

2010 CAGNY Conference
Unilever Presentation by Michael Polk, President, Americas
and James Allison, Head of IR
Tuesday 16th February 2010

Chart 1: Title Chart

Michael Polk

Thank you and good afternoon everyone.

My name is Mike Polk and I am the president of Unilever, Americas. I am pleased to be speaking at CAGNY on behalf of Unilever today.

I am joined by James Allison, Head of Investor Relations.

Chart 2: Safe Harbour Statement

Before we get going, I would like to draw your attention to the usual disclaimer relating to forward looking statements and non-GAAP measures.

Chart 3: Agenda – Unilever overview

Let me begin by outlining our agenda for today.

I'll start by sharing a brief overview of our business, giving you a flavour of our brands and categories around the world. I will then ask James to take you through our recent financial performance, before I then move into the heart of my presentation; the strategic priorities that we have defined for the business. Here I will talk about how we intend to win on a number of fronts; with the central themes being fewer, bigger innovations and market development. I will use this opportunity to explain the progress we have made already and the exciting plans that we have for the future.

I will conclude my presentation by sharing our view on the outlook for the year ahead.

For those of you who do not know Unilever well, let me give you some introductory facts and figures on our business.

Chart 4: Unilever started in 1890

More than 100 years ago, long before the expression 'mission statement' had even been coined, William Lever, one of the founders of Unilever, had a vision.

It was:

- To make cleanliness commonplace
- To lessen work for women
- To foster health and contribute to personal attractiveness
- That life might be more enjoyable and rewarding for the people who use our products

Chart 5: Lever's success in making low-cost soap widely available to the urban poor

He became very successful producing and distributing packaged soap and selling it at a price which the urban poor of Victorian England – the people at the bottom of the pyramid as we would say today – could afford.

In 1929, Unilever was then created from the merger of Lever Brothers with Van den Bergh & Jurgens. The merger which created Unilever took place in the year in which the world economy fell into the Great Depression. For the first decade of its existence, Unilever faced collapsing incomes and high unemployment in many countries. But demand for Unilever products expanded – people continued to eat and wash.

As we face tough times again, it is evident that there are enormous opportunities for our brands and products even in the most difficult economic circumstances.

Chart 6: We established global presence earlier

Both Lever Brothers and Van den Bergh had established manufacturing operations well outside their home countries prior to the merger. Therefore the combined company had a unique geographical footprint even then. It is not surprising that Unilever today has deep roots across the globe and is highly respected in D&E markets for the role we have played in society over many years.

Chart 7: Becoming a leading consumer products company

Unilever is the third biggest consumer goods company in the world. We recently announced 2009 sales of \$55 billion and underlying earnings before interest and tax of around \$9 billion.

Chart 8: We are now selling almost everywhere

Unilever has operations in 170 countries and touches the lives of billions of consumers. Consumers touch our products 2 billion times a day.

Our geographic footprint is balanced across our three regions - Western Europe, the Americas and Asia Africa Central & Eastern Europe.

Chart 9: With a broad-based portfolio

We also have a balanced product portfolio, participating in a number of categories in food, home care and personal care. Foods accounts for about half of the business, personal care around 30% and home care just under 20%.

Chart 10: We have depth in distribution

Our operations have unrivalled depth in distribution, from the favelas in Brazil and the villages in India served by networks of sales teams and distributors ...

Chart 11: and category reach with the Modern Retail trade

..... to the advanced modern trade distribution systems in markets like the US, and Europe where our representation across the supermarket aisles is a source of competitive advantage and strength.

Chart 12: Geographic profile

The Americas, my region, contributes around one third of Unilever's global sales. Within the Americas the US is the biggest single business, accounting for around 16% of group sales. Elsewhere there are major operations in many countries in both the developed and D&E world, but none accounts for more than 7% of sales.

Chart 13: Leading category positions

Of the 11 key categories in which we operate, we enjoy global leadership in 7 – Savoury, Dressings, Tea, Ice Cream, Spreads, Deodorants and Mass Skin. These 7 represent around 70% of our Unilever's sales, a very healthy foundation for our future growth.

