UNILEVER N V
Form 6-K
March 05, 2010

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Form 6-K
REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934
For the month of March, 2010.
Commission File Number 001-04547
UNILEVER N.V.
(Translation of registrant s name into English)
WEENA 455, 3013 AL, P.O. BOX 760, 3000 DK, ROTTERDAM, THE NETHERLANDS
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F þ Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant s home country), or under the rules of the home country exchange on which the registrant s securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant s security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No þ

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____.

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Cautionary statement

This document may contain forward-looking statements, including 'forward-looking statements' within the meaning of the United States Private Securities Litigation Reform Act of 1995. Words such as 'expects', 'anticipates', 'intends', 'believes' or the negative of these terms and other similar expressions of future performance or results, including any financial objectives, and their negatives are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Group. They are not historical facts, nor are they guarantees of future performance. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including, among others, competitive pricing and activities, economic slowdown, industry consolidation, access to credit markets, recruitment levels, reputational risks, commodity prices, continued availability of raw materials, prioritisation of projects, consumption levels, costs, the ability to maintain and manage key customer relationships and supply chain sources, consumer demands, currency values, interest rates, the ability to integrate acquisitions and complete planned divestitures, the ability to complete planned restructuring activities, physical risks, environmental risks, the ability to manage regulatory, tax and legal matters and resolve pending matters within current estimates, legislative, fiscal and regulatory developments, political, economic and social conditions in the geographic markets where the Group operates and new or changed priorities of the Boards. Further details of potential risks and uncertainties affecting the Group are described in the Group's filings with the London Stock Exchange, Euronext Amsterdam and the US Securities and Exchange Commission, including the 20-F Report and the Annual Report and Accounts 2009. These forward-looking statements speak only as of the date of this announcement. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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Annual Report and Accounts 2009

Creating a better
future every day

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Report of the Directors

Financial statements

Basis of reporting

Our accounting policies are based on International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and on United Kingdom and Dutch law. They are also in accordance with IFRS as issued by the International Accounting Standards Board (IASB). Certain measures used in our reporting are not defined under IFRS or other generally accepted accounting principles. For further information about these measures, and the reasons why we believe they are important for an understanding of the performance of the business, please refer to our commentary on non-GAAP measures on pages 44 to 46 and the Financial Review on page 37.

Other information

The brand names shown in this report are trademarks owned by or licensed to companies within the Unilever Group.
This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements, including within the meaning of the United States Private Securities Litigation Reform Act of 1995. Actual results may differ from those disclosed in our forward-looking statements. For a description of factors that could affect future results, reference should be made to the full Cautionary statement on the inside back cover and to the section entitled Outlook and risks on pages 30 to 36.
In our report we make reference to Unilever s website. Information on our website does not form part of this document.
This Annual Report comprises regulated information within the meaning of sections 1:1 and 5:25c of the Dutch Financial Markets Supervision Act.

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Our vision

We work to create a better future every day.
We help people feel good, look good and get more out of life
with brands and services that are good for them and good for others.
We will inspire people to take small, everyday actions that can
add up to a big difference for the world.
We will develop new ways of doing business with the aim of doubling
the size of our company while reducing our environmental impact.

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Report of the Directors **Overview**

Operational highlights

In 2009 we made good progress in challenging market conditions. Volumes picked up and market shares improved through the year. Our solid financial performance along with bigger innovations, better execution and a move to a stronger performance culture give us a firm foundation for the future.

Key facts

Leading global positions in 7 categories Products sold in more than 170 countries 891m spent on R&D worldwide 163,000 employees at the end of 2009 20 nationalities among our top tier managers 89m invested in community programmes worldwide

The Unilever Group

Unilever is one of the world s leading suppliers of fast moving consumer goods. We aim to meet everyday consumer needs for nutrition, hygiene and personal care with brands and services that help people to feel good, look good and get more out of life. Unilever is a global business which by the end of the year was generating more than half of its turnover in developing and emerging markets in Asia, Africa, Central & Eastern Europe and Latin America.

Unilever N.V. (NV) is a public limited company registered in the Netherlands. It has listings of shares and depositary receipts for shares on Euronext Amsterdam and of New York Registry Shares on the New York Stock Exchange.

Unilever PLC (PLC) is a public limited company registered in England and Wales. It has shares listed on the London Stock Exchange and, as American Depositary Receipts, on the New York Stock Exchange.

The two parent companies, NV and PLC, together with their group companies, operate as a single economic entity (the Unilever Group, also referred to as Unilever or the Group). NV and PLC and their group companies constitute a single reporting entity for the purposes of presenting consolidated accounts. Accordingly, the accounts of the Unilever Group are presented by both NV and PLC as their respective consolidated accounts.

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Report of the Directors **Overview**

Chairman s statement

I am delighted to be able to report that Unilever has had a good year. We have seen solid progress on our top line and an improvement in underlying operating margin.

This is particularly pleasing given the state of the global economy. A year ago when I was drafting my statement for our 2008 Annual Report there was little cause for business to be optimistic. The world was in one of the most serious economic downturns that had ever been experienced. Unemployment was high and rising, consumer confidence low.

Much of Unilever s ability to weather this storm so well is due to Paul Polman s leadership. He has sharpened the strategy, improved execution in the market place, sharpened the emphasis on innovation and injected a new sense of energy and urgency into the Group. Our investors have recognised this. Unilever was ranked fifth on total shareholder return in its peer group of 21 companies.

Paul Polman was not the only addition to the Boards in 2009. We also welcomed three new Non-Executive Directors Louise Fresco, Ann Fudge and Paul Walsh. Their arrival has strengthened both the breadth of experience and the diversity of the team.

Louise Fresco is Professor of International Development and Sustainability at the University of Amsterdam and a visiting Professor at Stanford University. Her deep knowledge of agriculture and sustainability will be of great value as we prepare ourselves to operate in a world where both food and water will become increasingly scarce.

Ann Fudge is a non-executive director at Novartis and at General Electric. Ann served as the chairman and chief executive officer of Young & Rubicam Brands from 2003 to 2006. Prior to joining Young & Rubicam, she worked at General Mills and at Kraft Foods. Ann has great knowledge and experience of branded consumer goods and, particularly, the food industry.

Paul Walsh is chief executive officer of Diageo and a non-executive director of FedEx Corporation. He is a member of the Business Council for Britain, and chairman of the Scotch Whisky Association. Paul is one of Britain s most respected business leaders.

Ann and Paul sit on the Remuneration Committee, bringing its composition in line with the UK Combined Code on Corporate Governance, which states that this committee should comprise at least three independent non-executives.

I am also delighted to announce that The Rt Hon Sir Malcolm Rifkind MP has agreed to be nominated for election as a Non-Executive Director at the 2010 AGMs. We believe that Sir Malcolm with his broad background in international affairs will be a valuable addition to the Boards.

Leon Brittan, Wim Dik and Narayana Murthy will be retiring as Non-Executive Directors at the end of our 2010 Annual General Meetings (AGMs). Narayana and Wim have served on our Corporate Responsibility and Reputation (CRRC) and Audit Committees respectively, and Leon as Chairman of the CRRC. On behalf of our Boards, I take this opportunity to thank them all for their individual contributions and service since their appointments.

At the AGMs in May 2010 we intend to propose Jean-Marc Huët for election to the Boards. Jean-Marc took over as Chief Financial Officer in February 2010 following the departure of Jim Lawrence.

The first quarterly dividend will be paid on 17 March. This change to quarterly dividends will result in more frequent payments to shareholders which I hope you will find helpful.

Finally, on behalf of the Boards, I would like to extend my sincere thanks to all of Unilever s 163,000 employees across the world. They have had to cope with difficult economic conditions externally and significant change internally. Yet they have still managed to deliver an excellent set of results.

Michael Treschow
Chairman

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Chief Executive Officer s review

Despite a challenging economic environment it has been a good year for Unilever. We exceeded objectives while at the same time taking action to ensure the future success of your company.

Delivering growth in a tough year

At the beginning of 2009 we took a long-term view, dropping guidance and setting the objective of restoring volume growth while protecting cash flow and underlying operating margin. As well as managing the short-term challenges, we increased support behind our brands and invested in R&D and people - the surest route to long-term shareholder value creation.

Volume growth was 2.3%, with acceleration throughout the year. This was driven by sharper execution and strong innovations, supported by incremental investment behind our brands in advertising and, to a lesser extent, promotions. Underlying sales growth was 3.5%.

Growth was broad based across markets and categories. By the end of the year we were growing volume share in two thirds of our business, compared with only one third a year earlier. Our competitive position strengthened during the year. Our biggest brands are getting stronger - ten of the top 13 brands are gaining volume share.

Good cost discipline meant that underlying operating margin was up 0.2% to 14.8% and tight working capital control meant cash flow from operating activities increased by 1.4 billion.

How we delivered

Recognising the severity of the economic crisis early and responding quickly was key to our strong performance, even if it meant some tough choices. The focus on volume growth, combined with protecting margins and cash flow, proved to be the right drivers in the current environment.

We targeted four key areas of activity:

Bigger and better innovations, rolled out faster and to more markets

Our innovations are getting bigger and better. The One Unilever structure allows for faster roll-out across multiple geographies. Dove Minimising Deodorant, for example, was rolled out across 37 markets; Signal White Now to 21 markets and Knorr Stockpots to 12 markets; Clear shampoo is now in 35 markets; and following its launch at the end of 2009, Dove for Men will be rolled out across 50 markets. Our innovation pipeline is equally getting stronger. The number of innovations in the pipeline with an expected incremental turnover in excess of 50 million has doubled. The opening of a new research centre in Shanghai, our second in the emerging markets, reflects a long-term commitment to R&D. Innovation will continue to be the key growth driver for your company. The business publication Fast Company recently recognised us as the fourth most innovative company in advertising and marketing.

