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Certain sections of the Unilever Annual Report and Accounts 2008 have been audited. Sections that have been audited are set out on pages 81 to 136, 140 to 141, 143 to 145 and 148 to 150. The auditable part of the Directors' Remuneration report as set out on page 60 has also been audited.

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Vitality through R&D

Unilever is a global leader in research and development, believing that powerful vitality-based innovations are crucial to delivering sustainable growth.

The year saw two important milestones. Firstly, Geneviève Berger was appointed Unilever's first Chief R&D Officer. Secondly, our 6 000 plus R&D professionals came together in one unified organisation.

With an integrated global research, product development and implementation programme, the new R&D structure aims to give us competitive advantage in the market through greater efficiency and focus. This R&D organisation is designed to accelerate the delivery of ground-breaking advances, increase the focus on big innovations and optimise the balance between short- and long-term projects.

Unique products with proven benefits

Our R&D teams focus on creating distinctive new products with proven benefits that meet consumer needs and help add Vitality to Life.

Knorr Stockpot bouillon uses patented jelly technology. It looks natural, smells delicious, melts naturally into dishes and has a rich, authentic taste. Containing no preservatives or colourings, it was first launched in China and has recently been launched in Europe.

Our anti-dandruff shampoo Clear delivered steady market share gains compared to the previous year in markets from Brazil to the Philippines. Thanks to our superior technology, Clear's ability to destroy dandruff-causing microbes makes the scalp healthier and prevents dandruff from returning if the shampoo is used frequently.

And we put our nutritious Blue Band margarine within reach of low-income consumers in Africa by developing an affordable single-serve sachet that keeps the product fresh even at high ambient temperatures.

Innovation also makes a vital contribution to our sustainability agenda. For example, in 2008 we made important strides in establishing verifiable environmental metrics and reducing the weight of our packaging, helping to decrease the overall impact of our portfolio.

White teeth, White Now

Our scientists share best practice and knowledge across product categories. The ground-breaking White Now toothpaste, launched under the Signal brand in seven European countries, is the first whitening toothpaste with an instant effect.

It transfers optical-effect technology developed by our laundry team to the field of oral care, using a blue pigment to make yellow teeth appear whiter. Signal White Now exceeded its sales targets and will be rolled out in a number of additional countries in 2009.



www.unilever.com/signal

6 000 +

R&D professionals
in one unified
organisation



Vitality through our brands



Up to **90%**
less oil used in
Hellmann's
mayonnaise

Over **3.5m**
women reached by
Dove Self-Esteem
Fund

1 000
tonnes less plastic
per year used in new
Rexona roll-on

Every Child has the Right

Unilever's laundry brands are making a positive social impact while continuing to grow sales. Dirt is Good, the unifying campaign for leading brands such as Omo and Persil, promotes getting dirty as a natural and positive part of growing up – essential to a child's learning experience. Under the Omo brand, the campaign was taken in a fresh direction when it commissioned a unique study into child development. 1 500 mothers shared their hopes and concerns for their children, with 63% revealing they feared their youngsters were being deprived of their childhood. This insight inspired the Every Child has the Right campaign, focusing on giving children the freedom to experience, learn and develop. It has been launched in Latin America, Europe and Asia.



www.unilever.com/omo

Vitality is at the heart of everything we do. It defines the many ways our brands help people get more out of life and is core to our growth agenda.

Our Vitality mission reaches across our whole organisation and provides the basis for our category, regional and functional strategies. Central to the way we manage our brand portfolio is identifying how each brand can best bring Vitality to Life.

We do this through focusing on three areas: personal vitality, social value and environmental impact.

More personal vitality

Our nutrition, hygiene and wellness brands deliver personal benefits, both functional and emotional, to the millions of consumers who choose them.

For example, the new Flora/Becel pro.activ Blood Pressure range enriched with potassium offers a simple way to help manage blood pressure. Potassium helps maintain a healthy blood pressure eliminating excess sodium in the body. A healthy blood pressure is important for maintaining a healthy heart.