In Laundry and Hair we are the global number 2, but with very strong positions in the D&E world. And in Oral care and Household Cleaning we have areas of local leadership for example in Italy, France and a number of D&E markets.

Chart 14: Robust portfolio of brands with global scale

We have some of the world's best known and most loved brands.

Our 'top 25' account for nearly 75% of our global turnover – that's more than \$40 billion. Our biggest brand Knorr, on its own had 2009 sales in the region of \$6 billion.

And as you can see, we have 13 global brands with annual sales of more than \$1 billion. You will recognise many of the great brands from the chart; let me particularly highlight the newest member of this club, the Axe brand, which I'm delighted to say was recently recognised by AdAge as the number 3 new product of the decade – behind only the iPod and the Wii.

Of course our global powerhouse brands, vital though they are to our growth, are not the whole story. We also have a strong portfolio of local brands around the world which allow us to cover a wide range of price points in many of the markets and categories in which we compete.

Chart 15: Strength in D&E markets

Unilever's unrivalled strength in the developing and emerging markets is a source of competitive advantage. Around **one half of Unilever's global sales are in D&E**. We are the leading consumer products player in these markets and so we are uniquely well placed to prosper from the demographic trends and rising disposable incomes which will flow in the years to come.

We expect around 1 billion new consumers in these markets by 2020.

Let me show a short video to illustrate the opportunity. As you watch, I would ask you to consider the growth that this trend offers for a company such as Unilever – one with deep roots and profound consumer understanding. Just do the math.

run video

Chart 16: D&E track record

You can see why we see D&E markets as a huge opportunity for Unilever.

Our priority is to build brands and business models which will serve and meet the needs of these consumers and to lead the development of our markets in these geographies.

Our growth momentum in D&E is already strong. In the last 20 years we grown our D&E footprint from representing around 20% of Unilever to the 50% today that I mentioned. This trend will continue.

And as you can see, we have weathered the economic storms of the last two years and come out strongly, with volume growth in 2009 close to the long term average of 5% despite the challenging environment we have faced. This reflects both the robustness of the markets and our share growth.

Chart 17: Our portfolio operates across the income spectrum

Key to our strength is our product portfolio. As markets develop, we have entry level products such as basic soaps and detergents. Over time we deploy increasingly premium offerings – right up to super premium ice cream - as those markets develop and as disposable incomes increase.

Chart 18: The strategic journey

In recent years the organisation has undergone transformational change in order to respond to changes in the markets. In the decades leading up to 2000 Unilever changed from a broad conglomerate – operating in businesses as diverse as Chemicals, packaging and transport - into a focused, fast-moving consumer goods business.

Under Patrick Cescau the business implemented the One-Unilever strategy, transforming Unilever into a far simpler organisation, fit and ready to compete.

Chart 19: 2010 – Exciting new vision

With the arrival of Paul Polman we have further simplified the business and have now launched a new vision which aims to double the size of the business. Central to this vision is to drive organic growth by delighting our consumers and customers and to lead market development by leveraging our brands.

Our delivery in 2009 gives us the confidence to pursue this new ambition.

Chart 20: 2009 Highlights

At the start of 2009 we identified a number of areas where Unilever was insufficiently competitive. In the context of significant 2008 pricing as a result of commodities inflation, our volume market shares were declining and brand equities were weakening.

At the same time markets were soft and uncertain in the context of the global recession.

To build long term shareholder value we established clear priorities for Unilever:

- Restore volume growth, while
- Protecting cash flow and operating margin.

These objectives have been fully achieved.

Let me now pass to James to fill you in on the details.

Chart 21 – Title chart

James Allison

Thank you Mike, and good afternoon everyone.

Chart 22 – Agenda – financial performance

In the next few minutes I will take you through the highlights of Unilever's recent financial performance, and I will begin by focusing on the growth agenda that Mike has just outlined.

Chart 23: Volume growth restored

Volume growth of 2.3% for the year as a whole is a significant recovery from the near 2% decline we had in the first quarter. Volume market share improved as the year progressed and was strongly positive in the 4th quarter. More importantly, the growth was widespread.

