frozen, which is now in seven markets, and through planned innovations in the areas of kids' nutrition, convenience meals and concepts based on fresh and natural ingredients such as the recently launched range of *Steam Fresh* vegetables.

The regional operating margin BEIA at 16.5% was 2.5% ahead of last year. This reflects the contribution from our restructuring and savings programmes, improved mix from portfolio change and our strategy for improving profitability in home care.

Operating review by region

Europe (continued)

2002 results compared with 2001

	€ million	€ million	€ million	€ million	%	%
	2002 at 2001 rates	Exchange rate effects	2002 at 2002 rates	2001 at 2001 rates	Change at actual current rates	Change at constant 2001 rates
Group turnover	19 617	(44)	19 573	20 119	(3)%	(2)%
Group operating profit	1 580	18	1 598	2 412	(34)%	(34)%
Turnover	19 700	(43)	19 657	20 220	(3)%	(3)%
Operating profit BEIA	2 746	–	2 746	2 690	2%	2%
Exceptional items	(633)	18	(615)	254		
Amortisation – goodwill and intangible assets	(511)	–	(511)	(511)		
Operating profit	1 602	18	1 620	2 433	(33)%	(34)%
Operating margin	8.1%		8.2%	12.0%		
Operating margin BEIA	13.9%		14.0%	13.3%		

Turnover and underlying sales growth

(at constant 2001 rates)	2002 vs 2001
Underlying sales growth (%)	3.1
Effect of acquisitions (%)	0.5
Effect of disposals (%)	(6.0)
Turnover growth (%)	(2.6)

Turnover fell by 3% with no impact from currency movements. Operating profit fell by 33% and operating profit BEIA grew by 2%, with currency movements having only a minor effect. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Underlying sales grew 3% with a continuing significant contribution from Central and Eastern Europe. Turnover was 3% lower than last year because of the impact of disposals.

Operating margin decreased 3.9% to 8.1%, but operating margin BEIA increased by 0.6% to 13.9%. This reflected the benefits from our savings programmes, including the integration of Bestfoods and strong growth in ice cream profitability driven by mix improvements and cost reductions. These gains were partly reinvested in additional support for the leading brands.

Western Europe

In Foods, underlying sales grew by 3%, including an increasing contribution from *UBF Foodsolutions*, our food service business. There was sustained progress in branded spreads and cooking products, which grew 5% due to the continuing impact of

innovations, especially in *BecellFlora*, which grew by over 10%. Savoury and dressings grew 4% with marketplace activity behind *Amora*, *Hellmann's*, *Bertolli*, *Knorr* and *Pot Noodle* and the launches of soup makers, chilled soups and *Bertolli* pasta sauces towards the end of the year. *Slim•Fast* also grew well as we continued its roll-out. Ice cream showed great resilience with innovations such as *Cornetto Soft* and snack-size ice creams helping to offset the impact of poorer weather than the prior year to give underlying sales growth of 1%.

In Home & Personal Care in Western Europe, good growth in skin, deodorants and hair included particularly strong performances through innovation and range extension in *Dove*, *Rexona* and *Axe*. Laundry volumes grew by 4%, which was partly offset by pricing in a competitive environment to give an underlying sales growth of 1%, with market share being maintained.

Central and Eastern Europe

Underlying sales grew by 9% with particular strength in dressings, tea, household care and personal care. We made further good progress in Russia.

Operating review by region

North America

Turnover € million

2003	9 869
2002	12 568
2001	13 880

At current exchange rates

Operating profit € million

2003	1 101
2002	1 573
2001	1 159

At current exchange rates

Operating profit BEIA € million

2003	1 660
2002	2 070
2001	1 999

At current exchange rates

2003 results compared with 2002

	€ million	€ million	€ million	€ million	%	%
	2003 at 2002 rates	Exchange rate effects	2003 at 2003 rates	2002 at 2002 rates	Change at actual current rates	Change at constant 2002 rates
Group turnover	11 596	(1 822)	9 774	12 446	(21)%	(7)%
Group operating profit	1 263	(192)	1 071	1 541	(30)%	(18)%
Turnover	11 710	(1 841)	9 869	12 568	(21)%	(7)%
Operating profit BEIA	1 975	(315)	1 660	2 070	(20)%	(5)%
Exceptional items	(174)	35	(139)	(3)		
Amortisation – goodwill and intangible assets	(503)	83	(420)	(494)		
Operating profit	1 298	(197)	1 101	1 573	(30)%	(17)%
Operating margin	11.1%		11.2%	12.5%		
Operating margin BEIA	16.9%		16.8%	16.5%		

Turnover and underlying sales growth (at constant 2002 rates)

	2003 vs 2002
Underlying sales growth (%)	(3.1)
Effect of acquisitions (%)	0.1
Effect of disposals (%)	(4.0)
Turnover growth (%)	(6.8)

Turnover fell by 21% at current rates of exchange, with currency movements contributing a 14% decline. Operating profit fell by 30% and operating profit BEIA fell by 20%, with currency movements principally the weakening of the US dollar contributing 13% and 15% respectively. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Underlying sales declined by 3.1%, including a positive 0.2% from pricing. The performance of *Slim•Fast* and prestige fragrances, in combination with the one-off impacts of trade de-stocking and weak out-of-home channels in the first half of the year, diluted underlying sales growth by 3.6%. Turnover, including the impact of disposals, declined by 7%.

In mass personal care we improved our overall market position through *Axe* deodorants, and have established the *Dove* brand in daily hair care. In laundry we have further improved profitability, notwithstanding negative pricing through bonus pack promotions in a competitive market in which we have lost a little under one percentage point of market share.

Our prestige fragrance business has declined in weak markets. Our priority has been to restructure the business onto a more robust footing. We have refocused the brand portfolio and we are reducing costs to release funds for future investment behind innovation in the leading brands.

Unilever Bestfoods sales grew in a competitive market and in a year in which we successfully introduced a new 'go to market' approach. Particular strengths were *Hellmann's*, *Lipton* and *Bertolli* through pasta sauces and frozen foods, *Becel* margarine in Canada and *Lawry's* through the new *Spice Blends* steak sauce. These good performances were partly offset by declines in spreads consumption because of lower butter prices, and by declines in *Bertolli* olive oil and in *Ragú* pasta sauces due to changes in our approach to promotional plans and timing.

In ice cream we continue to grow well and gain market share, notwithstanding weak out-of-home markets. *Breyers* and *Good Humor* performed strongly in grocery channels, including the extension of the health range and the introduction of *Slim•Fast*.

Our *Foodsolutions* business moved ahead despite weak market conditions with a stronger performance in the second half of the year.

Slim•Fast has been heavily affected by changing consumer tastes and dieting choices. We have responded with the launch of a range of new products in the second half of the year, and a relaunch of the brand at the start of 2004. We remain confident of the longer-term growth opportunity, based on our leadership of this large growth market and the proven approach of *Slim•Fast* to healthy weight management underpinned by clinical studies and continued strong endorsement from the medical profession.

The regional operating margin BEIA at 16.9% was 0.4% ahead of the prior year.

Operating review by region

North America (continued)

2002 results compared with 2001

	€ million	€ million	€ million	€ million	%	%
	2002 at 2001 rates	Exchange rate effects	2002 at 2002 rates	2001 at 2001 rates	Change at actual current rates	Change at constant 2001 rates
Group turnover	13 077	(631)	12 446	13 767	(10)%	(5)%
Group operating profit	1 614	(73)	1 541	1 127	37%	43%
Turnover	13 205	(637)	12 568	13 880	(9)%	(5)%
Operating profit BEIA	2 173	(103)	2 070	1 999	4%	9%
Exceptional items	(7)	4	(3)	(276)		
Amortisation – goodwill and intangible assets	(519)	25	(494)	(564)		
Operating profit	1 647	(74)	1 573	1 159	36%	42%
Operating margin	12.5%		12.5%	8.4%		
Operating margin BEIA	16.5%		16.5%	14.4%		

Turnover and underlying sales growth

(at constant 2001 rates)	2002 vs 2001
Underlying sales growth (%)	1.1
Effect of acquisitions (%)	0.2
Effect of disposals (%)	(6.1)
Turnover growth (%)	(4.9)

Turnover fell by 9% with currency movements contributing a 4% reduction. Operating profit rose by 36% and operating profit BEIA grew by 4%, with currency movements contributing reductions of 6% and 5% respectively. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Underlying sales grew 1% with a stronger performance in the second half as marketplace activity built through the year. Turnover declined 5% through the impact of disposals, notably DiverseyLever and Mazola.