More discipline throughout the organisation

Serving the consumer and customer with increasing passion every day is critical to our success. To help develop categories and accelerate our growth with our customers we have created a new global customer supply structure and are rolling out state of the art customer innovation centres to all regions. Our progress was recognised: we gained supplier of the year awards from a number of top customers. In a performance culture, we are increasingly focused on disciplined execution.

A more competitive cost structure

Our emphasis on protecting short-term business fundamentals meant driving out costs that do not add value for consumers and customers. This included accelerating much needed restructuring projects, leveraging scale by moving to global procurement, establishing regional sourcing organisations across each of our geographies and simplifying and further streamlining our organisational structure. In total we achieved savings of over 1.4 billion, well ahead of target and which helped fuel investment behind our brands. By adopting best practices we also made significant improvements in working capital (1.9 billion).

Driving a performance culture

We start from a strong base of values and principles, which have served us well over the years: integrity, trust, investing in people, doing the right thing for the long term. In very competitive markets, we need to further increase consumer and customer focus, speed of action, and responsibility and accountability. To achieve this we have made the organisation flatter, simplified target setting and sharpened individual performance management.

The organisation rose to the challenge, showing its competitive strength in managing change. I am proud to work with a strong leadership team and a dedicated group of colleagues throughout the world. The results in 2009 are a testament to their passion, commitment, skill and hard work.

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Report of the Directors **Overview**

Chief Executive Officer s review (continued)

We equally made good progress in other areas to position us for future growth:

We sharpened the portfolio

The announced acquisition of Sara Lee s personal care brands, including Sanex, Radox and Duschdas, will significantly strengthen our European business. We made smaller, bolt-on acquisitions, such as the TIGI professional hair care brands, mainly in the US and the Baltimor ketchup business in Russia. We assumed total control of our business in Vietnam and continued to divest non-strategic assets, such as our remaining equity stake in JohnsonDiversey and plantations in Congo.

We strengthened our supply chain capability

The appointment from outside of our first Chief Global Supply Chain Officer reflects the importance we attach to strengthening our operations and to leveraging our scale right across the supply chain.

We began the move to global business services

We created Unilever Enterprise Services (UES) to bring together HR and Finance transactions, as well as IT and Information Management services. UES will enable us to leverage scale in order to deliver improved services at better value. At the same time it will free up capacity for our businesses to concentrate on supporting our brands in the market place.

During the year we also found solutions to concerns raised by stakeholders, including the settlement of long running labour disputes in Pakistan and India. We continued to take the lead in driving sustainability, especially in moving to sustainable palm oil, converting to environmentally-friendly (HC) refrigerants in our ice cream freezers and in supporting smallholder farming.

Where we could do better

Despite significant progress, we did not fully achieve all our goals.

In two key markets, India and Spain, we took longer to respond to changing market dynamics and to the intense level of competition, especially from low-cost local competitors. And in two of our biggest categories hair and spreads we still need to build share consistently everywhere.

Our brands have plenty of room for improvement. Product quality is getting better, but we need more of our products to show superiority, and there is ample scope to sharpen our communications and to set the innovation bar even higher.

We are getting better at serving our customers but again we still fall short of best in class, for example in customer service levels and the on-shelf availability of our products.

Faced with growing competitive pressures, especially from lower-cost producers, we must continue to drive out all non value-added costs, building on the progress we have made in the last year.

The organisation is working hard in all these areas and I am confident that we will see continuous improvements. This is important because 2010 promises to be every bit as challenging. We expect two of the major drivers of our business consumer spending and consumer confidence to remain low. We also expect competitors to accelerate their plans to regain lost ground. This requires the best of us and we are ready for it.

A new business model

With confidence in our ability to grow we launched a renewed, bold vision for the company to double our size while improving our environmental footprint. With our portfolio of brands, presence in emerging markets and long-standing commitment to shared value creation in which the long-term interests of the company, its communities and stakeholders are all directly linked we believe your company is well placed to deliver on this ambition.

When it comes to environmental impact, for example, we lead the industry in the move to sustainable sourcing of commodities such as palm oil and tea. In fact we have given a firm commitment that by 2015 all of our supplies of palm oil and tea will come from certified sustainable sources.

Consumers will also have to change their habits. Through the Cleaner Planet Plan our laundry brands are helping to educate people about the benefits of washing at lower temperatures and using shorter cycles. With our products used in 125 billion washes a year, small actions like this can make a big difference. Likewise, poor sanitation and lack of hygiene standards are still the root causes of millions of preventable deaths, especially amongst children. With our health and handwashing campaigns we have reached millions of people over the years. The Lifebuoy brand s ambitious new target is to change the hygiene behaviour of 1 billion people by 2015.

Leadership like this explains why, for the 11th year running, Unilever was sector leader in the Dow Jones Sustainability Indexes a feat unmatched by any other company.

Looking ahead

2009 was a good year for Unilever despite the tough conditions. 2010 won t be any easier, but by embedding the changes we are already making and by fostering a sharper performance culture, there is no reason why we can t go on growing in line with our ambitions. And we will do it in a way that continues to make our consumers, customers, partners and employees proud to be associated with Unilever.

Thank you for your support over 2009.

Paul Polman
Chief Executive Officer

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Strategy

With confidence in our ability to grow we launched a renewed, bold vision for the company to double our size while improving our environmental footprint. With our portfolio of brands, presence in emerging markets and long-standing commitment to shared value creation, we believe your company is well placed to deliver on this ambition.

Where we will win

Growth priorities

Our ambition is to win share and grow volume profitably across our categories and countries and we believe we have the tools in place to do so. We have a portfolio fit for growth, with strong brands and many leading category positions. Geographically, our outstanding presence in the emerging markets leaves us well positioned to win where much of the future growth will be. Yet, we are also determined to grow in the developed world, which represents around half of our business and where the bulk of the world s wealth will remain for many years to come.

How we will win

Winning with brands and innovation

Brands and innovation are at the heart of our business model. We aim to offer a broad portfolio that appeals to consumers with different needs and budgets. Unilever brands must also offer product quality that is recognised as superior by our consumers and supported by excellent marketing. Meanwhile, our innovation programme is focused on being bigger, better, faster . This means leveraging technology to create bigger, better innovation platforms that are then rolled out faster to multiple markets.

More on p8

Winning in the market place

The biggest opportunity for Unilever and our customers lies in growing the size of our categories, which we will strive to achieve through innovation and market development. We will further enhance and broaden our relationship with customers working together on areas of mutual benefit such as consumer research, shopper behaviour and merchandising. To sustain winning customer relationships and to enable growth, we will also need to be consistently brilliant at customer service and in-store execution.

More on p10

Winning through continuous improvement

We will aim to reinforce our continuous improvement philosophy by further developing a customer and consumer-led, agile value chain. Our focus will be in three areas. We will prioritise speed and flexibility in the supply chain to deliver growth. Secondly we will leverage our global network capabilities and scale more aggressively. Finally we will work to get a better return on our advertising and promotional expenditure one of our most significant areas of cost.

More on p12

Winning with people

It is vital that we have the talent and organisation in place to match our growth ambition. Across the business, we are therefore looking ahead at what we need to achieve, and aim to equip ourselves with the necessary people, skills and capabilities to get there. We also know that engagement and a culture based on living our values are essential for keeping the best people. We believe our operating framework allows us to balance scale and global expertise to develop successful products with the local consumer intimacy needed to market and sell them.

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How we will win

Winning with brands and innovation

Brands and innovation are at the heart of everything we do. We develop our products to keep pace with changes in consumer lifestyles and to appeal to people at all income levels. Success means getting bigger and better innovations into the market faster, supported by the very best marketing.

Superior products

Our aim is to give people a great experience when they use our brands better than the competition. We are investing in improving product quality and making stronger functional claims. We are also focusing on design, packaging, marketing and advertising, in order to get our brand benefits across more persuasively.

Take Knorr Stockpot bouillon. Using a unique jelly technology that delivers homemade taste and quality, this product is helping people create a special meal at home instead of eating out. A major success in the UK where it enabled Knorr to become market leader in stocks, Stockpot (marketed under different names in different countries) is also performing well in Belgium, Greece, Ireland and Poland. It helped create the bouillon category in China and we are now rolling it out to other markets.

Widespread appeal

Product superiority is essential, but we also need to offer a broad range of choice which meets differing consumer needs and price points wherever we operate.

In the UK, understanding that consumers are looking for value without compromising on quality, and recognising the importance of fragrance in communicating a product s benefits, we developed a range of liquid concentrates for Surf detergent with added essential oils, resulting in 29% growth.

In Russia, despite a severe economic recession, we achieved growth of more than 20% in our tea sales by offering choice across multiple price points with three distinctive brands - Lipton, Brooke Bond and Beseda.

And in India, where water quality remains a major concern, the breakthrough technology of Pureit, our in-home purification system, is providing safe and affordable drinking water with complete protection from the water-borne germs that cause diseases. In 2009, Pureit provided safe drinking water for more than 15 million people in 3 million households in India.

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Bigger, better, faster innovations

Successful innovation is based on deep consumer insight. The balance we seek to achieve is to marry global strength in R&D with local knowledge of people s habits, tastes and behaviours.