Chart 24: Volume growth restored in all regions – Americas & WE

In Mike's region of the Americas the trend is very clear, with growth accelerating to reach 5.5% in Q4. For the full year volume growth was 2.5%, led by Latin America where Brazil performed strongly.

In Western Europe the reported volume was slightly down in Q4, by 0.7%. But this included the effect of two fewer trading days in the quarter, meaning that on a like-for-like basis the volume growth was positive at between 1 and 2%. That's faster than the market and is reflected in improved volume and value share performance. So, here too a strong sense of momentum, albeit in market conditions that continue to be challenging.

Chart 25: Volume growth restored in all regions – ACE and D&E

In our Asia AMET CEE region, and in the D&E world in general, our volume growth has improved steadily through the year, finishing the year very strongly with volume up by 9.5% in the 4th quarter. This figure has been flattered a little by the timing of Ramadan, prior year trade destocking in Russia and easy comps in a few markets but nonetheless we are encouraged by this performance.

For the year as a whole, volume growth at over 4%, was very close to our longer term running rate for D&E, which as Mike noted earlier, is around the 5% level.

Let's now look at our volume performance on the category dimension.

Chart 26: Volume growth restored in all categories – HPC

Firstly, in HPC the growth momentum is clear to see. After a difficult first quarter both our home care and personal care businesses have improved growth levels sequentially through the year. This has been underpinned by bigger and better innovation, rolled out more quickly to more markets, and by higher levels of better quality advertising.

Chart 27: Volume growth restored in all categories - Foods

In Foods the momentum is not as marked but nevertheless the trend is still positive, with growth restored fully in the second half of the year and particularly encouraging results from the tea and ice cream categories.

Moving down the P&L account, to margins.

Chart 28: Strong Savings Delivery Full Year

Savings programmes are an important part of our programme to fund growth and to sustainably improve operating margins. In 2009 cost savings reached €1.4 billion, a real step up from earlier years. This comprised around €700 million from buying savings, €500 million from restructuring and €200 million from local efficiency programmes. We expect savings of at least a further €1 billion in 2010.

Chart 29: Increased investment in our brands

A key feature of 2009 has been the additional investment that we have made in our brands. First, and most importantly, we have increased the advertising and

promotional expenditure by 80bps in the year. The bulk of this increase was in advertising spend and, with media rates lower, we were able to significantly increase our share of voice in many key markets.

Beyond advertising, we also invested in product quality, driving superiority in more of our brands. Mike will come back to this theme later in the presentation.

The above actions have enabled us to improve the strength of our brands as measured by their brand equity scores. We still have plenty of scope for improvement but progress to date has been encouraging. Very strong brand equities are fundamental to long term success in our markets and so this will be a continuous focus for us in the years to come.

Chart 30: Operating margin exceeded

I'm pleased to say that the pattern of sequential improvement through the year is repeated in our margins. You can see that underlying operating margin is up by 20 basis points for the year, with strong improvement in the second half of the year turning around the modest shortfalls in the first half.

Chart 31: Strong cash flow from operating activities

Finally, before I hand back to Mike, let me close with an area where our delivery over the last year has been particularly pleasing; that of cash flow.

Cash flow from operating activities is up by €1.4 billion despite an incremental contribution to pension funds of €0.5 billion – more than exceeding the stretching internal targets we had set ourselves – and reflecting good discipline across the organisation.

Such strong cash delivery has enabled us to reduce net debt from €8.0 billion at the end of 2009 to €6.4 billion at the end of 2009.

This has been driven by a strong focus on working capital.

Chart 32: Working capital reducing

By getting working capital into everyone's targets and by adopting best practices from around the globe we have made good progress in all elements of trade working capital especially inventory, despite the fact that our starting point was already competitive.

You can see from the chart that this has not been a 'flash in the pan' but sustained improvement throughout the year. We will target lower average working capital in 2010 rather than quarter end positions. This will put further emphasis on keeping working capital low all the time rather than on simply achieving period end reductions.