Another example of personal vitality is Hellmann's Light mayonnaise, which is rapidly becoming a consumer favourite around the world. In 2008, the brand launched its new Light and Extra Light formulations which incorporate Unilever's patented citrus fibre technology. This technology gives Hellmann's Light and Extra Light variants a smooth and creamy taste almost indistinguishable from the full fat variant, but with 60% to 90% less oil.

One of our key challenges is to ensure we make a positive impact on the world while continuing to grow sales. Our oral care team launched the next phase of Unilever's Night Brushing Campaign. This aims to reinforce the day and night brushing habit among four- to eight-year-old children and their parents. Brushing teeth twice daily leads to dramatic oral health improvements as well as increased toothpaste consumption.

More social value

We believe our brands can be a powerful means of improving the lives of large numbers of people, by championing social causes or prompting widespread changes in behaviour and attitudes.

For example, by the end of 2008, the Dove Self-Esteem Fund campaign had reached over 3.5 million young women around the globe, helping to improve their self-confidence by challenging conventional definitions of beauty. Such activities help build a strong connection with our consumers while underpinning the brand's successful advertising campaigns.

The Vaseline Skin Fund campaign aims to give at least three million people better access to information about managing a range of skin conditions such as eczema and ectodermal dysplasia. It was launched in the UK and the US in 2008, with more countries to follow in the coming years.

Meanwhile, Lipton continued its journey towards sourcing all the tea for its tea bags from Rainforest Alliance Certified™ farms, a goal the brand aims to achieve by 2015. In 2008, eight independent tea estates in South India became the latest of Unilever's suppliers to achieve Rainforest Alliance Certified™ status by reducing waste and pesticide use, conserving soil quality, protecting wildlife, and paying employees a fair wage. The benefits are being felt by thousands of employees and their families, to whom the estates provide free healthcare, housing, childcare and education.

And our Blue Band/Rama brand continued to raise funds as part of our three-year partnership with the World Food Programme (WFP). This partnership helped the WFP school feeding scheme provide 76 000 children in Indonesia, Pakistan, the Philippines, Colombia, Kenya and Ghana with a nutritious daily school meal throughout the year.

Less environmental impact

We aim to grow our business in a sustainable and environmentally responsible way through focusing on cutting water consumption and waste, reducing our carbon footprint and obtaining more raw materials from sustainable sources.

Our Small & Mighty concentrated liquid detergent is a shining example: it fits into a much smaller bottle, requiring half the packaging, water and lorries to transport it. First launched in the US, Small & Mighty is now available across Europe and has proved a huge hit with consumers.

Meanwhile, Rexona offers one of the most environmentally friendly 50ml roll-on deodorants available. This was due to new manufacturing and packaging processes that underscore how our R&D expertise in responsible packaging can lead to both environmental and business benefits (see page 17).



Vitality through our customers and suppliers

We work hard to build strong, lasting relationships with our customers and suppliers around the world – essential in today's competitive marketplace.

Winning with customers

We are always looking for new ways to work with customers to bring Vitality to Life in their stores. We do this through activities that help consumers better understand our brands' health, environmental and ethical benefits.

For example, Unilever is participating in four of Wal-Mart's 13 sustainability networks which aim to bring its suppliers together to share best practice. Unilever is taking the lead in water by developing a reliable way to measure how efficiently its suppliers are using water in growing crops. Unilever ran an irrigation study among Californian tomato growers, the results of which will contribute to a sustainability scorecard for Wal-Mart suppliers.

In a further example of close co-operation with the Wal-Mart Group, in summer 2008 we set up 'sustainability kitchens' at ASDA superstores around the UK. The objective was to encourage shoppers to make environmentally friendly changes (such as washing laundry at 30°C) that could also save them money. As part of this activity, ASDA ran a promotion on selected Unilever brands with strong Vitality credentials, such as Hellmann's, Persil and PG tips, resulting in a significant sales increase during the period.

Closer collaboration with suppliers

Unilever's vitality commitment requires us constantly to make our food products healthier – for example by reducing salt, sugar and fat – without compromising on taste.