To grow at the rate we want to, we focus investment on products that can work globally rather than on launches in just a few countries. We have also doubled the number of big projects we are working on. We are already seeing results. We have rolled out Axe Dark Temptation deodorant to 56 markets, Lipton Pyramid fruit tea bags to 38 markets and Clear shampoo to 35 markets.

For a product to work at a global level, it needs to address unmet needs with superior technology and a clear consumer concept. R&D must deliver breakthrough science in areas that really matter to consumers, with products that do what they claim. Success on this scale requires strict priorities and big ideas.

Within R&D, part of prioritising is getting the balance right between the short and the long term. With an eye to our future growth plans, during 2009 we developed a more robust process for fuelling our longer-term innovation pipeline. Called the Genesis Programme, it spans our foods and home and personal care categories and focuses on the breakthrough ideas that we expect will deliver the biggest wins. From 2011 we should begin to see some of these innovations in our products.

We continued to invest substantially in R&D, despite the economic environment. In 2009, we opened a new R&D centre in Shanghai. Located in a country which is increasingly recognised as a world leader in developing high-end innovations, the new centre further underscores our commitment to driving growth through R&D. We also started to leverage the power of our global network of R&D labs by getting them working interdependently on key projects. We put in place more rigorous planning processes to make sure that the right level and quality of resource is put behind the activities to ensure the projects succeed. And we have stepped up our focus on a number of areas identified as critical to success such as open innovation, clinicals and patents.

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Report of the Directors **Our strategy**

How we will win

Winning in the market place

Our biggest growth opportunity lies in expanding the markets in which we compete. In developing and emerging countries there is huge potential for future growth as more and more people start consuming personal and household products for the first time. To realise this potential, we will need to partner with our customers in both the developed and developing markets.

Lead market development

The world s population, currently 6.8 billion, is set to grow to 7.7 billion by 2020. Today, 5.9 billion live in developing and emerging markets countries such as Brazil, India and Indonesia where Unilever has deep roots and a wide presence. We already reach many more consumers than our competitors in these markets.

Market development is about developing and growing categories. There are three ways of doing this:

- more users (increasing market penetration);
- more usage (increasing consumption);
- more benefits (getting consumers to buy higher value products).

Take Axe. In recognising that fragrance is a major reason why people choose one brand over another, new fragrance launches are helping to increase market penetration, introduce new users to the brand and ensure our product mix remains up to date. This, in turn, has helped Axe become the world s leading male deodorant and shower gel.

Putting market development into practice requires a rigorous, consistent approach across all our categories. During 2009 our global category development teams produced market development models for every category. These models are now with our country teams who are using them as the basis of plans for their local markets. This approach has already shown excellent results in many of the markets in which we operate.

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Win with winning customers

There is a growing trend in the retail industry towards consolidation, with fewer but larger retailers. Thanks to our global scale and local knowledge, Unilever is ideally placed to help those customers achieve their own growth ambitions.

In 2008 we opened in New Jersey the first of a network of customer insight and innovation centres to work directly with retailers. The centre covers everything from merchandising and store layout, to displays and packaging. Through the centre, we work with customers to design and test concepts without going to the expense of real in-store pilots. Since opening, the centre has generated significant growth opportunities. Our London centre has since opened and we plan to open three more in 2010 in Paris, Shanghai and São Paulo.

Be an execution powerhouse

Market development and great relationships with customers will only be points of advantage if we execute with excellence. This is not a complicated concept. It is about the everyday disciplines of ensuring that we are delivering to our customers the products they want, in the quantities they ordered at the time they are needed. This involves having a customer-focused approach across our brand building, customer development and supply chain teams.

During 2009 we focused much more closely on sales fundamentals , a set of company-wide measures covering every aspect of our in-store presence. We have performed well against these measures, which have been one of the many drivers in improving customer service in most of our key countries.

The detail of what works in one type of store won t work for all, however. A superstore in the US is very different from a local retailer in a small town in China, both in terms of the products it carries and the way those products are sold. But for each type of store, by channel and geography, there is a perfect concept namely, what the shop would look like if it were the perfect sales vehicle for our categories and brands.

We developed the perfect store concept in the AAC region (Asia, Africa and Central & Eastern Europe) in early 2009. We began implementing it in modern trade outlets across the region, focusing on the region s largest four categories skin cleansing, hair, fabric cleaning and tea. In some smaller outlets, we even succeeded in executing the transformation overnight, taking the competition by surprise and maximising the impact of the change.

Over the next few years our aim is to continue implementing the perfect store concept across the AAC region, while in the coming year, the concept is being rolled out around the business.

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Report of the Directors **Our strategy**

How we will win

Winning through continuous improvement

Delivering sustained, profitable growth requires a philosophy of continuous improvement. This means being fast and flexible in the supply chain while keeping costs competitive. It will also require us to make the most of our scale and aim for the best return on every euro we spend on advertising and promotion.

Fast and flexible and increasingly competitive

Winning in the market is about being fast and agile to meet the changing needs of today s customers and consumers. Of course, being competitive on cost is vital, but rather than having a purely cost-based agenda for our supply chain, we have widened our focus to ensure that we are more responsive to the constantly changing needs of our customers.

Delivering significant value

During 2009 we launched a single strategy for the supply chain One Unilever Supply Chain putting customers and consumers at the heart of everything we do. The principal objectives for our supply chain are to deliver top-quality products with world-class service at a competitive cost. It s a big ambition that:

- supports top-line growth through speeding up the roll-out of global launches;
- ensures our products are constantly on the shelf;
- increases profits by simplifying our structure and reducing waste;
- improves cash flow by reducing stock and providing better payment terms.

The rewards are significant. In 2009, as part of this, our One Unilever Supply Chain team contributed significantly to delivering 1.4 billion in savings.

The advantages of global scale

Unilever has a global reach wider than many of its competitors. This gives us a tremendous opportunity for improving efficiencies by leveraging our scale. We are doing this in three critical areas:

- procurement;
- manufacturing;
- back office services.

Single procurement strategy

Having a single, global procurement strategy means that where bigger is better, we are getting the benefits. For many items, buying globally gives us economies of scale. For example, significantly reducing the number of tomato ingredients that are used in our products from 300 to just 39 enhanced the consistency of product quality and, at the same time, substantially reduced costs.

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Regional sourcing operations

In manufacturing, we believe that most of the economies of scale are to be found at the regional level. To capture these, we are creating three regional sourcing companies. These are located in Singapore and Switzerland, where the Americas sourcing company will co-locate with the European company.

Internal services under one roof

Even with activities such as IT, travel, office services, accounts payable and accounts receivable, there are big opportunities to leverage global scale. So in 2009 we set up a new business unit, Unilever Enterprise Support (UES). It will be operational in April 2010 and will bring together many of these activities as a key part of our initiatives to drive down costs.

The best return on brand and customer investment

Unilever is the second biggest advertiser in the world. Improving the return on our brand and customer support is one of the biggest things we can do to achieve growth. There is a tendency to think that analysing this kind of return on investment is some form of mystery. We believe it is simply about being rigorous in applying our best evaluation and development techniques.

Everyday disciplines done brilliantly

First, we decide on the best ways of investing our spend. We do this on three levels:

- allocating investment across geographies, categories and brands;
- allocating investment across particular projects and product launches;
- allocating spend locally across marketing channels and promotions.

Before we invest, we use a number of tools to answer the questions: how much should we be investing; and how can we maximise its effectiveness? During and after the investment, we use other tools to look at whether it is working, how it could work better and what to do next. This is not about replacing creativity with analytics and measurement; it is about doing both brilliantly.

Through focusing on these basics, we are already seeing great improvements in return on investment in a number of areas. For example, our US foods business has increased returns by over 45% in six years, helped by its use of econometric modelling.

Future trends

Looking ahead, there are two big themes that will dominate our media planning: how we make best use of digital media and, given the rise in prominence of global retailers, how we can make the most of in-store investments.

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Report of the Directors **Our strategy**

How we will win

Winning
with people

Doubling in size is a challenging prospect. From a talent and organisational perspective, it cannot be business as usual. We will have to have in place the people and structures necessary to manage on a larger scale.

Our operating framework seeks to combine global scale, power and strength with local consumer intimacy. Taking advantage of this in all our chosen markets and categories as we are already doing in many areas will be critical in ensuring our success.

To do this we need to have a team capable of delivering, and to offer the career potential and working environment that make Unilever the best place to be.

Developing a team fit for growth

Some of our major markets are doubling in size every five to six years, while our own growth ambitions mean that having enough people with the right skills is a challenge in itself. Getting the right number and quality of people in the pipeline for the future does not happen by accident. It requires an understanding of what is already in the business that can be built upon, and what will be needed in the future as markets develop.

In 2009 we launched our talent and organisation readiness programme , which will do just what it says: make sure our organisation and our talent are ready for growth. We are assessing those areas of the business most crucial to our strategy to define their specific goals, and whether we have the structure and the talent to deliver them. Where we identify gaps, we focus on developing targeted solutions. This may involve one or more of the following:

- changing organisational structures;
- revising our recruitment strategy and approach;
- reviewing our retention schemes;
- improving core processes such as decision making;
- focusing on culture and employee engagement;
- using development and training programmes to build capability levels.

So far we have carried out four pilot programmes in China, Indonesia and Germany, and in our skin category. These have given us important new insights.

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A diverse team for the widest range of consumers An important part of developing the Unilever workforce of the future is diversity. We need a diverse team across gender, nationality, race, creed, culture to be able to connect with the widest range of consumers and to take our performance to a higher level.