So as you have seen, in 2009 we fully delivered against the objectives that we set ourselves in terms of restoring volume growth whilst protecting operating margin and cashflow.

In terms of total shareholder return we have also made good progress. Against a peer group of 21 companies measured over the last 3 years we are in 5th position. So up in the top third – and chasing the leaders.

I would also note the progress we have made on making bolt-on acquisitions within our existing priority categories. In Russia we bought the leading ice cream business, Inmarko, and the leading sauces company, Baltimor. The Napoca ice cream acquisition has given us a platform from which to launch ice cream in Romania. The TIGI range of hair products gives entry into the professional salon market with strong brands like Catwalk and Bed Head – you will hear more of them in the years to come.

The work to achieve regulatory approval for the acquisition of Sara Lee's personal care business continues and we look forward to welcoming the Sanex, Radox and Duschdas brands (amongst others) to our portfolio by Q3 2010.

On these positive notes, let me return you to Mike.

Chart 33: Title chart

Michael Polk

Thank you, James. As you have seen – very encouraging early steps towards our vision. We see 2009 very clearly as setting the tone for the consistent, long term top and bottom line growth.

Chart 34: Agenda – strategic priorities

Let me now look to the future and talk about the strategic priorities we see for 2010 and beyond. I'm going to focus on our consumers and our customers; on how we will win - and how a mindset of continuous improvement will drive everything we do.

Chart 35: Strategic Priorities

Here are our four strategic priorities. I will begin with the first – Winning with Brands and Innovation.

Chart 36: Strategic priorities – winning with brands and innovation

The consumer's search for value is becoming ever more important. With few signs that the tough economic conditions are going to get much easier, and consumers squeezed by the double-whammy of higher taxes and higher unemployment in many of our markets, the sharpness and sophistication with which consumers conduct the search for value is only likely to grow. Value is not just about price. It is also about the quality and functionality that you get in return.

We are focusing strongly on improving value for our consumers across all our brands and across all price points. This affects the way that we think about innovation,

product testing, communication and also about cost. In the next few minutes I will share with you some of the actions we are taking.

Chart 37 R&D – The engine that drives profitable growth

We have made significant changes to Research & Development in Unilever to capitalise on the quality of our science and to better align it with real consumer needs.

In 2008 Genevieve Berger was appointed as Unilever's first Chief Research & Development Officer and as a member of Unilever's Executive Team, highlighting the importance of R&D and innovation to Unilever's strategic agenda.

Genevieve has been busy!

She has re-configured our R&D organisation, from a multiplicity of small and large operations which were not sufficiently connected to an inter-dependent network focused in 6 locations. Two of these are located in D&E markets - Bangalore and Shanghai. This reflects their importance both as a source of consumer insights and as a source of scientific talent. Indeed 40% of our R&D resource is now in D&E markets.

Genevieve has recruited expertise in clinicals and patents from the pharmaceuticals industry. This is enabling us to protect our break-throughs more effectively and to establish claims faster in an increasingly regulated environment.

We are also connecting our in-house scientists to the outside world with an open-innovation programme so that we can tap into a deeper reservoir of knowledge and discoveries. For example last year we entered into an agreement with Cynosure for the development of light-based devices for in-home use, delivering skin rejuvenation benefits to consumers.

Finally we have taken steps to better connect our R&D organisation with our Marketing teams to ensure the flow of ideas and insights necessary to bring relevant innovation to market ahead of competition.

We believe that we can derive competitive advantage from the application of science across our categories – our so-called Genesis projects.

Chart 38: R&D Genesis projects

Genesis projects play a key role in the new R&D organisation. They aim to identify and focus on big winning fields where we can match consumer needs with our scientific capability.

Today we have 16 Genesis projects with potential application across our categories. These projects will start to be commercialised from 2011 onwards and when successful will allow us to bring more differentiated innovation to the market.

Some of you might be sceptical about the application of common science platforms across our Foods and HPC portfolios. But we can already mention the application of structured emulsions technology to spreads, skin care and ice cream. Similarly, the application of optical brightening technology from Laundry to Oral Care in our White Now products has now been rolled out successfully to 21 markets.