In Foods, underlying sales grew 2% and our market shares remained firm. *Slim•Fast* continued to expand, passing the €1 billion turnover mark globally. Ice cream grew at over 5% and *Wishbone*, *Becel* and *Knorr* also moved ahead well. In addition to an active programme behind these brands, innovations including *Lipton Brisk* lemonade and *Ragú Rich and Meaty* sauces led growth in the second half of the year. Overall, underlying sales

growth in 2002 was held back by promotional price competition in mayonnaise, the exit from *Hellmann's* pourable dressings and the impact of lower butter prices on the margarine market.

In Home & Personal Care, underlying sales growth was flat for 2002, with an improved performance in the latter part offsetting a slow start to the year. This reflected both the timing of the overall innovation plan and the steps taken to improve profitability in laundry to give the base for a more active programme from the fourth quarter. The successful launches of *Axe* deodorant and *all* fabric conditioner and the relaunch of *Dove* body wash contributed to a strong finish to the year.

Operating margin increased 4.1% to 12.5% and operating margin BEIA increased by 2.1% to 16.5% in 2002. This was driven particularly by improvements in laundry profitability but also widespread benefits from savings programmes partly reinvested in additional advertising and promotion.

Operating review by region Africa, Middle East and Turkey

Turnover € million

2003	3 302
2002	3 225
2001	3 455

At current exchange rates

Operating profit € million

2003	422
2002	291
2001	208

At current exchange rates

Operating profit BEIA € million

2003	438
2002	349
2001	373

At current exchange rates

2003 results compared with 2002

	€ million	€ million	€ million	€ million	%	%
	2003 at 2002 rates	Exchange rate effects	2003 at 2003 rates	2002 at 2002 rates	Change at actual current rates	Change at constant 2002 rates
Group turnover	3 360	(84)	3 276	3 139	4%	7%
Group operating profit	428	(9)	419	282	49%	52%
Turnover	3 390	(88)	3 302	3 225	2%	5%
Operating profit BEIA	450	(12)	438	349	26%	29%
Exceptional items	7	(1)	6	(39)		
Amortisation – goodwill and intangible assets	(25)	3	(22)	(19)		
Operating profit	432	(10)	422	291	45%	48%
Operating margin	12.7%		12.8%	9.0%		
Operating margin BEIA	13.3%		13.3%	10.8%		

Turnover and underlying sales growth (at constant 2002 rates)

	2003 vs 2002
Underlying sales growth (%)	7.4
Effect of acquisitions (%)	1.6
Effect of disposals (%)	(3.7)
Turnover growth (%)	5.1

Turnover grew by 2% at current rates of exchange, with currency movements contributing a 3% decline. Operating profit grew by 45% and operating profit BEIA grew by 26%, with currency movements contributing 3% declines in both cases. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Underlying sales grew 7.4% with 5% from volume growth. Turnover grew 5% including the net impact of acquisitions and disposals.

Innovations behind the *Omo* and *Surf* brands were the drivers of an excellent performance in laundry. In personal care, *Dove*, *Lux*

and *Rexona* all grew at over 20%, while *Sunsilk* has achieved the leading position in hair care in Turkey.

In Foods, growth in savoury was led by *Knorr*, and included the launch into a number of countries in the Middle East. Ice cream and *Lipton* tea also grew well, while volumes declined in cooking oils, especially in French West Africa.

The regional operating margin BEIA at 13.3% was 2.5% ahead of last year, mainly through higher gross margins from production-cost reduction, the benefits of volume growth and the reversal of previous devaluation-led cost increases.

Operating review by region

Africa, Middle East and Turkey (continued)

2002 results compared with 2001

	€ million	€ million	€ million	€ million	%	%
	2002 at 2001 rates	Exchange rate effects	2002 at 2002 rates	2001 at 2001 rates	Change at actual current rates	Change at constant 2001 rates
Group turnover	3 654	(515)	3 139	3 191	(2)%	15%
Group operating profit	342	(60)	282	196	44%	74%
Turnover	3 754	(529)	3 225	3 455	(7)%	9%
Operating profit BEIA	422	(73)	349	373	(6)%	13%
Exceptional items	(45)	6	(39)	(139)		
Amortisation – goodwill and intangible assets	(23)	4	(19)	(26)		
Operating profit	354	(63)	291	208	40%	70%
Operating margin	9.4%		9.0%	6.0%		
Operating margin BEIA	11.2%		10.8%	10.8%		

Turnover and underlying sales growth

(at constant 2001 rates)	2002 vs 2001
Underlying sales growth (%)	6.5
Effect of acquisitions (%)	5.3
Effect of disposals (%)	(3.1)
Turnover growth (%)	8.6

Turnover fell by 7%, which included a 16% reduction arising from currency movements. Operating profit rose by 40% and operating profit BEIA fell by 6%, with currency movements contributing reductions of 30% and 19% respectively. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Underlying sales grew by 6.5% with turnover ahead by 8.6% as we now consolidated all of the Bestfoods Robertsons business following the increase in our shareholding.

Growth was broad-based across categories with the major contributions from marketing activities behind *Knorr*, *Lipton*, *Lux*,

Dove and laundry brands. South Africa performed particularly well with good underlying sales growth especially in *Omo*, *Sunsilk*, *Axe* and *Lux* in Home & Personal Care and *Knorr*, *Lipton*, *Rama* and *Flora pro•activ* in Foods. In Turkey, the weak economy led to consumer downtrading and market contraction and our sales declined as a result. Elsewhere in the region we strengthened our market position, particularly in Algeria, Arabia, Egypt, Morocco and West Africa.

Operating margin increased 3.4% to 9.4% and operating margin BEIA increased 0.4% to 11.2% in 2002 after an increase in investment behind the leading brands.

Operating review by region Asia and Pacific

Turnover € million

2003	7 094
2002	7 865
2001	8 046

At current exchange rates

Operating profit € million

2003	1 072
2002	1 102
2001	891

At current exchange rates

Operating profit BEIA € million

2003	1 024
2002	1 119
2001	1 088

At current exchange rates

2003 results compared with 2002

	€ million 2003 at 2002 rates	€ million Exchange rate effects	€ million 2003 at 2003 rates	€ million 2002 at 2002 rates	% Change at actual current rates	% Change at constant 2002 rates
Group turnover	8 039	(976)	7 063	7 679	(8)%	5%
Group operating profit	1 217	(145)	1 072	1 081	(1)%	13%
Turnover	8 076	(982)	7 094	7 865	(10)%	3%
Operating profit BEIA	1 166	(142)	1 024	1 119	(8)%	4%
Exceptional items	98	(10)	88	13		
Amortisation – goodwill and intangible assets	(47)	7	(40)	(30)		
Operating profit	1 217	(145)	1 072	1 102	(3)%	10%
Operating margin	15.1%		15.1%	14.0%		
Operating margin BEIA	14.4%		14.4%	14.2%		

Turnover and underlying sales growth (at constant 2002 rates)

	2003 vs 2002
Underlying sales growth (%)	3.7
Effect of acquisitions (%)	1.9
Effect of disposals (%)	(2.8)
Turnover growth (%)	2.7

Turnover fell by 10% at current rates of exchange, with currency movements contributing a 13% decline. Operating profit fell by 3% and operating profit BEIA fell by 8%, with currency movements, notably in India, contributing 13% and 12% respectively. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Underlying sales grew by 3.7%, almost entirely from volume. Turnover, including the net impact of acquisitions and disposals, increased by 2.7%.

In our Home & Personal Care consumer business, growth has been strong and broad-based across categories. Activities behind *Lux* included the launch of the *Lux Spa* range in Japan and *Lux Super Rich* shampoo in a number of markets. *Lifebuoy* was relaunched in India with new variants and the distribution of *Lifebuoy* shampoo was extended in Indonesia. *Pond's* growth was led by the launch of mini-pack moisturisers in Indonesia and good performances in China and India. The launch of the 'no marks' variant boosted growth of *Fair & Lovely* in India. Laundry

benefited from activities including the relaunch of *Breeze Colour* in Thailand, improved formulations in Vietnam and launches of variants of *Surf* with fabric conditioner, and a *Surf* bar with bleach in the Philippines. Sales in low-margin, non-consumer businesses were sharply lower, as planned.