We are already making progress. Our Board of Directors comprises six nationalities and the nine members of the Unilever Executive team come from six different countries. This combination delivers a wealth of experience in emerging markets which is critical to our future business success.

In terms of gender, the number of women in senior positions has increased. For example, the proportion of women now at vice president level has gone up by around one third since 2007. For more on diversity, see page 28.

A place to succeed

As important as development programmes and organisational structures is having a performance culture that rewards people and teams who deliver. Only by inspiring our people and motivating them to succeed will we deliver our growth ambition.

People, integrity and values have always been central to Unilever, and will continue to be so. But within that context we are determined to become faster, more focused and more competitive. In 2009 we updated some of our performance management tools, for example introducing a global performance and talent management system.

Measuring cultural change is an inexact science, but we put great effort into engaging with employees to find out whether they understand the company s vision and their role within it, what their views are about Unilever, and what they believe needs to change for us to achieve our ambitions. In 2009 we began an employee engagement programme that will ensure employees are involved in Unilever s vision and plans for the future.

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Report of the Directors **Performance 2009**

Financial overview

In 2009 our growth momentum was strong despite a challenging environment. Our market share is improving and our brands are stronger. Our leading positions in developing and emerging markets were strengthened and we made encouraging progress in re-establishing volume growth in Western Europe. We are faster and more agile and focused on serving over 2 billion consumers every day.

Consolidated income statement (highlights) for the year ended 31 December million	**2009**	2008
Turnover	**39,823**	40,523
Operating profit	**5,020**	7,167
Operating profit before RDIs†	**5,888**	5,898
Profit before taxation	**4,916**	7,129
Taxation	**(1,257)**	(1,844)
Net profit	**3,659**	5,285
Combined earnings per share	**1.21**	1.79
Combined earnings per share before RDIs†	**1.33**	1.43

Consolidated balance sheet as at 31 December million	**2009**	2008
Non-current assets	**26,205**	24,967
Current assets	**10,811**	11,175
Current liabilities	**(11,599)**	(13,800)
Total assets less current liabilities	**25,417**	22,342
Non-current liabilities	**12,881**	11,970
Shareholders equity	**12,065**	9,948
Minority interests	**471**	424
Total capital employed	**25,417**	22,342

Consolidated cash flow statement
for the year ended 31 December

million	**2009**	2008
Net cash flow from operating activities	**5,774**	3,871
Net cash flow from/(used in) investing activities	**(1,263)**	1,415
Net cash flow from/(used in) financing activities	**(4,301)**	(3,130)
Net increase/(decrease) in cash and cash equivalents	**210**	2,156
Cash and cash equivalents at 1 January	**2,360**	901
Effect of foreign exchange rate changes	**(173)**	(697)
Cash and cash equivalents at 31 December	**2,397**	2,360

Underlying sales growth for the year was 3.5%. Underlying volume growth at 2.3% accelerated through the year, reaching 5.0% in the fourth quarter. The increase in volume growth was widespread across most of our key categories and countries and translated into improving market share performance in all regions as the year progressed.
Operating margin before restructuring, disposals and other one-off items rose to 14.8%. Advertising and promotional expenditure increased by around 250 million. The margin development was underpinned by volume efficiencies and savings of 1.4 billion from lower supply chain costs and a leaner organisational structure.
Cash flow from operating activities increased by 1.4 billion in comparison with 2008, driven by a significant improvement in working capital, and after a 0.5 billion increase in cash contributions to pension funds.
Despite some of the most difficult trading conditions in recent memory, all regions delivered an improving trend in volumes and market share, driven by stronger innovation and advertising and promotional support. Discipline in execution is also improving. We have improved customer service levels and are starting to see progress in on-shelf availability. We have taken decisive action to ensure that our prices stay competitive and, where appropriate, we have adjusted prices to reflect easing commodity costs, just as we took necessary increases in 2008. Cost saving programmes continued to deliver significant benefits across the business.

	AAC			The Americas			Western Europe		
at current rates of exchange	**2009**	2008	change	**2009**	2008	change	**2009**	2008	change
Turnover (m)	**14,897**	14,471	2.9%	**12,850**	13,199	(2.6)%	**12,076**	12,853	(6.0)%
Operating profit (m)	**1,927**	1,701	13.3%	**1,843**	2,945	(37.4)%	**1,250**	2,521	(50.4)%
Operating profit before RDIs† (m)	**2,074**	1,695	22.4%	**2,074**	2,038	1.8%	**1,740**	2,165	(19.6)%
Operating margin	**12.9%**	11.8%		**14.3%**	22.3%		**10.4%**	19.6%	
Operating margin before RDIs†	**13.9%**	11.7%		**16.1%**	15.4%		**14.4%**	16.8%	
at constant rates of exchange									
Turnover			7.3%			(1.0)%			(3.6)%
Underlying sales growth			7.7%			4.2%			(1.9)%
Operating profit			16.1%			(36.6)%			(49.9)%
Operating profit before RDIs†			25.6%			2.8%			(18.8)%

RDIs: restructuring, business disposals and other one-off items. Operating profit before RDIs and operating margin before RDIs may also be referred to elsewhere in this document as underlying operating profit or underlying operating margin . For further information, see also page 46.

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In a very challenging and volatile environment the Asia, Africa and Central & Eastern Europe (AAC) region posted strong growth and margin improvement. We continue to invest aggressively behind the fast-growing emerging markets including China and Russia. The operating margin before RDIs was up from 11.7% to 13.9% in the year as a result of lower commodity costs and operational leverage.

The Americas region recorded a competitive performance with continuing momentum across the business. Volume growth continued to accelerate with all major units contributing. The operating margin before RDIs was up from 15.4% to 16.1% in the year despite the impact of dilution from business disposals.

In the Western Europe region there were encouraging performances in the year in a number of major markets, with an improving trend in quarterly volume growth. The challenging conditions in southern Europe continue. The operating margin
before RDIs was down from 16.8% to 14.4% in the year, largely due to a substantial increase in marketing investment and the negative impact of a weaker sterling on our UK business.

We continued to support the growth of global brands through the rapid roll-out of bigger and better innovations to an increasing number of countries. In addition we substantially increased brand support levels at the same time as media rates were lower. We continue to see the impact of the tough economic conditions on consumers in many key markets as we are focused on providing products which meet their needs, increasingly at value prices.

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Report of the Directors **Performance 2009**

Making a difference in society

Our brands touch the lives of many millions every day. Through our products and the power of our marketing, we can help make a difference to health and well-being around the world.

Nutrition helping make the healthy choice

Increasingly it is recognised that healthy diets along with regular physical activity play a major role in maintaining good health.

More and more, consumers are concerned about what they eat and how it affects their health and well-being. By developing brands that help them to enjoy a healthy diet, we can meet their expectations and grow our business.

Our approach is based around four elements:

- improving the nutritional quality of all our products;
- focusing research and development on healthy offerings;
- expanding consumer choice;
- providing clear information for consumers.

Making progress

The starting point is to improve the nutritional quality of our existing brand portfolio without compromising on taste. Since 2005 our Nutrition Enhancement Programme has reviewed our entire portfolio of products. By the end of 2009, this showed that 44% are in line with internationally accepted guidelines for saturated and trans fat, sugar and salt.

It is estimated that reducing salt by as little 1 g per day can reduce strokes by 5% and heart attacks by 3%. The World Health Organization recommends a daily intake of 5 g. In 2009 we set product benchmarks to achieve a dietary intake of 6 g of salt per day by the end of 2010, with the ambition to reduce further to 5 g per day by the end of 2015.

Innovation is bringing products that offer specific health and nutritional benefits. For example, our Hellmann s Light and Extra Light mayonnaise use patented citrus fibre technology to give a smooth and creamy taste, but with 60-90% less oil than the full fat variant.

To increase consumer choice, we provide variants of many brands, with full and low fat, sweetened and unsweetened options, and different portion sizes.

Nutritional labelling provides consumers with essential information such as levels of key nutrients.

The health claims we make are based on rigorous scientific evidence and are externally checked. During 2009 the European Union formally approved Unilever s claim that the active ingredient in our Flora/Becel pro.activ products is proven to lower cholesterol. Lowering blood cholesterol may reduce the risk of coronary heart disease.

Extending our impact

The Food and Agriculture Organization estimates that more than 1 billion people are undernourished worldwide. Some of our brands can play a role in tackling under-nutrition, particularly micronutrient deficiencies, through food fortification. For example, our Rama/Blue Band spreads contain vitamins A and D. Annapurna iodised salt helps to prevent diseases related to iodine deficiency.

We play an active role in public debate and work in partnership with international organisations to extend the impact of our initiatives. One example is the World Food Programme (WFP), where we support efforts to improve the health and nutrition of school children in developing countries. In 2009, nearly 17 million meals for 80,000 children were provided by WFP, thanks to Unilever employee and brand initiatives. In addition, 50,000 school children in Indonesia, Kenya and Colombia were enrolled in nutrition and hygiene behavioural change campaigns, jointly developed and implemented by WFP and Unilever.

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Within our own workforce too, we can make a difference to health and well-being. Our Lamplighter programme enables Unilever employees to assess, track and improve important aspects of their health such as blood pressure, fitness, mental resilience and diet. This in turn improves the health of Unilever as a business, with fitter, more engaged employees.

Hygiene changing habits, helping save lives

Poor sanitation and a lack of personal hygiene remain the root causes of many life-threatening diseases around the world. Helping people to incorporate simple hygiene habits into their everyday routines can achieve dramatic improvements. Our competitive strength and long heritage of involvement, particularly in developing and emerging markets, offer particular opportunities to grow our brands and make a difference to diseases caused by poor hygiene.