So under Genevieve's leadership we have taken steps to position our R&D investment to deliver bigger and better break-throughs. But it is only the first step for winning in our markets.

Chart 39: Sharpening marketing execution – superior product

We identified early the need to sharpen our marketing execution, starting with our products. We aim to bring consistently superior products to the market and we are investing in product quality with this in mind.

We target demanding metrics of unbranded performance – meaning that when we test Hellmann’s mayonnaise, the consumer is not aware of the brand of the product that they are trying. We use this consumer research and extensive testing to increase our understanding of the key consumer attributes and hence design products that are preferred.

Of course we are investing in product formulations, but we go further than this. We also invest in the sensorial experience of using our products – things like texture, fragrance, flavors and so on. We aim to understand as deeply as we can the consumer’s experience of our product, and to use this understanding to develop winning development strategies for our brands.

Let me share with you some examples. Klondike ice cream is hugely popular but our testing showed that consumers found that the chocolate coating was too thin. So we invested in a thicker chocolate coating.

Another example is Dove Nutrium – this is a big step forward in product delivery, combining moisturisation and cleaning in a liquid product for the first time. We now plan to use this great product to drive share gains in shower gels.

Chart 40: Sharpening Marketing Execution: Superior Product

Knorr Jelly Bouillon is a highly successful innovation that started its life in China. This is the first time that a mass-produced bouillon has been delivered in a jelly format. The product is made with patented technology that is unique to Unilever, giving benefits in taste and convenience.

Finally, Hellmann’s mayonnaise. Our latest Light version is made with patented citrus-fibre technology which enables us to deliver the great taste of Hellmann’s but with a lower fat content.

Chart 41: Sharpening marketing execution – superior design

Until recently the emphasis in packaging design has been on great-looking products which allow Supply Chain efficiency and lower cost. Whilst this has its place, we need to ensure that we don't commoditise our brands.

We are working with a number of external partners - design agencies and ergonomics experts - to enhance all aspects of product design. As the chart shows, some of the best examples of early delivery in this area come from our personal care business. For example, the packaging for our new Dove for Man + Care range has been designed to appeal to the male target audience whilst the unique bottle design used in the Sunsilk co-creations range is an integral part of the brand communication that has accompanied its successful launch.

Let's take a look at some advertising which illustrate the investment in superior products and design.

[run video]

Chart 42: Sharpening marketing execution – superior communication

Another vital aspect of our marketing execution is the quality of our advertising communications.

Here we have progressively sharpened our approach, and the results from preview testing – a technique that we have used for many years to assess the impact of our adverts – shows that we have improved and now compare well against industry standards.

Of course it's also very helpful if you have something new to say about your brands. There is a link here back to the superior products theme I mentioned earlier – if we are successful in creating superior products then we have compelling functionality to showcase in our communications. For example, with Clear we were the first brand to claim zero dandruff 48 hour protection; obviously a very powerful claim and one for which we have strong clinical evidence.

Chart 43: Sharpening marketing execution – superior communication - Digital

As well as these stronger messages we also need to reach consumers where they are actually spending their time, so we need to ensure that our brands are present in all the key media. I don't need to tell you that consumers are spending more time online and connected to the digital world. Embracing digital media is of critical importance for our business. To make this shift in our thinking we need to better understand this space and to work with the best partner agencies – these are often not the same as those we have worked with in the past.

We are still at an early stage in our journey into the world of digital media, and yet already our investment in this area has almost doubled in a short period of time, now standing at around 10% of our total media spend.

Let's take a look at some examples of our work in the digital world.

[run video]

Chart 44: Bigger faster innovations

All of these aspects of market execution have helped us make great progress in one of our most important drivers of success – our determination to focus on fewer and bigger innovations. Add to this the changes in organisation and mindset to roll them out to more markets more quickly, and you have the complete picture.

Dove for Men + Care, launched simultaneously in 6 markets in Q4 2009 will be in 50 markets by the end of 2010. Axe variants routinely travel to over 50 markets inside 12 months. The chart shows other examples of the acceleration in our innovation roll out.