In Foods the main focus in the year was improving the overall shape of the business. This included acquiring the outstanding part of the CPC/Ajinomoto joint venture, disposing of, or withdrawing from, several non-leading brands and improving the distribution system in the Philippines. This was reflected in a progressive pick-up in the growth of the leading brands over the year. Indonesia has made further progress with *Bango*, *Royco* and *Sariwangi* as we improved distribution. In leaf tea *Brooke Bond* was relaunched in India and *Lipton* green tea bags were launched in China. *Knorr Soupy Snax* were launched in India and the *Knorr* brand has grown well in China.

The regional operating margin BEIA at 14.4% was 0.2% ahead of the previous year after a 0.4% increase in advertising and promotions.

Operating review by region

Asia and Pacific (continued)

2002 results compared with 2001

	€ million	€ million	€ million	€ million	%	%
	2002 at 2001 rates	Exchange rate effects	2002 at 2002 rates	2001 at 2001 rates	Change at actual current rates	Change at constant 2001 rates
Group turnover	8 045	(366)	7 679	7 846	(2)%	3%
Group operating profit	1 130	(49)	1 081	873	24%	29%
Turnover	8 242	(377)	7 865	8 046	(2)%	2%
Operating profit BEIA	1 170	(51)	1 119	1 088	3%	8%
Exceptional items	13	–	13	(157)		
Amortisation – goodwill and intangible assets	(32)	2	(30)	(40)		
Operating profit	1 151	(49)	1 102	891	24%	29%
Operating margin	14.0%		14.0%	11.1%		
Operating margin BEIA	14.2%		14.2%	13.5%		

Turnover and underlying sales growth

(at constant 2001 rates)	2002 vs 2001
Underlying sales growth (%)	4.8
Effect of acquisitions (%)	0.3
Effect of disposals (%)	(2.6)
Turnover growth (%)	2.4

Turnover fell by 2%, with currency movements giving a reduction of 4%. Operating profit rose by 24% and operating profit BEIA rose by 3%, with currency movements contributing reductions of 5% in both cases. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Underlying sales grew by 4.8%. Including the impact of disposals, turnover grew by 2.4%.

Home & Personal Care grew well across both categories and countries. Indonesia, Philippines and Vietnam performed particularly well and skin, hair and deodorants all grew at over 10% across the region through innovations and support behind *Dove*, *Lifebuoy* and *Pond's*. Underlying sales growth in India accelerated through the year to reach 3% for the full year despite the planned harvesting of non-leading brands. The stronger second half in India was led by *Fair & Lovely* with the launch of a herbal variant, *Pond's* with new small packs, the launch of a

new *Vaseline* variant for treating damaged skin and good growth in laundry.

In Foods, good growth in South East Asia reflected the Bestfoods brands benefiting from the Unilever distribution system, innovation in *Knorr*, and a strengthening of the *Bango* soy sauce and *Sariwangi* tea brands in Indonesia. This performance was partly offset by declines in tea in Central Asia as prices were adjusted to reflect lower commodity prices and a focus on improving profitability as we exited from low-value, low-growth commoditised teas. In Japan the successful alliance with Suntory in ready-to-drink tea has doubled the market share of *Lipton* to over 25%.

Operating margin increased 2.9% to 14.0% and operating margin BEIA increased to 14.2% in 2002 with gains from our savings programmes partly reinvested in increased advertising and promotions.

Operating review by region

Latin America

Turnover € million

2003	4 380
2002	5 445
2001	6 605

At current exchange rates

Operating profit € million

2003	358
2002	505
2001	339

At current exchange rates

Operating profit BEIA € million

2003	618
2002	770
2001	882

At current exchange rates

2003 results compared with 2002

	€ million	€ million	€ million	€ million	%	%
	2003 at	Exchange	2003 at	2002 at	Change at	Change at
	2002 rates	rate	2003 rates	2002 rates	actual	constant
		effects			current rates	2002 rates
Group turnover	5 706	(1 334)	4 372	5 433	(20)%	5%
Group operating profit	489	(131)	358	505	(29)%	(3)%
Turnover	5 715	(1 335)	4 380	5 445	(20)%	5%
Operating profit BEIA	809	(191)	618	770	(20)%	5%
Exceptional items	(114)	10	(104)	(58)		
Amortisation – goodwill and intangible assets	(207)	51	(156)	(207)		
Operating profit	488	(130)	358	505	(29)%	(3)%
Operating margin	8.5%		8.2%	9.3%		
Operating margin BEIA	14.2%		14.1%	14.1%		

Turnover and underlying sales growth (at constant 2002 rates)

	2003 vs 2002
Underlying sales growth (%)	8.1
Effect of acquisitions (%)	0.1
Effect of disposals (%)	(3.1)
Turnover growth (%)	5.0

Turnover fell by 20% at current rates of exchange, with currency movements contributing a 25% decline. Operating profit fell by 29% and operating profit BEIA fell by 20%, with currency movements, notably in Brazil and Mexico, contributing 26% and 25% respectively. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Underlying sales grew by 8.1%, entirely through pricing as we recovered earlier devaluation-led cost increases. The speed of economic recovery is, however, uneven and Brazil in particular remains weak although we have seen a strong improvement in Argentina. Home & Personal Care moved back into positive volume growth in the second half of the year, but this was offset by continuing market declines in Foods categories, resulting in a 2.2% overall volume decline for the year. Including the impact of disposals, turnover increased 5.0%.

The key drivers of growth have been our personal care brands: *Lux*, which has been relaunched with innovations in both product and packaging; *Sunsilk*, including the test launch of hair colorants in Argentina, Mexico and Brazil and the success of the *Lisage* hair-straightening variant; *Rexona*, with the launch of a deodorant spray in Colombia and Venezuela; and *Axe*, with the launch of new variants and extension to new geographies.

In laundry we have continued to hold strong share positions and have delivered good growth. A series of innovations were introduced under the *Omo*, *Radiant* and *Surf* brands, and fabric conditioners in Argentina performed particularly well.

In Foods, markets continue to be competitive and consumption remains weak, especially in Brazil. Nonetheless we have continued to improve the base of our business. Innovations have boosted strong growth for the *AdeS* soy-based drink. *Arisco* has grown well in Brazil, showing the value of alternative 'smart choice' brands in a difficult economy. The savoury portfolio has been strengthened through the migration of the *Cica* brand to *Knorr* in Brazil and the introduction of *Knorr* to Central America. Overall growth in Foods is impacted by our actions to reduce the tail of non-leading brands by managing some brands for value through a harvest strategy or through disposal.

The regional operating margin BEIA at 14.2% was 0.1% ahead of last year with an improvement in gross margin partly reinvested in increased advertising and promotions. We are making good progress with savings programmes and have been progressively recovering the impact of devaluation-led cost increases.

Operating review by region

Latin America (continued)

2002 results compared with 2001

	€ million	€ million	€ million	€ million	%	%
	2002 at 2001 rates	Exchange rate effects	2002 at 2002 rates	2001 at 2001 rates	Change at actual current rates	Change at constant 2001 rates
Group turnover	7 106	(1 673)	5 433	6 591	(18)%	8%
Group operating profit	648	(143)	505	338	49%	92%
Turnover	7 119	(1 674)	5 445	6 605	(18)%	8%
Operating profit BEIA	1 022	(252)	770	882	(13)%	16%
Exceptional items	(95)	37	(58)	(261)		
Amortisation – goodwill and intangible assets	(279)	72	(207)	(282)		
Operating profit	648	(143)	505	339	49%	91%
Operating margin	9.1%		9.3%	5.1%		
Operating margin BEIA	14.4%		14.1%	13.4%		

Turnover and underlying sales growth

(at constant 2001 rates)	2002 vs 2001
Underlying sales growth (%)	12.1
Effect of acquisitions (%)	0.5
Effect of disposals (%)	(4.4)
Turnover growth (%)	7.8

Turnover fell by 18%, after a reduction of 26% arising from currency movements. Weaker currencies in Argentina and Brazil contributed 10% and 5% respectively to this decline. Operating profit rose by 49% and operating profit BEIA fell by 13%, with currency movements contributing reductions of 42% and 29% respectively. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Underlying sales grew by 12.1%, driven by pricing action to recover devaluation-led cost increases, particularly in Argentina. Outside Argentina, volumes grew by 2% with price ahead by 9%. Including the impact of disposals, turnover in the region grew by 8%. Excluding the impact of acquisitions and disposals, turnover was 14% below 2001 levels.