Our Lifebuoy brand helps to promote health and hygiene, and in particular encourages people to wash their hands with soap. In India, its Swasthya Chetna programme (Health Awakening) has run since 2002, raising awareness of the importance of handwashing with soap to prevent disease. Similar hygiene promotion activities run in Bangladesh, Sri Lanka, Pakistan, Indonesia, Vietnam and South Africa. The brand s hygiene education has reached more than 133 million people in these countries since 2002. In 2009 Lifebuoy was voted one of India s most trusted brands in a national consumer poll.

We work with a wide range of partners to help promote the importance of handwashing. Launched in 2008, Global Handwashing Day is an annual event backed by the Public-Private Partnership for Handwashing with Soap, of which Unilever is a founding partner. In 2009 more than 80 countries took part in Global Handwashing Day, touching 120 million people worldwide. Lifebuoy teams in 23 countries coordinated efforts with over 50 organisations, including governments and NGOs. Activities included encouraging school children to take handwashing pledges and the Lifebuoy Germ Fighter Drawing Contest.

Around the world, over 1 billion people do not brush their teeth with a fluoride toothpaste. We estimate that more than 3 billion people do not brush twice a day. Research results from a two-year study show that brushing twice a day with a fluoride toothpaste reduces tooth decay in children by up to 50% compared with only brushing once. Recognising this opportunity to improve oral health and expand our sales, our toothpaste brands have launched their Brush day and night campaign.

Making good quality products such as soap and toothpaste affordable and widely available is a crucial starting point. But this is not enough if people do not change their everyday habits too.

That is why Unilever s health and hygiene programmes harness the power of our marketing to change behaviour. The social mission of brands means such action is integrated into brand strategies, not simply a philanthropic add-on.

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Report of the Directors **Performance 2009**

Growing sustainably

Our goal is to double the size of the business whilst at the same time reducing our environmental footprint. We define this footprint broadly. It extends well beyond our own operations to encompass the whole value chain our activities from the sourcing of raw materials through to consumer use and disposal of our products.

This is a challenging objective, but we start from a strong base. For more than a decade we have been reducing the environmental impact of our own factories and supporting our agricultural suppliers to improve their sustainability practices.

During 2009 we also carried out a major piece of work to measure more accurately Unilever s impacts on the world around us. A new set of metrics was piloted to assess our global brands against four indicators greenhouse gas emissions, water, waste and agricultural sourcing.

The analysis highlighted again that our direct impact from factories, offices, lorries, business travel and so forth was small in comparison with other parts of our value chain. How people use our washing powders, for example, has a much bigger impact than where or how we make them.

Our own operations

Although emissions and waste from factories represent only a small part of our footprint, we are committed to reducing them.

Since 1995 we have achieved a 41%* reduction in CO_2 from energy per tonne of production. In 2009 we achieved a reduction of 3%* compared to 2008.

Since 1995 we have reduced by 65%* the amount of water we use to make a tonne of product. During 2009 we achieved a 5.6%* reduction in water use compared to 2008.

Total waste sent from our factories for disposal has been cut by 73%* per tonne of production since 1995.

One example of action is our detergent factory in Hefei, China. Straw waste previously burned by local farmers is now collected and used to generate power. This improves air quality, reduces CO_2 emissions and provides farmers with extra income.

At our Gloucester factory in the UK, where we make Wall s and Magnum ice cream, we will reduce CO_2 from energy by more than 3,000 tonnes a year through the installation of a combined heat and power (CHP) plant. The 2.4 megawatt plant is primarily fuelled by natural gas, with heat in the form of hot water and steam produced as a by-product. This heat is re-used in the manufacturing process.

Sourcing sustainably

Around 50% of the raw materials that we use for our products come from agriculture and forestry. We buy approximately 12% of the world s black tea, 6% of its tomatoes and 3% of its palm oil.

Our goal is to source all our key agricultural raw materials sustainably. Through our Sustainable Agriculture Programme, we have developed detailed guidelines on what sustainable agriculture means for our key crops. Our guidelines cover criteria such as reducing fertiliser and pesticide use, conserving water, promoting biodiversity and using less energy.

Palm oil is used in both food and home and personal care products. We have committed to have all our palm oil purchases externally certified as sustainable by 2015. Working with Greenpeace, we have built a global coalition of some 40 companies and NGOs

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to combat deforestation in Asia, much of which is caused by unsustainable agricultural practices in growing oil palms. Around two thirds of the coalition s company members have now set public targets for purchasing certified sustainable supplies.

In 2009 Unilever purchased GreenPalm certificates covering 185,000 tonnes of palm oil, accounting for around 15% of our total needs. GreenPalm certificates support the production of sustainable palm oil certified to the standards of the Roundtable on Sustainable Palm Oil. We also took action to suspend a major supplier in Indonesia following evidence of involvement in destructive practices.

In 2009 WWF published the 2009 Palm Oil Buyers Scorecard an assessment of the palm oil purchasing practices of major European companies. Unilever was rated among the top five and was commended for showing real progress on commitments to buy and use sustainable palm oil.

Reducing impacts from consumer use

The biggest part of Unilever s emissions of both CO_2 and water occur during consumer use. Many of our products require energy to heat water for cooking, showering or washing clothes. Through the design and formulation of these products, we can mitigate their impacts. For example, Persil Small & Mighty laundry detergent not only uses fewer chemicals and less packaging but also allows the consumer to wash clothes at low temperatures and on shorter cycles.

During 2009 we contributed to a study conducted by Tesco and Manchester University s Sustainable Consumption Institute. This showed that in the UK three quarters of emissions are directly or indirectly influenced by consumers.

In a joint report produced with Coca-Cola we shared our experiences in mapping impacts across the value chain (ie from sourcing raw materials through to consumer use and disposal of products), and in empowering consumers to change behaviour.

In Mexico, Unilever is collaborating with Walmart on a project called Grupo Transforma to raise awareness among consumers about environmental protection. Activities include waste collection sites at stores to encourage recycling and a travelling environmental exhibition La Neta del Planeta (The Truth of the Planet).

Investor recognition

Unilever s work has been recognised by investor rating agencies. The Dow Jones Sustainability World Indexes cite us as food industry leader, for the 11th year running. We have been included in the FTSE4Good Index Series since its inception in 2001.

In 2009 Unilever was the only company recognised as best practice by the Natural Value Initiative s Ecosystem Services Benchmark, a tool developed with six institutional investors to help asset managers identify companies that are actively managing the risks and opportunities related to biodiversity and ecosystems.

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Report of the Directors **Board and Executive**

Board of Directors

Chairman

Michael Treschow[1,2]

Nationality: Swedish. Aged 66.
Chairman since May 2007. Chairman, Telefonaktiebolaget L M Ericsson. Non-Executive Director, ABB Group. Board member, Knut and Alice Wallenberg Foundation, Member of the European Advisory Board, Eli Lilly and Company. Chairman, AB Electrolux 2004-2007 and Confederation of Swedish Enterprise 2004-2007.

Vice-Chairman

Jeroen van der Veer[3, 4, 5]

Nationality: Dutch. Aged 62.
Appointed 2002. Non-Executive Director, Royal Dutch Shell plc. Member, Supervisory Board of Philips, and Vice-Chairman ING. Member, Supervisory Board of De Nederlandsche Bank N.V. 2000-2004.

Executive Directors

Paul Polman

Chief Executive Officer

Nationality: Dutch. Aged 53.
Chief Executive Officer since January 2009. Appointed Director October 2008. President, Kilimanjaro Blind Trust. Patron, Leaders for Nature, an International Union for Conservation of Nature (IUCN) initiative. Various positions within Procter & Gamble Co. 1979-2001, Group President Europe and Officer, Procter & Gamble Co. 2001-2006. Chief Financial Officer, Nestlé S.A. 2006-2008. Executive Vice President and Zone Director for the Americas 2008.

Jean-Marc Huët*

Chief Financial Officer

Nationality: Dutch. Aged 40.
Appointed Chief Financial Officer February 2010. Chief Financial Officer, Bristol-Myers Squibb 2008-2009. Royal Numico NV 2003-2007. Executive Director, Goldman Sachs International 1993-2003. Clement Trading 1991-1993.

Non-Executive Directors

The Rt Hon The Lord Brittan of Spennithorne QC, DL[6]

Nationality: British. Aged 70.
Appointed 2000. Vice-Chairman, UBS Investment Bank and Chairman, UBS Limited. Director, UBS Securities Company Limited. Member, International Advisory Committee of Total. Member, Advisory Board of Teijin Ltd. Member, European Commission and Vice-President 1989-1999. Member, UK Government 1979-1986. Home Secretary 1983-1985 and Secretary of State for Trade and Industry 1985-1986.

Professor Wim Dik[7]
Nationality: Dutch. Aged 71.
Appointed 2001. Professor at Delft University of Technology. Chairman, Advisory Board of Spencer Stuart Netherlands. Vice-chairman of Supervisory Board of Stage Entertainment B.V. Non-Executive Director, Aviva plc 1999-2009 and Logica plc 2002-2009. Chairman and CEO, Koninklijke PTT Nederland (KPN) 1988-1998 and Koninklijke KPN N.V. (Royal Dutch Telecom) 1998-2000. Minister for Foreign Trade, Netherlands 1981-1982.

Louise Fresco[8]
Nationality: Dutch. Aged 58.
Appointed May 2009. Professor of International Development and Sustainability at the University of Amsterdam. Supervisory Director, RABO Bank. Member, SER. Trustee, Roosevelt Academy.