Chart 45: Strategic priorities – Winning in the market place

I will now turn to my second strategic theme – Winning in the Market Place. How well are we serving our customers and consumers, and in particular how well are we

developing our markets? Bringing in new users, creating new usage opportunities, delivering new benefits – these are the things we need to do well to win, and these are the topics I will cover now.

Chart 46: Market development

So, why is market development so important? There are two main reasons:

Firstly, we have strong global leadership positions in 7 of our 11 key categories. If we are to grow in those markets, we have to lead that growth.

Secondly, D&E markets are often under-developed and a huge opportunity for growth comes from releasing the un-tapped potential from these markets.

Market Development is not simply about being in distribution in the high growth D&E geographies. That is the cost of entry and we have deep distribution in virtually all D&E markets given our tenure and scale.

Market Development is about leveraging our brands and insights to increase consumer involvement in our categories.

There are three ways to drive market development:

We can help consumers gain access to our products . . . More Users.

We can get our existing consumers to use our brands more frequently or more per usage occasion . . . More Usage

Or we can persuade them to upgrade to value added propositions for which they will be willing to pay more . . . More Benefits.

More Users. More Usage. More Benefits.

Chart 47: Market Development: New users - Sedal

This is an example from my own region – putting shampoo and conditioner in a small sachet pack at the right price point to enable new users to participate in the category for the first time. We have launched this in Central America, in the rural parts of Andina, Peru, Bolivia, Paraguay and North-Eastern Brazil. It has developed a new market segment and in so doing has opened up our products to a large rural population who were previously excluded.

Similarly, Dove for Men + Care is participating in the fast developing male skin cleansing and care market and providing a platform to bring a new cross-section of consumers into the Dove brand.

Chart 48: Market Development: More usage – Axe/Mentadent

Turning to the second theme – more usage – let me talk for a few minutes about the Axe brand. We launched the brand in body spray – aimed at young men to give them the self-confidence to be successful in the ‘mating game’.

Having established this market segment, we have since been busily encouraging young guys in the US to use more deodorant and body spray. For example we launched the Axe bullet to provide ‘pocket-pulling power’ and the latest example is our ‘double pits to chesty’ campaign.

Young men who pick up the double-pits-to-chesty habit use 50% more Axe per usage occasion. It is not clear whether Double Pits to Chesty will give guys 50% more confidence in the mating game but time will tell!

From this foundation we have taken the Axe brand into shower gels and Hair products and have created a major brand in the US – just as we have elsewhere in the world.

Another example of market development is in our Oral business. Here the campaign to encourage people to brush their teeth twice a day not only has a social benefit, but

also grows the market for toothpaste. We have used this campaign successfully in several markets.

My third example comes from our Suave brand, where we have tackled some of our consumers' barriers to participation. In this economic environment the concept of salon quality but at a mainstream price is clearly attractive, and a brand like Suave is ideally placed to benefit from this. Salon-proven performance without the salon price tag – to put it simply.

If we can persuade more hard-pressed women to use Suave more consistently through their week, then we can drive higher usage and growth for our brand.

Let's look at the adverts for Axe 'double-pits-to-chesty' and our twice-a-day tooth-brushing campaign.

[Run video]

Chart 49: Market Development: New benefits

The third opportunity is trading up - encouraging people to pay for different or new benefits. For example in the Tea category, we aim to trade people up from good basic teas, to higher quality blends and then to more convenient delivery mechanisms like our pyramid tea-bags.

Bringing together these three themes – new users, more usage, more benefits – we have been able to grow our key markets by identifying and developing new consumer needs.

Chart 50: Pricing – playing the full piano

I mentioned earlier the importance of pricing for today's value-conscious consumer. Successful market development depends critically on covering all the key price points.

In the chart you can see how this works for the Spreads category in the UK. We offer products across the price range – or the price piano as we call it – to provide options which meet the needs of the respective consumer segments. Stork is the brand which occupies the value position at the lowest price point – a good basic product often used in cooking – whereas Flora pro-activ sits at the top of the chart offering advanced benefits in terms of cholesterol management.