Personal care performed very strongly in 2002. *Sunsilk* shampoo marketed in Latin America as *Sedal* grew well across the region. *Dove* shampoo was launched in Brazil, Chile, Mexico and Peru and made very good progress. In deodorants, *Rexona* was successfully launched in Venezuela and relaunched in Colombia and we took clear market leadership in Mexico. In laundry,

market shares have held firm against our nearest competitor and we responded to changed economic conditions with packs which specifically address the reduced spending power of consumers.

In Foods, ice cream grew by over 10%, mostly volume, with the main contributions from Brazil and Mexico. Good performances were led by the launch of *Knorr* noodle cups in Mexico, an energised *Hellmann's* campaign in Chile and significant growth in *Arisco* in Brazil. In spreads, *Becel de Capullo* was launched in Mexico, introducing the *Becel* brand to that country. *Lipton* ready-to-drink tea continued to grow well in Brazil and the soy-based beverage *AdeS* made very good progress in both Brazil and Mexico.

In Argentina, consumer demand was considerably down and volumes were affected as a result. We continued to hold strong market shares and our experienced local management managed the business in a way which preserves its long-term health.

Operating margin increased 4.0% to 9.1% and operating margin BEIA increased by 1.0% to 14.4% in 2002, after an increase in investment behind the leading brands.

Operating review by category – Foods

Financial overview

Turnover € million

2003	24 200
2002	27 390
2001	28 796

At current exchange rates

Operating profit € million

2003	2 694
2002	2 166
2001	2 218

At current exchange rates

Operating profit BEIA € million

2003	3 900
2002	3 885
2001	3 968

At current exchange rates

2003 results compared with 2002

	€ million	€ million	€ million	€ million	%	%
	2003 at 2002 rates	Exchange rate effects	2003 at 2003 rates	2002 at 2002 rates	Change at actual current rates	Change at constant 2002 rates
Group turnover	26 212	(2 241)	23 971	26 937	(11)%	(3)%
Group operating profit	2 794	(146)	2 648	2 083	27%	34%
Turnover	26 470	(2 270)	24 200	27 390	(12)%	(3)%
Operating profit BEIA	4 226	(326)	3 900	3 885	0%	9%
Exceptional items	(115)	24	(91)	(489)		
Amortisation – goodwill and intangible assets	(1 265)	150	(1 115)	(1 230)		
Operating profit	2 846	(152)	2 694	2 166	24%	31%
Operating margin	10.8%		11.1%	7.9%		
Operating margin BEIA	16.0%		16.1%	14.2%		

Pages 32 to 39 present a review of performance in each major product category, which are as follows:

- Savoury and dressings
- Spreads and cooking products
- Health & wellness and beverages
- Ice cream and frozen foods

Included in the figures for each category are the results of our *UBF Foodsolutions* business.

Foods

During 2003, our leading brands grew by 1.2%, while underlying sales grew by 0.4%. Turnover fell by 12% at current rates of exchange, with currency movements contributing 9% of this decline. Operating profit rose by 24% and operating profit BEIA was flat. Operating margin increased to 11.1% (2002: 7.9%) and operating margin BEIA increased to 16.1% (2002: 14.2%).

Unilever's food and beverage brands and products are enjoyed by millions of people around the world. Our portfolio focuses increasingly on brands with the potential to grow across borders and categories, in markets that are growing rapidly as consumers

demand more choice, great taste, healthier options and convenience.

Since the creation of Unilever Bestfoods in 2000, we have continued to build the basis for sustained, profitable growth. We are shaping our leading brands for growth through innovation that targets fast-growing segments of the food and beverage market and by building brand equity, rationalising brand families and migrations. We are focusing our portfolio with an ambitious programme of disposals. We are improving profitability, simplifying the business and making good progress on all other key levers of value creation.

UBF Foodsolutions

UBF Foodsolutions is one of the world's largest food service businesses. It operates in more than 60 countries around the world.

The business is focused on delivering innovative, relevant solutions to the professional chef and caterer, leveraging our consumer brands – already 85% of product sales – and technology. In 2003, *UBF Foodsolutions* continued to grow despite challenging conditions in key markets.

Operating review by category – Foods

Savoury and dressings

Turnover € million

2003	8 609
2002	9 503
2001	9 999

At current exchange rates

Operating profit € million

2003	478
2002	427
2001	765

At current exchange rates

Operating profit BEIA € million

2003	1 496
2002	1 483
2001	1 634

At current exchange rates

2003 results compared with 2002

	€ million	€ million Exchange rate effects	€ million 2003 at 2003 rates	€ million 2002 at 2002 rates	% Change at actual current rates	% Change at constant 2002 rates
Group turnover	9 419	(868)	8 551	9 272	(8)%	2%
Group operating profit	499	(24)	475	399	19%	25%
Turnover	9 482	(873)	8 609	9 503	(9)%	0%
Operating profit BEIA	1 642	(146)	1 496	1 483	1%	11%
Exceptional items	(124)	14	(110)	8		
Amortisation – goodwill and intangible assets	(1 016)	108	(908)	(1 064)		
Operating profit	502	(24)	478	427	12%	18%
Operating margin	5.3%		5.6%	4.5%		
Operating margin BEIA	17.3%		17.4%	15.6%		

Turnover and underlying sales growth (at constant 2002 rates)

	2003 vs 2002
Underlying sales growth (%)	1.6
Effect of acquisitions (%)	1.6
Effect of disposals (%)	(3.3)
Turnover growth (%)	(0.2)

Turnover fell by 9% at current rates of exchange, with currency movements contributing a 9% decline. Operating profit grew by 12% and operating profit BEIA grew by 1%, with currency movements contributing a 6% and 10% decline respectively. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

Unilever's world leadership of both the savoury and dressings foods categories was maintained. The rate of growth in savoury slowed in 2003, partially due to a hot summer in Europe and weakness in food service markets in the first half of the year.

Brazil had a strong performance where the *Cica* migration to *Knorr* has gone well, substantially improving overall growth. Elsewhere, innovations responsive to consumer needs sparked growth. The success of wet soups in France continued, with *Knorr* growing and riding the 'ready-to' and Good For You wave. *Lipton* Asian side dish innovations in the US helped regain category leadership, while the *Knorr Cubitos* seasonings in Latin America is a fine example of the creative use of technology to target low-income consumers.

Knorr frozen is gaining momentum, now having an established presence in seven markets in Europe and with turnover now exceeding €100 million.

Dressings had a good year, with strong performances in Europe and the US. Results reflect good share performance in core markets and the positive impact of innovations.

Category growth was driven by *Hellmann's*, *Calvé* and *Amora*. *Hellmann's* benefited in key countries, particularly UK and Ireland, from a successful launch of snack sauces, strong promotional activity and favourable weather. *Calvé* was driven by good performance in Russia, based on the continued relaunch of mayonnaise and ketchup.

In North America, results were driven by a strong *Hellmann's* performance in a robust mayonnaise market, helped by additional promotional investment.