*Jean-Marc Huet will be proposed for election as an Executive Director at the 2010 AGMs.

Ann Fudge[2]
Nationality: American. Aged 58.
Appointed May 2009. Non-Executive Director, Novartis AG, General Electric Co., and Buzzient Inc. Chairman, US Programs Advisory Panel of Gates Foundation. Honorary director of Catalyst, Trustee of The Rockefeller Foundation and vice-chairman of the board of overseers of Harvard University.

Charles Golden[7]
Nationality: American. Aged 63.
Appointed 2006. Non-Executive Director, Clarian Health Partners, Hill-Rom Holdings, Eaton Corporation and the Lilly Endowment. Member of Finance Committee, Indianapolis Museum of Art. Executive Vice-President, Chief Financial Officer and Director, Eli Lilly and Company 1996-2006.

Byron Grote[7]
Nationality: American/British. Aged 61.
Appointed 2006. Chief Financial Officer, BP p.I.c. Member, UK Business Government Forum on Tax and Globalisation. Vice-chairman, UK Government s Public Services Productivity Panel.

Narayana Murthy[8]
Nationality: Indian. Aged 63.
Appointed 2007. Chairman, Asia Business Council, International Institute of Information Technology and Infosys Technologies Limited. Director, Infosys Consulting, Inc., Infosys Technologies (China) Company Limited, New Delhi Television Ltd. Non-Executive Director, HSBC Holdings plc.

Hixonia Nyasulu[8]
Nationality: South African. Aged 55.
Appointed 2007. Chairman, Sasol Ltd. Non-Executive Director, Barloworld Ltd and Tongaat-Hulett Group Ltd. Member, Advisory Board of JP Morgan SA. Director, Paton Tupper Associates (Pty) Ltd.

Kees Storm[9]
Nationality: Dutch. Aged 67.
Appointed 2006. Chairman, Supervisory Board and Member of the Audit Committee, KLM Royal Dutch Airlines N.V. Member, Supervisory Board, AEGON N.V. Board member and Chairman of Audit Committee, Anheuser-Busch InBev S.A. Board member and member of

the Audit Committee, Baxter International, Inc. Vice-Chairman, Supervisory Board, Pon Holdings B.V. Chairman, Executive Board, AEGON N.V. 1993-2002.

Paul Walsh[1, 2]

Nationality: British. Aged 54.

Appointed May 2009. Chief Executive Officer of Diageo. Non-Executive Director, FedEx Corporation Inc. Chairman, The Scotch Whisky Association. Member of the Council of the University of Reading, The Business Council for Britain, The Prince of Wales International Business Leaders Forum.

Report of the Directors **Board and Executive**

Unilever Executive

Paul Polman

Chief Executive Officer

(see details on page 22)

Doug Baillie

President Western Europe

Nationality: British. Aged 54.

Appointed President of Western Europe in May 2008. Joined Unilever 1978. Previous posts include: CEO, Hindustan Unilever Limited and Group Vice President, South Asia 2006, Group Vice-President Africa, Middle East & Turkey (AMET) 2005, President, Africa Regional Group 2004, National Manager, Unilever South Africa, 2000, Managing Director Lever Pond s South Africa 1997, Vice President, Home and Personal Care for the Africa Business Group 1994.

Vindi Banga

President Foods, Home & Personal Care

Nationality: Indian. Aged 55.

Appointed to UEx April 2005 as President Foods. Appointed President Foods, Home & Personal Care in May 2008. Joined Unilever 1977. Previous posts include: Business Group President Home and Personal Care, Asia 2004 in addition to Non-Executive Chairman, Hindustan Lever 2004-2005. Chairman and Managing Director, Hindustan Lever 2000-2004.

Professor Geneviève Berger

Chief Research and Development Officer

Nationality: French. Aged 55.

Appointed to UEx July 2008. Professor and Hospital Practitioner, Medical University Teaching Hospital, Paris 2003-2008. Member, Technical Committee, Institute of Electrical and Electronics Engineers (IEEE). Chairman, Advisory Board, Health for the European Commission. Director, Biotech and Agri-Food Department 1998-2000 and Director of Technology 2000, the French Ministry for Education. Director General, National Centre for Scientific Research (CNRS), France 2000-2003. Previously Non-Executive Director of Unilever N.V. and Unilever PLC 2007-2008.

Jean-Marc Huët
Chief Financial Officer
(see details on page 22)

Harish Manwani
President Asia, Africa and Central & Eastern Europe

Nationality: Indian. Aged 56.
Appointed to UEx April 2005 as President Asia Africa. Appointed President Asia, Africa and Central & Eastern Europe in May 2008. Joined Unilever 1976. He is also Non-Executive Chairman, Hindustan Unilever Limited. Previous posts include: Business Group President, Home and Personal Care, North America 2004. Business Group President, Home and Personal Care, Latin America 2001 and Senior Vice President, Hair Care and Oral Care 2000.

Sandy Ogg
Chief Human Resources Officer

Nationality: American. Aged 56.
Appointed Chief HR Officer April 2005. Joined Unilever 2003. Previous posts include: SVP Human Resources, Foods 2003. Prior to joining Unilever he worked for Motorola as SVP, Leadership, Learning and Performance Management.

Michael Polk
President Americas

Nationality: American. Aged 49.
Appointed President Americas March 2007. Joined Unilever 2003. Previous posts include: President Unilever USA. Prior to joining Unilever, he held various senior positions at Kraft Foods including President, Biscuits and Snacks Sector and President, Asia Pacific Region. External appointments: Non-Executive Director, Newell-Rubbermaid Corporation; Director, Students in Free Enterprise and Grocery Manufacturers of America.

Pier Luigi Sigismondi
Chief Supply Chain Officer

Nationality: Italian. Aged 44.
Appointed Chief Supply Chain Officer September 2009. Prior to his appointment at Unilever, he joined Nestlé S.A. in 2002 as Vice President of Corporate Operations Strategies, before moving to Nestlé Mexico in 2005 as Vice President of Supply Chain and R&D. Prior to Nestlé S.A. he was Vice President of Operations in Italy for A T Kearney. He also holds a Masters in Industrial & Systems Engineering from the Georgia Institute of Technology,

Atlanta, Georgia.

Unilever Executive (UEx) members are treated as executive officers and senior management for US purposes and key management personnel for IFRS purposes. All members of the UEx have existing agreements with varying terms, however, all agreements include a notice period of 12 months although local law and practice may sometimes impact on these provisions. Details of the remuneration paid and share awards are shown in aggregate in note 4 on page 90.

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Report of the Directors **About Unilever**

Our business
Our business
Unilever is one of the world s leading suppliers of fast-moving consumer goods. We aim to meet everyday consumer needs for nutrition, hygiene and personal care with products that help people to feel good, look good and get more out of life. Unilever is a global business which by the end of the year was generating more than half of its turnover in developing and emerging markets in Asia, Africa, Central & Eastern Europe and Latin America. Unilever s portfolio includes such well-known brands as Knorr, Lipton, Hellmann s, Magnum, Omo, Dove, Lux and Axe/Lynx.
Our long-term ambition is to be in the top third of a group of 21 fast moving consumer goods companies in terms of total shareholder return on a three-year basis. A list of the companies included in our peer group in 2009 is set out on page 46.
Key indicators 2009 performance and portfolio
During 2009, progress against our key financial performance indicators was as follows:

	2009	2008	2007
Underlying sales growth (%)	**3.5**	7.4	5.5
Underlying volume growth (%)	**2.3**	0.1	3.7
Operating margin (%)	**12.6**	17.7	13.1
Operating margin before RDIs (%)	**14.8**	14.6	14.5
Ungeared free cash flow (billion)	**4.9**	3.2	3.8
Return on invested capital (%)	**11.2**	15.7	12.7
Total shareholder return (ranking)	**5**	9	8

Underlying sales growth, underlying volume growth, operating margin before RDIs, ungeared free cash flow, return on invested capital and total shareholder return are not recognised measures under IFRS. Further information about our use of these measures, including definitions and, where appropriate, reconciliation to IFRS measures, can be found in our Financial Review starting on page 37.
Underlying sales growth (USG) is defined as the percentage increase in turnover, adjusted for the impact of acquisitions and disposals and exchange rate fluctuations. In 2009, underlying sales growth was 3.5% compared with 7.4% in 2008. Underlying volume growth is underlying sales growth after excluding the impact of price changes.
Operating margin for 2009 was 12.6% compared with 17.7% in 2008, which benefited significantly from the net impact of profits on disposals, restructuring charges and other one-off items. Before these items the underlying improvement in operating margin in 2009 was 0.2 percentage points.
Ungeared free cash flow (UFCF) is defined as the cash flow from operating activities less net capital expenditure, pension charges, share-based compensation costs and tax. A more comprehensive definition is given on page 45. In 2009, UFCF was 4.9 billion, which was 1.7 billion higher than a year earlier.
Return on invested capital (ROIC) is defined as profit after tax (excluding finance and net impairment charges) divided by the average invested capital. A more comprehensive definition is given on page 45. In 2009, ROIC was 11.2% compared with 15.7% in 2008, which benefited from significant profits on business disposals. Excluding the impact of profits on sale of group companies, ROIC was at the same level as in 2008.
Within our peer group of 21 companies, our ranking for Total Shareholder Return over a three-year period was 5th in 2009. This measure forms part of the basis for the long-term remuneration of top management. Further information is given on page 46.
In addition to these financial indicators, we track other measures in support of our strategic goals. We believe that the share of our business that is generated in Developing and Emerging (D&E) markets, and the proportion of our turnover that is generated by our top 25 brands are particularly relevant. For the latter measure we group together

brands that have common consumer profiles and are supported by common innovation programmes, although in some cases the brand names may vary between countries. The results for these measures for the last three reporting years are as follows:

	2009	2008	2007
Share of turnover in D&E markets (%)	**49**	47	44
Share of turnover in top 25 brands (%)	**73**	73	73

Our definition of D&E markets includes all countries in Latin America, Central & Eastern Europe, Africa and Asia, except Japan and Australia. In 2009, the turnover in D&E markets represented 49% of the turnover of the Group.

