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Certain sections of the Unilever Annual Report and Accounts 2009 have been audited. These are on pages 79 to 128, 131 to 132 and those parts noted as audited within the Directors' Remuneration Report on pages 71 to 73.

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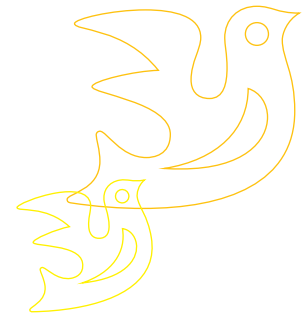
# Our vision

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.





## 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.

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### 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.

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### 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.



Case study: Liquid margarine

## Low-fat frying?

If you've ever tried frying with low-fat margarine, you'll know why people use full-fat instead, and try to reduce their calorie intake by using less of it. Spitting and burning, low-fat oils can often let you down. Until now, that is.

An invention by our R&D team has achieved what has previously been impossible: to produce a low-fat margarine that does not spit or burn when you use it for frying. Launched in Europe in 2008, our light liquid margarines from our Family Goodness and Heart Health brands are offering consumers a new way to cook lighter meals. Made of a combination of three vegetable oils, and including the important vitamins A, D and E, they make it easy to cook nutritiously for the whole family. And it hasn't gone unnoticed by consumers. Liquid margarine is the fastest growing segment in our European spreads and cooking category, and our new light liquid exceeded expectations, bringing new users to the segment and our brands in both the Netherlands and Belgium.

and more @ [www.unilever.com/blueband](http://www.unilever.com/blueband)





Case study: Dove

## Getting under your skin

Body wash is a competitive market. Everyone is seeking that perfect combination: genuine cleansing without drying out your skin. The NutriumMoisture technology in Dove contains 100% natural moisturisers that are absorbed thoroughly to nourish the skin deep down.

In 2009 we launched new Dove Body Wash with proprietary NutriumMoisture technology. It intertwines mild cleansers with natural moisturisers helping maintain the skin's natural moisture barrier, earning the product its scientifically-proven claim to provide 'effective natural nourishment'. Supporting the science, the advertising campaign gave consumers an image to remember: a fully-clothed woman in the shower, bringing to life how conventional products use moisturisers that tend to sit on the skin compared with Dove Body Wash with its penetrating moisturisation. And with its streamlined tear-drop packaging, less waste means the environment benefits too. Having proved its potential in the tough US market, Dove Body Wash will be rolled out elsewhere in 2010.

and more @ [www.unilever.com/dove](http://www.unilever.com/dove)

### 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.



**Bigger, better, faster**  
In laying the foundations for growth, we are focusing on rolling out more innovations faster and to more markets.

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.



Case study: Walmart USA

## Winning in Walmart

Using hit album releases to sell our personal care products? The Soundcheck campaign with Walmart engaged top artists whose images reinforce our brands. With continuous exposure in almost every Walmart store, the campaign reached around 130 million target consumers per week, making a huge contribution to our 6.8% uplift in sales in Walmart in 2009.

### Unilever was the exclusive partner of Walmart Soundcheck.

The campaign featured music talent such as Jennifer Hudson and Martina McBride. Our brands, including Dove and Suave, were able to reach their target consumers in a new, innovative way. A video of a latest hit, along with exclusive interviews with the artist, was shown in-store in the electronics department, and was available as a download from the Walmart website. In-store merchandising and additional online programming further amplified the campaign. Not only did the programme result in a big increase in sales for our products, but Walmart saw a rise in music sales of the featured artists. Soundcheck is a multi-year exclusive partnership, so we're looking for another good year in 2010.

and more @ [www.unileverusa.com/suave](http://www.unileverusa.com/suave)



Case study: Lipton

## Trading up with the world's most popular tea brand

Increasing the value of Lipton, the world's most popular tea brand, is all about conversion – partly conversion from some other drink to tea, but also from loose-leaf tea up the value chain through different types of tea bags.