Operating review by category – Foods Savoury and dressings (continued)

2002 results compared with 2001

	€ million	€ million	€ million	€ million	%	%
	2002 at 2001 rates	Exchange rate effects	2002 at 2002 rates	2001 at 2001 rates	Change at actual current rates	Change at constant 2001 rates
Group turnover	9 887	(615)	9 272	9 597	(3)%	3%
Group operating profit	413	(14)	399	744	(46)%	(44)%
Turnover	10 138	(635)	9 503	9 999	(5)%	1%
Operating profit BEIA	1 602	(119)	1 483	1 634	(9)%	(2)%
Exceptional items	(4)	12	8	349		
Amortisation – goodwill and intangible assets	(1 155)	91	(1 064)	(1 218)		
Operating profit	443	(16)	427	765	(44)%	(42)%
Operating margin	4.4%		4.5%	7.7%		
Operating margin BEIA	15.8%		15.6%	16.3%		

Turnover and underlying sales growth

(at constant 2001 rates)	2002 vs 2001
Underlying sales growth (%)	4.1
Effect of acquisitions (%)	1.5
Effect of disposals (%)	(4.1)
Turnover growth (%)	1.4

Turnover fell by 5% at current rates of exchange, with currency movements accounting for a reduction of 6%. Operating profit fell by 44% and operating profit BEIA fell by 9%, with currency movements contributing reductions of 2% and 7% respectively. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

We are world leaders in both the savoury and dressings foods categories. *Knorr*, Unilever's biggest brand, grew across 100 markets in 2002 with products as diverse as seasonings and meal kits, snacks and frozen food. There was a clear acceleration in the pace of growth as the year progressed.

Innovation met the needs of consumers with a love of good food but little time to cook: for example, we introduced *Knorr* soupy snacks, *Knax* noodle cups, a snack launched in Latin America, and *Knorr Vie*, a healthy eating range in Europe. The growing international appeal of *Bertolli* delivered underlying sales growth for the brand of 8.5%. Once solely an Italian olive oil, the *Bertolli*

portfolio now ranges from pasta sauces and meal solutions to spreads and snacks.

The enduring popularity of mayonnaise drove good growth in *Hellmann's* in Europe and Latin America, but competitive pressure in North America and our withdrawal from liquid salad dressings affected the brand's overall performance, leaving turnover flat year-on-year. Australia was welcomed to the world of *Hellmann's* with the launch of dressings and mayonnaise.

Calvé and *Wishbone* also delivered strong results. Growth was fuelled by innovations that took our key dressings brands beyond mayonnaise into new tastes and flavours, dips and sauces, many inspired by *Amora* and *Maille*.

Underlying sales growth was 4% and, allowing for disposals, turnover increased 1% in 2002. Operating margin decreased 3.3% to 4.4% and operating margin BEIA was moderately below 2001 at 15.8%, after an increase in advertising and promotions.

Operating review by category – Foods

Spreads and cooking products

Turnover € million

2003	5 028
2002	6 216
2001	6 771

At current exchange rates

Operating profit € million

2003	789
2002	787
2001	771

At current exchange rates

Operating profit BEIA € million

2003	865
2002	967
2001	1 039

At current exchange rates

2003 results compared with 2002

	€ million	€ million Exchange rate effects	€ million 2003 at 2003 rates	€ million 2002 at 2002 rates	% Change at actual current rates	% Change at constant 2002 rates
Group turnover	5 366	(389)	4 977	6 145	(19)%	(13)%
Group operating profit	806	(24)	782	768	2%	5%
Turnover	5 419	(391)	5 028	6 216	(19)%	(13)%
Operating profit BEIA	911	(46)	865	967	(10)%	(6)%
Exceptional items	(9)	7	(2)	(161)		
Amortisation – goodwill and intangible assets	(89)	15	(74)	(19)		
Operating profit	813	(24)	789	787	0%	3%
Operating margin	15.0%		15.7%	12.7%		
Operating margin BEIA	16.8%		17.2%	15.5%		

Turnover and underlying sales growth (at constant 2002 rates)

	2003 vs 2002
Underlying sales growth (%)	(2.9)
Effect of acquisitions (%)	0.7
Effect of disposals (%)	(10.9)
Turnover growth (%)	(12.8)

Turnover fell by 19% at current rates of exchange, with currency movements contributing a 6% decline. Operating profit was flat and operating profit BEIA fell by 10%, with currency movements contributing 3% and 4% respectively. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

Against the backdrop of two years of strong growth, 2003 was a tough year for the margarine category due to relatively low butter prices in key markets, and the adverse impact on bread consumption driven by a strong consumer trend towards low carbohydrate diets in the US and UK. However, we maintained our market shares in key countries.

Becel/Flora, our Healthy Heart spreads brands, continued to grow on the strength of *pro•activ*, which grew strongly during 2003.

Sustained product efficacy endorsement by key opinion formers and healthcare professionals was key to continued momentum. The unique partnership of *Becel/Flora* with the World Heart Federation helped increase awareness on how lowering cholesterol can contribute to a healthy lifestyle.

Rama/Blue Band had a difficult start to the year due to severe price pressures mainly in Europe. The launch of dairy cream alternatives in several countries in Europe and Latin America in the fourth quarter is progressing well, with a roll-out to additional markets in 2004.

Innovation continues to be the key driver of growth in this category. Examples of adapting to local taste and storage conditions are evident in the launch of ambient stable margarines and sweet spreads in Africa and savoury spreads in Latin America.

Operating review by category – Foods

Spreads and cooking products (continued)

2002 results compared with 2001	€ million	€ million	€ million	€ million	%	%
	2002 at 2001 rates	Exchange rate effects	2002 at 2002 rates	2001 at 2001 rates	Change at actual current rates	Change at constant 2001 rates
Group turnover	6 401	(256)	6 145	6 681	(8)%	(4)%
Group operating profit	779	(11)	768	751	2%	4%
Turnover	6 474	(258)	6 216	6 771	(8)%	(4)%
Operating profit BEIA	990	(23)	967	1 039	(7)%	(5)%
Exceptional items	(169)	8	(161)	(259)		
Amortisation – goodwill and intangible assets	(22)	3	(19)	(9)		
Operating profit	799	(12)	787	771	2%	4%
Operating margin	12.3%		12.7%	11.4%		
Operating margin BEIA	15.3%		15.5%	15.3%		

Turnover and underlying sales growth (at constant 2001 rates)	2002 vs 2001
Underlying sales growth (%)	2.3
Effect of acquisitions (%)	0.5
Effect of disposals (%)	(6.9)
Turnover growth (%)	(4.4)

Turnover fell by 8% at current rates of exchange, with currency movements contributing a 4% reduction. Operating profit grew by 2% and operating profit BEIA fell by 7% with currency movements contributing reductions of 2% in both cases. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

In 2002, we built on our position as the market leader in branded margarine and spreads. In this sector, as elsewhere, the strength of our local roots and understanding of regional tastes and cultures helped deliver growth.

Innovation was key to our strong performance. The sustained success of *pro•activ*, an innovation that is proven to reduce cholesterol, continued to drive rapid growth in our leading

spreads brands, *Becel/Flora*, which grew by 11.6%. Healthier, more convenient cooking products, including *Rama* and *Culinesse* and family-oriented spreads, such as *Blue Band*, all contributed towards our good performance.

An important driver of success has been increasing support from key opinion formers, such as healthcare professionals. During the year, we complemented our alliances with national heart associations with the worldwide sponsorship of the World Heart Federation's World Heart Day.

Including the impact of disposing of several oil businesses, turnover fell 4% in 2002, while underlying sales grew by over 2%. Operating margin increased 0.9% to 12.3% but operating margin BEIA was unchanged from 2001 at 15.3%, after increased advertising and promotions investment.

Operating review by category – Foods

Health & wellness and beverages

Turnover € million

2003	3 569
2002	4 215
2001	4 299

At current exchange rates

Operating profit € million

2003	403
2002	383
2001	296

At current exchange rates

Operating profit BEIA € million

2003	527
2002	602
2001	559

At current exchange rates

2003 results compared with 2002

	€ million	€ million Exchange rate effects	€ million	€ million	% Change at actual current rates	% Change at constant 2002 rates
	2003 at 2002 rates		2003 at 2003 rates	2002 at 2002 rates		
Group turnover	3 910	(461)	3 449	4 064	(15)%	(4)%
Group operating profit	413	(46)	367	347	6%	19%
Turnover	4 052	(483)	3 569	4 215	(15)%	(4)%
Operating profit BEIA	603	(76)	527	602	(12)%	0%
Exceptional items	(11)	–	(11)	(99)		
Amortisation – goodwill and intangible assets	(137)	24	(113)	(120)		
Operating profit	455	(52)	403	383	5%	19%
Operating margin	11.2%		11.3%	9.0%		
Operating margin BEIA	14.9%		14.8%	14.3%		

Turnover and underlying sales growth (at constant 2002 rates)

	2003 vs 2002
Underlying sales growth (%)	(1.7)
Effect of acquisitions (%)	0.4
Effect of disposals (%)	(2.5)
Turnover growth (%)	(3.9)

Turnover fell by 15% at current rates of exchange, with currency movements contributing an 11% decline. Operating profit grew by 5% and operating profit BEIA fell by 12%, with currency movements contributing a 14% and 12% decline respectively. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

Health & wellness

In 2003, we encountered many challenges with the *Slim•Fast* brand while other parts of the health & wellness category performed well.