To speed up and improve flavour development for our food innovations, we created the Flavour Operating Framework (FLOF). This initiative provides a globally consistent way for our supply chain and R&D specialists to collaborate with three external suppliers – 'Flavour Houses' – which compete to deliver new ingredients and technologies.

FLOF has already supplied us with a number of solutions, for example to maintain the taste of Lipton ready-to-drink tea while reducing sugar content, and helping Knorr products keep flavours the same while cutting salt levels.



Vitality through our people

Nothing embodies our business as much as our employees. We grow as a company by growing our people and are committed to their personal vitality.

Unilever is shaped and led by its people who operate within a framework of shared values and business goals. To attract and retain the best people, we aim to create an environment in which all employees can fulfil their potential.

Personal vitality is integral to our vitality agenda. It is brought to life through many wide-ranging initiatives that promote the wellbeing of our employees.

Putting safety first

We regard safety as an essential element of a successful and sustainable business and are committed to providing a safe workplace. We aim to improve continuously the health, safety and wellbeing 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 workplace accidents except those requiring only simple first aid treatment. In 2008 the rate was 0.21 accidents per 100 000 hours worked, a decrease of 19% since 2007*.

Feed the world

Anne-Roos Carter, Field Sales Support Manager, Benelux, was one of ten Unilever managers to take a secondment to the World Food Programme (WFP) in 2008. She spent three months in Indonesia, working on the WFP's school feeding project, which aims to ensure pupils get at least one nutritious meal a day. Now in its second year, the employee secondment programme enables Unilever people to contribute their skills in placements lasting up to six months in Africa, Asia and South America. Participants get a life-changing opportunity to help fight child hunger while at the same time gaining valuable first-hand experience of living and working in developing and emerging markets.

Vital statistics

We introduced a creative way to boost the energy and enthusiasm of people working in our offices around the world. In a joint move by our Occupational Health and Organisation Effectiveness departments, employees in 21 locations completed a survey to measure a range of factors that influence their vitality. The findings were passed to local managers who then tackled priority areas. For example, in Mexico, where it is usual to take an early breakfast and a late lunch, the company Board at the Boscas office observed that people often resort to unhealthy mid-morning snacks. As an alternative, they introduced healthy snacks stations, offering fresh water, soya drinks, fruit and nuts.

Continued focus on gender

Our Global Diversity Board, led by the Chief Executive Officer, made steady progress in driving the diversity agenda throughout the business. Key milestones have been reached with critical appointments in senior roles including Geneviève Berger becoming Chief R&D Officer and joining the Unilever Executive (UEX) in July 2008. Enabling mechanisms include an expanded mentoring programme, new ways of working that promote life balance and fostering grassroots involvement through the Unilever Women's International Network (U WIN). Initiatives such as the 'One More' programme focus on diversity in teams, where every team leader is responsible for increasing diversity through each new appointment. For the top 100 teams, this means looking for the opportunity to increase diversity in gender and/or nationality in every appointment they make.

Talent powerhouse in Argentina

Unilever Argentina cemented its reputation as employer of choice with a hat-trick of industry awards. For the fourth consecutive year, it was voted Best Employer by leading business magazine Apertura, which also ranked it first as the 'company of dreams' for students. The business also received the Carlos Pellegrini Award for best employer, presented by the National Industrial Association and the Argentine government. Unilever Argentina's reputation is largely thanks to a strategy which includes building long-term relationships with universities to share information about promising candidates and developing innovative recruitment processes to differentiate it from other trainee programmes. This strong position has helped Argentina become an important talent source for Unilever globally; currently over 80 employees from Argentina are on assignment overseas and many others occupy regional or global roles.



19%

reduction in total recordable accident frequency rate in 2008*

* 2008 data is preliminary. It will be independently assured and reported in our online Sustainable Development Report 2008 at www.unilever.com/sustainability

Social impacts and Vitality – Making a difference in society

Improving nutrition and hygiene lies at the heart of our vitality agenda.

Nutrition – helping make the healthy choice

Increasingly it is recognised that diet along with regular physical activity plays a major role in maintaining good health.

By developing brands that help consumers to enjoy a healthy diet we can sustain our business growth and help address the challenge of obesity and diet-related diseases. Our marketing can also encourage consumers to adopt healthier lifestyles.