Our D&E strategy aims to increase the penetration and consumption of our categories with D&E consumers at all income levels and to trade consumers up to higher added value products as needs change with rising incomes. We have an outstanding geographic footprint in D&E markets. Our focus is to maintain and develop our leading category and brand positions in our D&E strongholds, such as Brazil, India, South Africa and Indonesia, whilst simultaneously investing aggressively for growth to build up new brand and category positions in countries that present important new growth opportunities, notably China and Russia.

In the last decade we have strengthened our brand portfolio, with the top 25 brands now collectively contributing 73% of our global turnover, and our top 13 brands together accounting for sales of   23.5 billion.

We also monitor the development of our brands through independent market information that gives us insights into our leading positions versus our direct competitors. In our section on Operating environment on page 27 we indicate the product areas in which we have leading or key strategic positions.

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Report of the Directors **About Unilever**

Our business (continued)

Key indicators 2010 performance and portfolio

Throughout 2009 Unilever has consistently communicated to shareholders that its main business objective is to restore volume and underlying sales growth while steadily improving operating margins and cash flow. There are a number of strategic priorities which support this objective. It is this combination of top-line revenue growth and bottom-line profits growth that Unilever believes will build shareholder value over the longer term. It is our objective to be among the best performers in our peer group.

Going forward we will therefore report our financial performance against a revised set of key indicators, certain of which will also be reflected in targets for executive and management remuneration. Principal among these will be:

Underlying sales growth (as previously reported);

Underlying volume growth (sales growth excluding the impact of pricing changes);

Improvement in underlying operating margin before RDIs (replacing reported operating margin); and

Operating cash flow (replacing ungeared free cash flow).

Key indicators people and sustainability

Identifying and addressing social and environmental concerns is essential to the long-term success of Unilever, as recognised in our new vision to double the size of the business, while reducing our environmental impact. Handling these aspects of our operations well not only represents sensible management of risk, but presents new opportunities for business growth. We have many indicators to measure our progress in these areas, however the ones we regard as key are people s safety and the three environmental measures below.

We take seriously our responsibility to provide a safe workplace. We aim to continuously improve the health, safety and well-being of everyone working for or on behalf of Unilever. A key measure of our progress in this area is our total recordable accident frequency rate, which counts all employee workplace accidents except those requiring only simple first aid treatment.

We are committed to meeting the needs of customers and consumers in an environmentally sound and sustainable manner, through continuous improvement in environmental performance in all our activities. As a multinational business, it is essential that we exercise the same concern for the environment wherever we operate. The environmental measures that we regard as the most significant in relation to our business are those relating to the amounts of CO_2 from energy that we produce, the water that we consume as part of our production processes, and the amount of waste that we generate for disposal. For further information please refer also to page 20.

The table below shows the results for the last three years.

	2009	2008	2007
Total recordable accident frequency rate (TRFR) per 1,000,000 hours [a]	**1.91**	2.10	2.60
CO_2 from energy per tonne of production (kg)	**141.61**	145.92	149.18
Water per tonne of production (m^3)	**2.80**	2.97	3.05
Total waste per tonne of production (kg)	**6.63**	7.91	7.56

(a) As a consequence of improving our safety performance over many years, in 2009 Unilever decided to increase the denominator used to calculate TRFR from 100,000 to 1,000,000 hours. Using this new higher factor has the effect of increasing our current and historical TRFR data by a factor of ten, as shown in the table above.

Data for 2009 is preliminary. It will be independently assured and reported in our online Sustainable Development Report 2009 at www.unilever.com/sustainability The data shown for 2008 and 2007 has been assured.

The type of assurance undertaken has been limited to enquiries of company personnel and analytical procedures together with review on a sample basis of the operation of processes relating to performance data noted in the table above. Assurance of this nature is substantially less in scope than a financial audit and does not include detailed sample testing of source data, processes or internal controls. None of the assurance services in this area is provided by Unilever s external financial auditors.

On pages 18 to 21 of this report we give examples of the ways in which our brands are addressing consumers social and environmental concerns. A comprehensive review of Unilever s social and environmental performance can be found in our annual Sustainable Development Report, available online at www.unilever.com/sustainability Our online Report will contain updated and independently assured results for 2009 for the measures above, as well as trend information that demonstrates our performance over the longer term.

Ten-year trends in many of the measures described above, together with a range of other indicators, are included in the document entitled Unilever Charts which can be found on our website at www.unilever.com/investorrelations/annual_reports

Organisation

Unilever s organisation comprises regions, categories and functions.

Our regions have profit responsibility for the local go-to-market operations in their geographic territory. The focus is primarily to build and develop relationships with customers, to develop the regional supply chain to deliver customer service and asset productivity, and to deploy brands and innovations effectively, focused on excellent execution in the market place. The performance of the regions is measured in terms of in-year financial results, customer service levels and market positions.

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The global category team aims to develop winning category and brand strategies, to create exciting new brand communication, product innovation and renovation, and to provide strategic direction for the supply chain. The category team is responsible for medium-term value creation, considering items such as market share, category growth, brand health and innovation.

Our functional teams, notably Finance and Human Resources, are responsible for providing business partnering, strategic support and competitive services across the global business. Such functions are organised around these same principles of business partners, shared services and centres of expertise.

The top management team, called the Unilever Executive (UEx), consists of the CEO with eight direct reports, including regional Presidents for Western Europe, the Americas and Asia Africa CEE, one global President for the categories, and four functional heads, namely the CFO, Chief HR Officer, Chief R&D Officer and Chief Supply Chain Officer.

Operating environment

In our markets, we compete with a diverse set of competitors. Some of these operate on an international scale like ourselves, while others have a more regional or local focus.

We aim to focus on providing consumers with added-value products that will help them to feel good, look good and get more out of life, in several important ways:

- creating and nurturing attractive brands that are trusted and preferred by consumers and which seek to address consumer needs and aspirations better than other brands;
- developing and rolling out new and better products and concepts across our regions and product categories, supported by innovative communication campaigns; and
- optimising and improving the productivity and efficiency of our cost and asset base whilst ensuring consistent high quality of our products.

Around 70% of our turnover is in countries and categories where we have a leadership position, as measured by the value of turnover. We hold the global number 1 position in savoury, spreads, dressings, tea, ice cream, deodorants and mass skin care. We hold the global number 2 position in laundry detergents and daily hair care. We have strong local positions in household care and oral care.

Unilever s products are generally sold through our own sales force as well as through independent brokers, agents and distributors to chain, wholesale, co-operative and independent grocery accounts, food service distributors and institutions. Products are physically distributed through a network of distribution centres, satellite warehouses, company-operated and public storage facilities, depots and other facilities.

Our products are sold in over 170 countries around the world. In many countries we manufacture the products that we sell, while we also export products to countries where we do not have manufacturing operations. The manufacturing network is generally determined by an optimised regional sourcing strategy which takes account of requirements for innovation, quality, service, cost and flexibility. Certain of our businesses, such as ice cream, are subject to significant seasonal fluctuations in sales. However, Unilever operates globally in many different markets and product categories, and no individual element of seasonality is likely to be material to the results of the Group as a whole.

Our products use a wide variety of raw and packaging materials which we source internationally, and which may be subject to price volatility. For example in 2008 we saw unprecedented price increases in many of our materials, notably in edible oils, which are used in many food products as well as some personal care products, and of crude oil, which is relevant to our transport costs but also used as an input for certain petrochemicals and packaging materials.

Transactions with related parties are conducted in accordance with agreed transfer pricing policies and include sales to joint ventures and associates. Other than those disclosed in this report, there were no related party transactions that were material to the Group or to the related parties concerned that are required to be reported in 2009 or the two preceding years.

For more information about related party transactions please refer also to note 30 on page 128.

Resources

Our brands

We have a strong and well-differentiated portfolio of global and local brands, which are positioned to meet the needs and aspirations of our consumers across a variety of price points, segments and channels, allowing us to compete effectively in our key categories and countries.

In 2009 eleven of our brands had global turnover of 1 billion or more. These were Knorr, Hellmann s, Lipton, Becel/Flora (Healthy Heart), Rama/Blue Band (Family Goodness), Wall s/Algida (Heartbrand), Omo, Dove, Lux, Rexona (including Sure and Degree) and Axe/Lynx.

We manage our brands under the following four category headings: savoury, dressings and spreads; ice cream and beverages; personal care; and home care.

Savoury, dressings and spreads includes soups, bouillons, sauces, snacks, mayonnaise, salad dressings, margarines, spreads and cooking products such as liquid margarines, and some frozen foods. Our key brands here are Knorr, Hellmann s, Becel/Flora (Healthy Heart), Rama/Blue Band (Family Goodness), Calvé, Wish-Bone, Amora, Ragú and Bertolli.