Turnover of *Slim•Fast* declined by 21% as the entire weight-loss category was hit by an unprecedented shift in consumer preferences towards low-carbohydrate products. The impact was especially pronounced in the US, the largest market for *Slim•Fast*. *Slim•Fast* has responded by focusing on the *Slim•Fast* Plan as a proven and effective weight-loss programme with an expanded range of products, including pasta and soups. Low-carbohydrate and high-protein products were also launched at the end of 2003.

AdeS, our healthy, nutritious drink had another very strong year in Latin America.

Beverages

Lipton had an excellent year with underlying sales growth of 8%. *Lipton* has continued to build on its natural vitality positioning and provides healthy, refreshing beverages, including a wide range of leaf tea offerings and ready-to-drink *Lipton* Ice Tea.

Growth was particularly strong in Europe where hot summer weather provided ideal market conditions for *Lipton* Ice Tea. *Lipton* Brewed Ice Tea was a very successful new innovation launched by *UBF Foodsolutions* in the US as we continue to build *Lipton* in the out-of-home segment. An improved marketing mix for *Lipton* Green – in both a cold and hot format – was successfully launched in Europe and extends *Lipton* into an important segment. We also expanded our successful North American partnership with Pepsi to include many more countries.

We continue to have strong positions in key traditional tea markets. In 2003, we had a very successful relaunch of the *Brooke Bond* brand in India.

Operating review by category – Foods Health & wellness and beverages (continued)

2002 results compared with 2001	€ million	€ million	€ million	€ million	%	%
	2002 at 2001 rates	Exchange rate effects	2002 at 2002 rates	2001 at 2001 rates	Change at actual current rates	Change at constant 2001 rates
Group turnover	4 308	(244)	4 064	4 150	(2)%	4%
Group operating profit	372	(25)	347	255	36%	46%
Turnover	4 467	(252)	4 215	4 299	(2)%	4%
Operating profit BEIA	641	(39)	602	559	8%	15%
Exceptional items	(105)	6	(99)	(127)		
Amortisation – goodwill and intangible assets	(127)	7	(120)	(136)		
Operating profit	409	(26)	383	296	29%	38%
Operating margin	9.2%		9.0%	6.9%		
Operating margin BEIA	14.3%		14.3%	13.0%		

Turnover and underlying sales growth (at constant 2001 rates)	2002 vs 2001
Underlying sales growth (%)	3.9
Effect of acquisitions (%)	0.6
Effect of disposals (%)	(0.5)
Turnover growth (%)	3.9

Turnover fell by 2% at current rates of exchange, with currency movements contributing a 6% reduction. Operating profit grew by 29% and operating profit BEIA grew by 8%, with currency movements contributing reductions of 9% and 7% respectively. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

Turnover increased by 4% and operating margin BEIA improved from 13.0% to 14.3%, through the benefits of our savings programmes and the exit from less profitable tea businesses in India.

Health & wellness

In 2002, we continued to meet the growing consumer demand for healthy food products, in both industrialised and developing markets.

New additions to the *Slim•Fast* range helped consumers to manage their weight healthily with food that fits into their daily lives. *Slim•Fast* turnover grew 10.8%, with a range extending from meal replacement drinks and bars to soups. It continued to expand beyond its US heartland, in the UK, Germany and the Netherlands. *Slim•Fast* continues to focus on the health & wellness consumer hotspot and is well positioned in relation to emerging concerns about obesity.

AdeS, our nutritious, healthy drink continued to grow strongly in Brazil, while we expanded *Telma*, a cereal brand from Israel, into snacking with the launch of children's cereal bars.

Beverages

Lipton grew by 3.8% with turnover in more than 100 countries. The *Lipton* product range is inspired by the healthy, refreshing qualities of tea and includes ready-to-drink *Lipton Ice Tea*, new concepts such as *Lipton Brisk* lemonade and a wide range of leaf tea offerings.

Ready-to-drink beverages continue to perform strongly. In leaf tea, an area which is critical for the overall health of our beverage business, we continued to focus on improving profitability and innovation. We continued to drive growth around the world through our *Lipton* 'Paint the World Yellow' campaign. This enabled us to position *Lipton* as a contemporary brand and to perform strongly in the growing out-of-home sector. As around a third of beverages are consumed outside the home, this sector is important for continued growth.

We maintained leadership positions in key traditional tea markets such as the UK and India.

Operating review by category – Foods

Ice cream and frozen foods

Turnover € million

2003	6 994
2002	7 456
2001	7 727

At current exchange rates

Operating profit € million

2003	1 024
2002	569
2001	386

At current exchange rates

Operating profit BEIA € million

2003	1 012
2002	833
2001	736

At current exchange rates

2003 results compared with 2002

	€ million	€ million Exchange rate effects	€ million	€ million	% Change at actual current rates	% Change at constant 2002 rates
	2003 at 2002 rates		2003 at 2003 rates	2002 at 2002 rates		
Group turnover	7 517	(523)	6 994	7 456	(6)%	1%
Group operating profit	1 076	(52)	1 024	569	80%	89%
Turnover	7 517	(523)	6 994	7 456	(6)%	1%
Operating profit BEIA	1 070	(58)	1 012	833	22%	28%
Exceptional items	29	3	32	(237)		
Amortisation – goodwill and intangible assets	(23)	3	(20)	(27)		
Operating profit	1 076	(52)	1 024	569	80%	89%
Operating margin	14.3%		14.6%	7.6%		
Operating margin BEIA	14.2%		14.5%	11.2%		

Turnover and underlying sales growth (at constant 2002 rates)

	2003 vs 2002
Underlying sales growth (%)	2.4
Effect of acquisitions (%)	0.2
Effect of disposals (%)	(1.8)
Turnover growth (%)	0.8

Turnover fell by 6% at current rates of exchange, with currency movements contributing a 7% decline. Operating profit grew by 80% and operating profit BEIA grew by 22%, with currency movements contributing a 9% and 6% decline respectively. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

Ice cream

Ice cream had a strong year with 4.3% underlying sales growth, assisted by good weather in Europe. In quarter one, the relaunch of the *Heart* brand strengthened its resonance with contemporary consumers, and innovations such as *Magnum 7 Sins*, *Magnum Bar & Sandwich* and *Carte d'Or* artisanal delivered strong growth. Originally launched in Australia, *Magnum 7 Sins* was successfully rolled out across Europe. Roll-out of *Cornetto* into the growing soft-serve out-of-home sector continued.

It was another excellent year for North America with strong performances from *Breyers*, *Klondike* and *Popsicle*, and new low-carbohydrate ice creams. Latin America continues to make good progress, driven by Mexico and Brazil.

Frozen foods

Frozen foods experienced a difficult year, resulting in a decline in 2003 with share growth in meals being offset by a decline in vegetables and fish. Recessionary trends and increased competition from private labels and discounters impacted sales in Germany and in the Netherlands. The main shortfalls were in *Iglo* and *Mora* while *Birds Eye* showed progress. *Knorr* frozen continued to deliver good growth and further roll-out is planned.

Operating review by category – Foods

Ice cream and frozen foods (continued)

2002 results compared with 2001

	€ million	€ million	€ million	€ million	%	%
	2002 at 2001 rates	Exchange rate effects	2002 at 2002 rates	2001 at 2001 rates	Change at actual current rates	Change at constant 2001 rates
Group turnover	7 646	(190)	7 456	7 727	(4)%	(1)%
Group operating profit	577	(8)	569	386	47%	49%
Turnover	7 646	(190)	7 456	7 727	(4)%	(1)%
Operating profit BEIA	849	(16)	833	736	13%	15%
Exceptional items	(244)	7	(237)	(321)		
Amortisation – goodwill and intangible assets	(28)	1	(27)	(29)		
Operating profit	577	(8)	569	386	47%	49%
Operating margin	7.5%		7.6%	5.0%		
Operating margin BEIA	11.1%		11.2%	9.5%		

Turnover and underlying sales growth

(at constant 2001 rates)	2002 vs 2001
Underlying sales growth (%)	2.9
Effect of acquisitions (%)	–
Effect of disposals (%)	(3.8)
Turnover growth (%)	(1.0)

Turnover fell by 4% at current rates of exchange, with currency movements contributing a 3% decline. Operating profit grew by 47% and operating profit BEIA grew by 13%, with currency movements contributing a reduction of 2% in both cases. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

Underlying sales growth for the year was 3%, but after the impact of disposals, turnover fell 1%. Operating margin BEIA improved from 9.5% to 11.1% after restructuring gains and higher brand investment.