In developing and emerging markets, most people still make tea from loose leaves. There is a huge opportunity to convert consumers to tea bags and, as the world's largest tea brand, Lipton is well placed to lead this development. In 2009, helped also by innovations in fruit teas, Lipton grew by 7.4% across the world. With many markets only just beginning to wake up to tea bags, we believe there is plenty of opportunity for further growth.

and more @ [www.unilever.com/lipton](http://www.unilever.com/lipton)

### 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.



**Coffee ice cream dream**  
Unilever is gaining momentum in the North American ice cream market with a partnership to produce an own-brand super-premium ice cream for Starbucks.

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.



Case study: Deodorant

## Wider range – at no extra cost

Scent tends to be the main reason we choose a particular deodorant – so a wider range of fragrances is going to attract more consumers. But a wider range typically equals higher costs. Or does it? The trade-off between range and cost just got a whole lot better for us, our customers and consumers with our new 'late variant' technology.



Introduced at our UK plant in Leeds, the new technology allows us to produce a common, unperfumed base for our aerosols, adding the fragrance only at the very last stage. This gives us the flexibility to make many more variants without incurring higher costs. It's good for us because it has contributed greatly to lower stock levels; around 70% of our stock-keeping units have seen their minimum order quantity halved; our product change-over time has reduced from 40 minutes to just four; and we produce less waste. But more importantly it benefits customers, who have improved shelf stock levels and reduced lead times, and consumers, who can get a wider choice of fragrance at no extra cost.

and more @ [www.unilever.com/axe](http://www.unilever.com/axe)



**From months to weeks at no extra cost**  
Through a partnership with major suppliers, US personal care product labelling is now keeping pace with brand design and variant changes. Process optimisations have created shorter print runs, quicker turnarounds and less waste, at the same label cost.

#### 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.



Case study: UltraLogistik

### Major savings on logistics

In Europe, we spend a significant amount every year on transport. That's from suppliers' factories to our factories, from our factories to our distribution centres and from there to our customers. And, until 2008, it was all outsourced and managed locally, using hundreds of different distributors.



With such an opportunity for making efficiencies, we set up UltraLogistik as a separate transport management division within Unilever's supply chain. It is managed from hubs in Poland and Switzerland, by a team of 100 specialist transport managers. For each transport route we reviewed the arrangements and determined which of them should be moved into UltraLogistik, and then tendered each route to get the best deal. We are already making savings of at least 15%, as well as cutting down carbon emissions by moving transport off the road. Ultimately, our aim is to bring over 50% of European transport management within UltraLogistik, and to roll out the model to other parts of Unilever.

and more @ [www.unilever.com/supplychain](http://www.unilever.com/supplychain)

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.



Case study: China

## Getting results fast

Our business in China is growing and relationships with customers and large third-party distributors are becoming increasingly important. Our sales team is key to driving growth through both. We identified areas where improved individual performance would lead to significant returns for the whole business.

Filling the skills gap by getting our people up to speed as quickly as possible became essential. Within three months we developed a training programme with our HR providers, Accenture, and trained over 450 sales staff in seven cities across China. The average pass rate was over 95%, and we are already seeing results with an overall increase of 2.29% in net invoice value delivered by those who did the training. We have now picked some people to become trainers themselves so the programme can become self-sustaining. We are also looking at rolling it out to other emerging markets where our sales people need to develop new skills quickly.

and more on people development  
@ [www.unilever.com/careers](http://www.unilever.com/careers)



### 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.



Case study: World Food Programme

## Judged by our actions

Competing for the best graduates is a tough job in today's market. Often they demand to know more about a company's social and environmental impact on the world. On campus, companies bombard graduates with messages about how ethical they are. But how many really do more than write a cheque each year?

As part of Unilever's partnership with the World Food Programme (WFP), 12 student interns are recruited each year to help run WFP's school feeding programme in developing countries. It isn't just the local children who benefit, or the students, who learn valuable life skills. While there is no requirement for interns to talk about Unilever, it is inevitable that they will when telling their friends about their experiences – and most of the time it is positive. In today's world of blogging and texting, there is no better way to spread the word.

and more @ [www.unilever.com/WFP](http://www.unilever.com/WFP)

**She's got the love**  
Marmite brand manager Cheryl Calverley scooped the Marketing Society's Young Marketer of the Year award in the UK for her success in re-engaging the 'love it or hate it' brand with young consumers.