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Our business (continued)

Ice cream and beverages includes ice cream sold under the international Heartbrand, including Cornetto, Magnum, Carte d Or and Solero, Wall s, Kibon, Algida and Ola. Our portfolio also includes Ben & Jerry s, Breyers, Klondike and Popsicle. This category also includes tea-based beverages, where our principal brands are Lipton, Brooke Bond and PG Tips, as well as weight management products through our Slim Fast range and nutritionally enhanced products sold in developing markets, including Annapurna and AdeS.

Within these groups, we also include sales by Unilever Foodsolutions, which is a global food service business providing solutions for professional chefs and caterers.

In personal care, six global brands are the core of our business in the mass skin care, daily hair care and deodorants product areas Dove, Lux, Rexona (including Sure and Degree), Sunsilk (including Seda/Sedal), Axe/Lynx and Pond s. Other important brands include Suave, Clear, Lifebuoy and Vaseline, together with Signal and Close Up in oral care.

Our home care ranges include laundry products, such as tablets, traditional powders and liquids for washing clothing by hand or machine. Tailored products including soap bars are available for lower-income consumers. Our brands include Omo (Dirt is Good platform), Surf, Comfort, Radiant and Skip. Our household care products include surface cleaners and bleach, sold under the Cif, Domestos and Sun/Sunlight brands.

Please refer also to pages 8 to 21 where we give many examples of the ways in which our brand portfolio is being actively managed in support of our strategic objectives.

Our employees

We believe in providing an environment where individuals can achieve their goals, both professionally and personally. In order to attract and retain the best people, we recognise the need to offer them ways to take advantage of opportunities, room to succeed and grow, and more directions in which to pursue their careers.

Our success depends on innovation, so we do everything we can to ensure that the enterprising people we employ have the freedom to act. We give them all the support and encouragement they need. At the same time, we empower them to make tough decisions, implement new ideas and use their initiative. As a result our people have a passion for achievement, strive for outstanding results and are determined to get things done.

We believe in everyone s ability to develop and grow, and that life at work should be a continuous learning journey and that we all have an equal right to take advantage of the opportunity to develop ourselves. In our view, seizing the opportunity to make a difference is more important than simply progressing up the ladder.

Personal vitality is also something we feel strongly about and we have programmes and activities in place which are designed to help everyone in the business take care of themselves and encourage a better quality of life. By creating a vitalising work experience and environment for our people we help them feel energised and able to perform to the very best of their ability.

We have created an inclusive environment where people can bring their whole self to work; they do not have to change to fit in. We want people to be themselves. This drives a higher level of engagement and, as a direct result, improves all-round performance.

The fact that everyone is unique and has different interests outside the office has a positive impact on the way we work and on our culture. Understanding other people s perspectives and learning from them adds variety and enriches what we do.

Our total employee numbers over the last five years were as follows:

Year end in thousands	**2009**	2008	2007	2006	2005
Asia Africa CEE	**95**	102	97	98	118
The Americas	**40**	42	43	45	47
Western Europe	**28**	30	34	36	41
Total	**163**	174	174	179	206

Diversity

Diversity in Unilever is about inclusion, embracing differences, creating possibilities and growing together for better business performance. We embrace diversity in our workforce: this means giving full and fair consideration to all applicants and continuing development to all employees regardless of gender, nationality, race, creed, disability, style or sexuality. Diversity plays a vital role in ensuring we understand consumers needs.

The commitment to diversity is set right at the top of our business. It is driven by the Global Diversity Board, chaired throughout 2009 by Chief Executive Officer Paul Polman.

Unilever is a very culturally diverse business, with 20 different nationalities represented among our top-tier management.

We have worked to embed diversity firmly into our day-to-day business decisions, via our talent management and people processes, from appointments to development. In addition the Global Diversity Board has agreed a number of actions which must be implemented by all of our business units to promote and support increased diversity. Our business units are required to report progress against each of these actions on a quarterly basis using the Diversity Scorecard, which is reviewed by the Global Diversity Board.

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Information Technology

Unilever IT is a global function headed by a Chief Information Officer, reporting to the Chief Financial Officer, with a strategy to deliver simple and competitive IT solutions in a cost-effective way to support the business agenda.

A common technology framework and common standards for architecture, key technologies, process, information and service allow Unilever to simplify its IT operations to better exploit global scale in IT. For example, this common approach facilitates the move towards regional supply chain organisations and the development of regional shared service centres, notably in Finance and Human Resources, which in some cases are outsourced.

The IT function is a key enabler for the transformation towards a globally aligned business through:

- strategic alliances and partnerships with global suppliers;
- improving IT infrastructure and service levels, whilst reducing costs;
- building consistent IT capabilities, processes and databases; and
- strategic outsourcing in selected key areas.

Unilever partners with a selected group of leading suppliers to develop and maintain a limited number of complementary IT systems that collectively cover our business needs. This promotes radical simplification, increased flexibility and agility, faster implementation and reduced costs.

Intellectual property

We have a large portfolio of patents and trademarks, and we conduct some of our operations under licences that are based on patents or trademarks owned or controlled by others. We are not dependent on any one patent or group of patents. We use all appropriate efforts to protect our brands and technology.

Laws and regulation

Unilever businesses are governed by laws and regulations designed to ensure that products may be safely used for their intended purpose and that labelling and advertising are truthful and not misleading. Unilever businesses are further regulated by data protection and anti-trust legislation. Important regulatory bodies in respect of our businesses include the European Commission and the US Food and Drug Administration.

We have processes in place to ensure that products, ingredients, manufacturing processes, marketing materials and activities comply in all material respects with the above-mentioned laws and regulations.

Legal proceedings

We are involved from time to time in legal and arbitration proceedings arising in the ordinary course of business. For information on current outstanding legal proceedings and ongoing regulatory investigations please refer to Legal proceedings within note 25 on page 122.

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Report of the Directors **About Unilever**

Outlook and risks

The following discussion about outlook and risk management activities includes forward-looking statements that involve risk and uncertainties. The actual results could differ materially from those projected. See the Cautionary statement on the inside back cover.

Outlook

Market conditions for our business were particularly challenging in 2009 and we do not expect this to change significantly in 2010. Economic pressures are likely to weigh heavily on consumer spending. This is especially the case in some of our developed markets where we expect unemployment to remain relatively high and disposable incomes to be adversely impacted by the combination of higher taxes and rising interest rates as fiscal stimulus packages start to be unwound. Under these conditions consumer confidence is not expected to rise significantly in the year ahead and the search for value in the shopping basket will continue.

Against this background we expect continued deflationary pressure, exacerbated in the early part of the year by the continuing impact of lower commodity costs. However we anticipate commodity cost inflation to return around the middle of the year, albeit at more modest levels than in recent years, and that this will put limited upward pressure on prices in the second half of 2010.

The competitive environment for our business is likely to intensify further in 2010. Our key competitors, both global and local, will be aiming to
regain market share in many of our key markets and categories and will enhance their activity plans accordingly. We expect heightened levels of competitive challenge to our many leadership positions based on innovation and wide-ranging brand support. We are well prepared for such challenges.

Faced with these challenges we will continue to focus on our key strategic priorities for 2010 of driving volume growth whilst providing a steady improvement in operating margin before RDIs and strong cash flow. We believe that our outstanding and long-established presence in D&E markets is a key competitive strength that offers us opportunities for future growth. In these markets, per capita levels of consumption are much lower than in developed markets, and demographic trends suggest that over the next ten years many millions of consumers may be able to afford our products. At the same time we are determined to grow also in the developed world, which still represents around half of our business.

Principal risk factors

Risks and uncertainties could cause actual results to vary from those described in forward-looking statements made within this document, or could impact on our ability to meet our targets or be detrimental to our profitability or reputation. The risks that we regard as the most relevant to our business are identified below. We have also commented on certain mitigating actions that we believe help us manage such risks; however, we may not be successful in deploying some or all of these mitigating actions.

Description of risk

Economic

Decline in business during an economic downturn

Avoiding customer and supplier default

Unilever s business is dependent on continuing consumer demand for our brands. Reduced consumer wealth driven by adverse economic conditions may result in our consumers becoming unwilling or unable to purchase our products, which could adversely affect our cash flow, turnover, profits and profit margins. For example, in 2008 the economic downturn adversely impacted our business by reducing the demand for some of our products. In addition we have a large number of global brands, some of which have a significant carrying value as intangible assets: adverse economic conditions may reduce the value of those brands which could require us to impair their balance sheet value.

During economic downturns access to credit could be constrained: this happened in 2008 and 2009. This could impact the viability of our suppliers and customers and could temporarily inhibit the flow of day-to-day cash transactions with suppliers and customers via the banks.

Adverse economic conditions may affect one or more countries within a region, or may extend globally. The impact on our overall portfolio will depend on the severity of the economic slowdown, the mix of countries affected and any government response to reduce the impact such as fiscal stimulus, changes to taxation and measures to minimise unemployment.

What we are doing to manage the risk

The breadth of Unilever s portfolio and our geographic reach help to mitigate local economic risks. We carefully monitor economic indicators and regularly model the impact of different economic scenarios. We monitor consumer behaviour through regular market research and adopt a flexible business model which allows us to adapt our portfolio and respond quickly to develop new offerings that suit consumers and customers changing needs during economic downturns. We regularly update our forecast of business results and cash flows and, where necessary, rebalance investment priorities. We undertake impairment testing reviews in accordance with the relevant accounting standards. We regularly monitor and review the health of our customers and suppliers and implement credit limits and supply substitution arrangements. These reviews are undertaken more frequently during economic downturns.

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Description of risk