Ice cream

In 2002, innovations under the *Heart* brand, including *Cornetto Soft*, *Magnum 7 Sins*, and others under *Paddle Pop* and *Carte d'Or*, delivered strong growth as they gave a new twist to a traditional favourite. North American ice cream brands *Breyers* and *Ben & Jerry's* also delivered good results.

In 2002 we took brands like *Cornetto* out of the static freezer box and into the growing soft-serve out-of-home sector, and continued to target the in-home sector with innovations such as mini multi-packs and *Cornetto* snack-size ice cream, both of which made good progress during the year.

We made good progress in Latin America and North America and, in the context of a poor summer, performed well in Europe.

Frozen foods

Convenience combined with fresh-tasting, high quality ingredients drove the success of our *Iglo*, *Birds Eye* and *Findus* frozen ready meal solutions, which grew by 11%. Our overall frozen foods turnover fell by 8% in 2002, primarily due to disposals. A strong fourth quarter driven by quality innovations and brand support resulted in an underlying sales growth of 1% for the year.

In 2002, underlying sales growth in ready meals was offset by the implications of the end of the BSE crisis, which in 2001 drove stronger demand for fish, especially in the UK.

Operating review by category – Home & Personal Care

Financial overview

Turnover € million

2003	18 383
2002	20 824
2001	22 777

At current exchange rates

Operating profit € million

2003	2 766
2002	2 884
2001	2 764

At current exchange rates

Operating profit BEIA € million

2003	2 878
2002	3 127
2001	3 039

At current exchange rates

2003 results compared with 2002

	€ million	€ million Exchange rate effects	€ million 2003 at 2003 rates	€ million 2002 at 2002 rates	% Change at actual current rates	% Change at constant 2002 rates
Group turnover	20 802	(2 434)	18 368	20 801	(12)%	0%
Group operating profit	3 134	(368)	2 766	2 882	(4)%	9%
Turnover	20 818	(2 435)	18 383	20 824	(12)%	0%
Operating profit BEIA	3 279	(401)	2 878	3 127	(8)%	5%
Exceptional items	(115)	29	(86)	(213)		
Amortisation – goodwill and intangible assets	(30)	4	(26)	(30)		
Operating profit	3 134	(368)	2 766	2 884	(4)%	9%
Operating margin	15.1%		15.0%	13.8%		
Operating margin BEIA	15.8%		15.7%	15.0%		

Home & Personal Care

Turnover fell by 12% at current rates of exchange, due to currency movements. Operating profit fell by 4% and operating profit BEIA fell by 8%, with currency movements contributing 13% in both cases.

In 2003, leading brands continued to drive growth in our Home & Personal Care (HPC) Division, in line with our Path to Growth strategy. At constant rates of exchange, these brands grew 4%, while underlying sales grew 3%. Operating profit rose by 9%, operating profit BEIA rose by 5% and operating margin BEIA reached 15.8%.

The breadth of choice that consumers enjoy today suggests that strong brand equities are more important than they have ever been. As part of our Path to Growth strategy, we have focused

our portfolio on powerful brands that are aligned globally but crafted from intimate local consumer understanding. Our key brands continue to grow behind core innovations as well as expansion into new categories and geographies. We have further leveraged our strength in developing markets and our portfolio is evolving into one that is weighted towards the faster-growing, higher-margin personal care business.

Operating margin was improved by numerous simplification initiatives and we continued to focus our brand portfolio through disposals of non-core businesses including our oral care business and *Brut* fragrances in North America and *Bio Presto* in Italy. We have also signed binding agreements to sell *Sunlight* dishwasher in North America.

Operating review by category – Home & Personal Care

Home care

Turnover € million

2003	7 230
2002	8 579
2001	10 467

At current exchange rates

Operating profit € million

2003	908
2002	836
2001	627

At current exchange rates

Operating profit BEIA € million

2003	914
2002	917
2001	845

At current exchange rates

2003 results compared with 2002

	€ million	€ million Exchange rate effects	€ million 2003 at 2003 rates	€ million 2002 at 2002 rates	% Change at actual current rates	% Change at constant 2002 rates
Group turnover	8 029	(804)	7 225	8 565	(16)%	(6)%
Group operating profit	977	(69)	908	837	9%	17%
Turnover	8 034	(804)	7 230	8 579	(16)%	(6)%
Operating profit BEIA	996	(82)	914	917	0%	9%
Exceptional items	(4)	12	8	(64)		
Amortisation – goodwill and intangible assets	(16)	2	(14)	(17)		
Operating profit	976	(68)	908	836	9%	17%
Operating margin	12.1%		12.6%	9.7%		
Operating margin BEIA	12.4%		12.6%	10.7%		

Turnover and underlying sales growth (at constant 2002 rates)

	2003 vs 2002
Underlying sales growth (%)	–
Effect of acquisitions (%)	1.0
Effect of disposals (%)	(7.4)
Turnover growth (%)	(6.4)

Turnover fell by 16% at current rates of exchange, with currency movements contributing a 10% decline. Operating profit grew by 9% and operating profit BEIA was flat, with currency movements contributing declines of 8% and 9% respectively. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

Turnover from our laundry and household care business remained relatively flat in 2003, while operating margins increased by 2.4%. Growth in developing markets was partially offset by difficult trading conditions in North America and Europe.

Our top-performance fabric cleaning brand, *Omo*, is now aligned behind a common brand proposition across the world. This has extended to a focus on larger innovations and generated substantial savings through standardised packaging, formulation and advertising. The *Omo* brand remains a strong market leader in Brazil, Indonesia, Morocco, South Africa and Thailand while rebuilding a strong position in Turkey.

In order to meet the everyday needs of consumers around the world, we offer quality products at affordable prices. In South Africa, *Sunlight* is now the most recognised household consumer goods brand. Its clear positioning of 'Gentle care I trust' is underpinned by the brand's strong values of dependability, honesty and reliability. As a mid-priced brand, the strong consumer value proposition of *Sunlight* has helped generate growth of over 3% in 2003.

In Europe, innovation helped *Comfort* grow its leading market position in the UK and gain market leadership in Portugal. The new fast-dry variant of *Comfort* shortens the drying time for clothes and eases the burden of washing laundry for consumers.

While our household cleaning brands performed below expectations, results improved in the second half as innovation around the core business showed signs of a return to growth. Within the portfolio, *Cif* and *Domestos* remain leading brands with number one or number two positions in the majority of key markets in which they operate.

Operating review by category – Home & Personal Care

Home care (continued)

2002 results compared with 2001

	€ million	€ million	€ million	€ million	%	%
	2002 at 2001 rates	Exchange rate effects	2002 at 2002 rates	2001 at 2001 rates	Change at actual current rates	Change at constant 2001 rates
Group turnover	9 421	(856)	8 565	10 432	(18)%	(10)%
Group operating profit	893	(56)	837	626	34%	43%
Turnover	9 436	(857)	8 579	10 467	(18)%	(10)%
Operating profit BEIA	990	(73)	917	845	9%	17%
Exceptional items	(81)	17	(64)	(200)		
Amortisation – goodwill and intangible assets	(17)	–	(17)	(18)		
Operating profit	892	(56)	836	627	33%	42%
Operating margin	9.5%		9.7%	6.0%		
Operating margin BEIA	10.5%		10.7%	8.1%		

Turnover and underlying sales growth

(at constant 2001 rates)	2002 vs 2001
Underlying sales growth (%)	0.8
Effect of acquisitions (%)	2.0
Effect of disposals (%)	(12.2)
Turnover growth (%)	(9.8)

Turnover fell by 18% at current rates of exchange, with currency movements contributing an 8% decline. Operating profit grew by 33% and operating profit BEIA grew by 9%, with currency movements contributing reductions of 9% and 8% respectively. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

In 2002, underlying sales grew by 0.8% and operating margin BEIA improved by 2.4%, through the benefit of our savings programmes. Growth was driven by *Radiant*, *Snuggle* and *Comfort*.