We are improving the nutritional quality of our existing product portfolio.

In 2005 we began to assess our entire brand portfolio via our Nutrition Enhancement Programme. By the end of 2008 this showed that 43% of our products are in line with internationally accepted guidelines for saturated and trans fat, sugar and salt. We continue to keep more than 22 000 products under regular review.

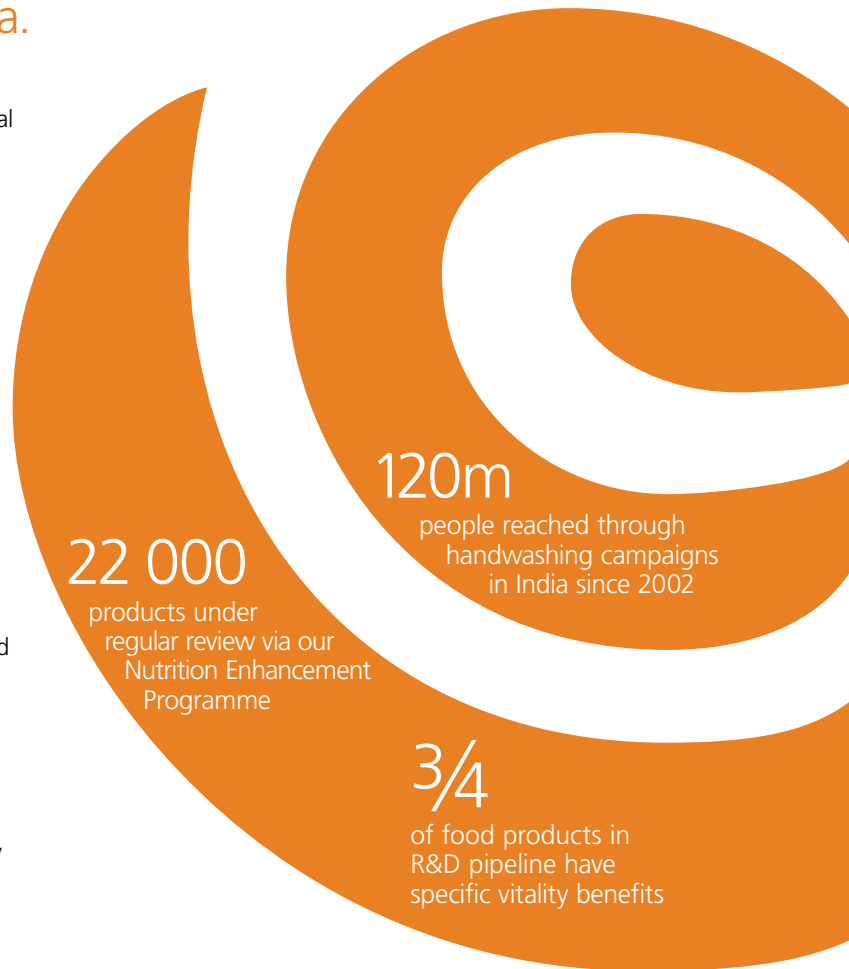
Innovation is bringing new products that offer specific health and nutritional benefits.

In our R&D pipeline, around three quarters of food products have what we call 'vitality' benefits – specific nutritional or health benefits. Examples include our Moo/Milk Time range of ices made with milk, which provide around a third of the recommended daily intake of calcium, and Flora/Becel pro.activ Blood Pressure spreads and fruity shots developed to help manage blood pressure.

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

Through on-pack labelling, we help consumers to make the right choices. We provide consumers with essential information, showing levels of key nutrients and guideline daily amounts. In addition, the Choices stamp helps consumers identify healthier choices. Our Food and Beverage Marketing Principles ensure a responsible approach worldwide.

In countries where there is malnutrition, Unilever brands can make an important contribution to people's diets. Our Blue Band/Rama spreads are a good source of vitamins A, D and E. Amaze snacks have been developed to contain a third of the key nutrients children need daily for their mental development. Annapurna iodised salt helps prevent diseases caused by iodine deficiency.