Around the world in 2002, we repositioned *Omo*, our top-performance washing detergent, as a brand for parents and their families. This strategy was driven by the message that getting dirty is all part of the experience children need to learn and

develop. It helped to consolidate the leading position of *Omo* in Brazil and South Africa and to achieve market share gains in such countries as Morocco and Thailand.

In Morocco, *Omo* overtook its rivals to become the market leader. In Thailand, new innovations helped the brand to extend its leadership, while in South Africa it maintained its strong leadership position in a growing market.

To reinforce our position in the sector, we launched *Persil Aloe Vera*. This successfully introduced new customers to the brand. During 2002, *Persil* achieved its highest market share for 10 years.

On 3 May 2002 we completed the sale of our DiverseyLever business to Johnson Professional Holdings Inc., leading to a 9.8% reduction in turnover, despite underlying sales growth of 0.8%.

Operating review by category – Home & Personal Care

Personal care

Turnover € million

2003	11 153
2002	12 245
2001	12 310

At current exchange rates

Operating profit € million

2003	1 858
2002	2 048
2001	2 137

At current exchange rates

Operating profit BEIA € million

2003	1 964
2002	2 210
2001	2 194

At current exchange rates

2003 results compared with 2002

	€ million	€ million	€ million	€ million	%	%
	2003 at 2002 rates	Exchange rate effects	2003 at 2003 rates	2002 at 2002 rates	Change at actual current rates	Change at constant 2002 rates
Group turnover	12 773	(1 630)	11 143	12 236	(9)%	4%
Group operating profit	2 157	(299)	1 858	2 045	(9)%	5%
Turnover	12 784	(1 631)	11 153	12 245	(9)%	4%
Operating profit BEIA	2 283	(319)	1 964	2 210	(11)%	3%
Exceptional items	(111)	17	(94)	(149)		
Amortisation – goodwill and intangible assets	(14)	2	(12)	(13)		
Operating profit	2 158	(300)	1 858	2 048	(9)%	5%
Operating margin	16.9%		16.7%	16.7%		
Operating margin BEIA	17.9%		17.6%	18.1%		

Turnover and underlying sales growth (at constant 2002 rates)

	2003 vs 2002
Underlying sales growth (%)	5.4
Effect of acquisitions (%)	0.1
Effect of disposals (%)	(1.0)
Turnover growth (%)	4.4

Turnover fell by 9% at current rates of exchange, with currency movements contributing a 13% decline. Operating profit fell by 9% and operating profit BEIA fell by 11%, with currency movements contributing 14% in both cases. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

Our leading personal care brands, which include *Axe*, *Dove*, *Lux*, *Pond's*, *Rexona* and *Sunsilk*, grew underlying sales by 6%. Turnover increased by 4.4% and operating margin increased by 0.2%.

Dove, our largest personal care brand, grew underlying sales more than 20% in 2003. Growth of the core range was driven by the launch of the *Dove* exfoliating bar in more than 30 countries around the world. We also continued to extend *Dove* into new categories in North America with the launch of *Dove* face care and *Dove* shampoo and conditioner.

Our global hair business grew underlying sales by 8%. This growth was driven both by the continued success of *Dove* shampoo and conditioner and by our largest hair care brand, *Sunsilk*. The lively approach to women and how they really feel about their hair by *Sunsilk* has helped re-introduce the brand successfully into Europe. *Sunsilk* also continued to grow strongly in Latin America with the introduction of new variants and full

roll-out of colorants in Brazil. A relaunch of the brand in China (under the name *Hazeline*) has nearly doubled the rate of sale.

Unilever remains the world leader in deodorants and antiperspirants and our deodorant category grew underlying sales by over 12% behind the strength of *Axe* and *Rexona*. *Axe* has developed innovative approaches to talking to young men throughout the world. The brand is carving out a strong position in the North American male deodorant market on the basis of this deep consumer understanding. The launch of new fragrances and antiperspirants, along with improved product efficacy, has translated into outstanding growth.

Rexona for Men continued to grow with the relaunch of the range in Europe and launch of the *24 Hour Deo Fresh* range in Latin America. New formulations also supported the core range with improved efficacy to offer longer freshness and the launch of the low residue *Crystal* range in Europe.

Our prestige fragrance business declined amid weak category performance and weak economic conditions in key markets. The sale of the *Valentino* licence also contributed to the decline in turnover. Innovation in 2003 included the launch of *Purple Orchid (Eternity)*, *Truth for Men* in Europe and *Nautica Competition* in the Americas.

Operating review by category – Home & Personal Care

Personal care (continued)

2002 results compared with 2001

	€ million	€ million	€ million	€ million	%	%
	2002 at 2001 rates	Exchange rate effects	2002 at 2002 rates	2001 at 2001 rates	Change at actual current rates	Change at constant 2001 rates
Group turnover	13 265	(1 029)	12 236	12 307	(1)%	8%
Group operating profit	2 235	(190)	2 045	2 135	(4)%	5%
Turnover	13 273	(1 028)	12 245	12 310	(1)%	8%
Operating profit BEIA	2 416	(206)	2 210	2 194	1%	10%
Exceptional items	(166)	17	(149)	(46)		
Amortisation – goodwill and intangible assets	(12)	(1)	(13)	(11)		
Operating profit	2 238	(190)	2 048	2 137	(4)%	5%
Operating margin	16.9%		16.7%	17.4%		
Operating margin BEIA	18.2%		18.1%	17.8%		

Turnover and underlying sales growth

(at constant 2001 rates)	2002 vs 2001
Underlying sales growth (%)	9.0
Effect of acquisitions (%)	–
Effect of disposals (%)	(1.1)
Turnover growth (%)	7.8

Turnover fell by 1% at current rates of exchange, with currency movements contributing a 9% decline. Operating profit fell by 4% and operating profit BEIA rose by 1%, with currency movements contributing reductions of 9% in both cases. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

Our leading brands, which include *Axe*, *Dove*, *Lux*, *Pond's*, *Rexona*, *Signal* and *Sunsilk* saw underlying sales growth of 10% in 2002. Turnover rose by 8%, with operating margin BEIA increasing to 18.2%.

From New York to New Delhi, image and beauty are important to millions of people. To meet their desire for attractive, healthy hair we continued to focus on *Dove* and *Sunsilk* during 2002.

The *Dove* hair range reached the number one position in its initial launch market of Korea and Taiwan and number two in Japan, where it was launched in 2001. During the year, we rolled out *Dove* shampoo and conditioners across more than 30 countries in Europe, Latin America and South East Asia.

In 2002, the underlying sales growth of *Sunsilk* was strong, with good performances in Brazil and Mexico and new market entries in Algeria and Central America. In Ghana and South Africa we launched our new *Afro Hair* range. We further drove the growth of *Sunsilk* with the launch of new products, such as permanent colourant *Pro-Color* in Argentina and Brazil.

In Canada, we are migrating *Pears* to the highly successful North American brand *Suave*.

Washing away the everyday grime that builds up on skin is a daily ritual for countless people. In Brazil, although around 70 million consumers have black or mulatto skin, there had never been a mass-market soap specially designed for them. To meet their aspirations we launched a *Lux* variant specifically for this skin type during 2002.

In 2002, the growth of *Axe* was 17%, driven by powerful innovation in the core body spray range, including the launch of a new longer-lasting 24-hour formulation. We launched *Axe* in North America with a campaign targeting young men between 14 and 24 – a group that spends around \$8 billion a year on personal grooming products.

Rexona enjoyed strong growth with the best performance coming from our antiperspirant deodorant for men. *Rexona for Men* grew by 30% in the core regions of Europe and Latin America.

A clean, bright smile can say more than words, whatever language you speak. In 2002, we sought to reinforce the strength of our *Signal* brand through a strong competitive position in the electric toothbrush market. We launched the first electric toothbrush to offer the choice of two heads – for cleaning and whitening.