Spreading the word

We believe Unilever can play an important role in promoting healthy food choices. For example, eating margarine and mayonnaise is a simple, tasty way to consume essential fats and fat-soluble vitamins – yet many consumers see these products as unhealthy. During the year, we continued to roll out our Goodness of Margarine campaign to 12 countries to give consumers a more informed view of our products' contribution to public health. For mayonnaise, we continued our global communication that Hellmann's mayonnaise is made with real, simple ingredients and is naturally rich in omega-3. Consumers responded well, with both margarine and mayonnaise showing strong growth in 2008.



www.unilever.com/hellmanns



Hygiene – changing habits, helping save lives

Globally, a lack of basic hygiene causes a wide range of illnesses. Incorporating simple habits into everyday routines such as washing hands with soap prevents life-threatening diseases, particularly diarrhoea and respiratory infections. And brushing teeth day and night can significantly contribute to the prevention of gum disease and infection.

Making good quality products such as soap and toothpaste affordable and widely available to consumers is a crucial starting point, but products alone are often not enough if people do not change their habits.

So Unilever's health and hygiene programmes harness the power of our marketing to change behaviour. By working with partners in government and non-government organisations we can extend our impact further.

In 2008 the Lifebuoy brand, together with the United Nations and other partners, launched the first ever Global Handwashing Day. Lifebuoy brand teams in 23 countries helped raise awareness about how handwashing with soap can help prevent diseases.

In India, the Lifebuoy hygiene education programme, Swasthya Chetna, has reached nearly 51 000 villages and made a difference to the lives of 120 million people in rural areas since 2002. Similar programmes in Bangladesh, Pakistan, Sri Lanka, South Africa, Vietnam and Indonesia reached a further 13 million.

Another common affliction is oral disease. Around the world, over 1 billion people do not brush their teeth with a fluoridated toothpaste at all, while over 2 billion do not brush twice a day. Here too, changing everyday habits is critical.

Our Signal, Pepsodent and Close Up brands are making a real difference. In 2008 we extended our long-standing partnership with the FDI World Dental Federation. It now covers 40 countries. The partnership is focusing on encouraging children and their families to brush day and night with fluoride toothpaste as this has the greatest impact on improving oral health around the world.

Environment and Vitality – Working towards sustainability

Unilever depends on the natural environment for supplies of raw materials and water. Sustainability is a business issue.

Over two thirds of our raw materials come from agriculture. Changing weather patterns, water scarcity and unsustainable farming practices threaten the long-term viability of agricultural production. Packaging depends on supplies of paper and other materials. Water is essential for consumers when using many of our brands.

For more than a decade we have been working to reduce the environmental impact of our own operations. Now we are going further to look at indirect impacts, encompassing suppliers and consumers where possible. In 2008 we piloted a way to measure our product categories against four indicators covering water, waste, sustainable sourcing and greenhouse gas emissions. This data will inform future development and innovation across our categories.

Sourcing sustainably

Unilever buys approximately 12% of the world's black tea, 7% of the world's tomatoes and 4% of its palm oil. We have developed detailed guidelines on what sustainable agriculture means for key crops, covering issues such as reducing pesticide use, conserving water and using less energy.

In 2007 we announced our commitment to source all our tea from certified sustainable sources. About half the Lipton Yellow Label and PG tips we sell in Western Europe is now grown on Rainforest Alliance Certified™ farms. This commitment was instrumental in winning a contract to supply tea for McDonald's in several European countries.

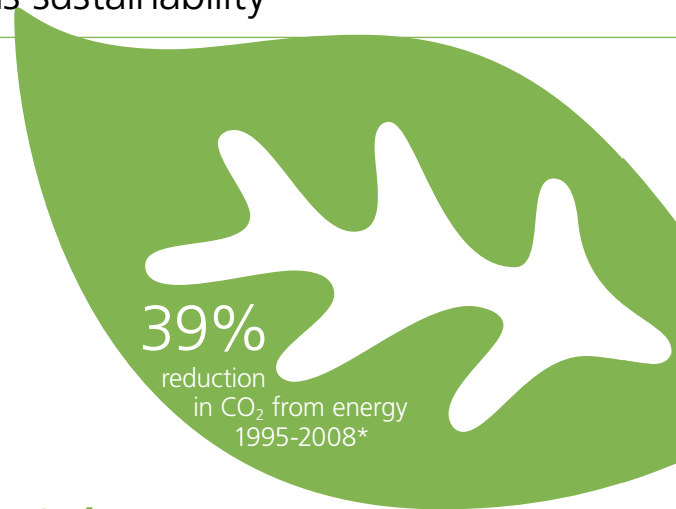
Hellmann's mayonnaise is committed to sourcing cage free eggs for all products sold in Western Europe by 2010.

Most of the world's oil palm is grown in SE Asia where the clearance and burning of forests contributes to global warming. Worldwide, deforestation releases nearly 20% of the world's greenhouse gases. Working with Greenpeace, we have built a global coalition of companies, banks and NGOs to break the link between deforestation and the cultivation of oil palm. In 2008, we announced our intention to have all our palm oil certified as sustainable by 2015.

Addressing climate change

Changes in climatic conditions threaten the stability of the markets where we operate, as well as our agricultural supply chain. Developing countries, where we are growing strongly, are especially vulnerable to the effects of climate change.

We are committed to reducing carbon dioxide emissions from energy in our manufacturing operations by 25% by 2012 (measured by tonne of production against a baseline of 2004).



Since 1995 we have achieved a 39% reduction in CO₂ from energy per tonne of production. In 2008 we reduced our CO₂ emissions by 1.6% per tonne of production compared to 2007*.

In fact most CO₂ emissions associated with our brands occur during consumer use since many of our products require energy to heat water for cooking and washing. Through the design and formulation of our products, we can make a difference. For example, by developing concentrated detergents that use fewer raw materials and less packaging, that are less energy intensive to manufacture, and that are effective at lower wash temperatures.

Conserving water

Our brands rely on water at each stage of their life cycle – upstream in the supply chain, in our own manufacturing operations and in the hands of consumers.

Since 1995 we have reduced the amount of water we use per tonne of production by 63% by minimising water use and maximising water recycling. During 2008 we achieved a 3% reduction in water use compared to 2007 from 3.05m³ to 2.96m³ per tonne of production*.

The most direct impact we can have on water conservation is by designing products that use less. Surf Excel Quick Wash laundry detergent, for example, saves two buckets of water per wash for consumers in India – a real benefit when water is scarce and costly. In 2008 sales increased by 20%. One Rinse Comfort fabric conditioner eliminates the need to rinse clothes before applying the conditioner.

* Measured by tonne of production. 2008 data is preliminary. It will be independently assured and reported in our online Sustainable Development Report 2008 at www.unilever.com/sustainability



Reducing packaging and waste

Packaging is essential to protect our brands, maintain hygiene and present them attractively to consumers. The more we reduce the impacts of our packaging, the greater the potential saving in materials, energy, transport and disposal costs for customers and consumers.

We have also been minimising waste from manufacturing as part of our eco-efficiency programme for more than a decade. Since 1995 we have cut total waste sent for disposal by 68% per tonne of production. During 2008 we saw an increase of 4.3% in total waste compared to 2007. This increase from 7.56kg/tonne to 7.89 kg/tonne has been driven by three factors: legislative changes which require different methods of disposal for non-hazardous waste; under-capacity in effluent treatment; and the planned disposal of accumulated and inherited hazardous waste*.

Lighter, stronger, greener

Unilever experts apply their skills to reducing our brands' impact on the environment, as well as making them perform better. Our Rexona 50ml roll-on deodorant is one of the most environmentally friendly on the market, thanks to a radical rethink of its design and manufacture. The moulding, assembly and packaging processes were streamlined and energy efficiency improved, with the resulting roll-on weighing on average 8% less and using 1 000 tonnes less plastic per year than previously. The time needed to make the cap was cut by 34% and the time to make the bottle was reduced by 8%, leading to significant energy savings. Rexona deodorants continued to do well, as sales grew rapidly in 2008.



www.unilever.com/rexona