Chart 51: Customer Insight and Innovation Centre

We have talked about our marketing execution, about great R&D work and the bigger, faster innovation that this can drive, and just now about how we can best develop our markets. These are all critical – but one other element must also be on our agenda if we are to consistently win in the marketplace. We need to win with winning customers.

We distinguish between the general trade and the modern trade.

For us, the general trade – typically small shops served by direct sales or distributors - is roughly 30% of our sales and is growing fast. We already have a proven model for working with our general trade customers. We know about leveraging distribution, wholesaler and distributor models. And depending on the stage of development of the retail trade in a particular country we know which model to use and how to deploy it. The essentials are about having a relevant assortment, merchandising brilliantly and deploying the right tools and systems. We have more to learn, but we are confident in this area and see this reflected in our continuing strong performance in the D&E world.

With the modern trade the opportunities are different, whether it is the increasingly influential global players or the national or regional players. We need to demonstrate how we are the company building their categories with breakthrough shopper insight, innovation, and creative marketing ideas that result in expanding the size of their categories, not simply market share shifting. We need to demonstrate through the power of our brands that we can drive increased revenue and profitability for both Unilever and our retail partners. And, we have to build partnerships that are

both effective and accountable, with a full range of metrics and the important discipline of joint business planning.

Unilever's unique Customer Insight and Innovation Centre, which some of you saw during our investor day in New Jersey in November of last year, is a capability for collaborating with customers that we are now expanding and progressively leveraging in the business. The focus is on working together with the aim of growing their business and ours. Each centre brings together the latest technology to allow us to create shopper and category management insights and then to follow through by building concrete plans with the customer. No customer team is allowed to host a partner visit without committing to leave the meeting with a stronger Joint Business Plan than when they entered.

The US CiiC centre opened August 2008 in New Jersey. Earlier this month we opened the second centre at the home of our UK/Ireland MCO near London – it is already fully booked out into the middle of the year.

We will open further CiiC centres in 3 other countries around the world later this year.

Chart 52: Strategic Priorities: Winning through continuous improvement

The third strategic priority is about delivering sustainable, sequential improvements to reduce the cost-base and improve the effectiveness of the core business processes.

Chart 53: Virtuous Circle of Volume Growth

First, I would like to highlight the benefits of volume growth.

Volume growth leads to operational leverage which lowers unit costs, provided that the disciplines are in place to capture the benefits. At the same time we are removing costs which do not add value for our consumers or our customers - you have already heard that we took €1.4 billion of costs out of the business in 2009.

Taken together this creates substantial fuel for growth and gives us scope to re-invest in the business whilst steadily improving the operating margin.

Chart 54: Agile, cost competitive organisation

Unilever is building our reputation as a fast and agile company. The reality is now very close to the promise.

During 2009 we reduced the number of managers from 16000 to nearer to 15000. The number of senior managers has reduced by almost 50% from the levels of 2005. Taking out layers of management has enabled the organisation to become flatter, more agile and more externally focused.

At the same time we have simplified the organisation and emphasised external focus and speed of action whilst cutting short lengthy internal debates.

There is still more to do to eliminate the gap to best-in-class – and so the work on continuous improvement goes on.

Chart 55: Winning with People

The fourth strategic priority is to create an organisation with the right skills and the right mind-set to grow Unilever from a €40 billion business to an €80 billion business.

Chart 56: Driving towards a performance culture

In addition to the management and senior leadership change that I mentioned earlier, we have acted on three key dimensions:

Firstly we have a simple, focused set of management objectives and targets. We are clear on what success looks like with hard metrics to back that up and we have visibility into personal accountabilities with clear, results-oriented targets.

Secondly we have forced greater differentiation in our management assessments. We are assessing folks and aligning performance and rewards against the spread in the assessments. There is wider differentiation than ever before.

Together these changes are fundamental to driving the culture change that we need if we are to become the €80 billion business we aspire to be.

As we drive clear focus on consumers & customers, there is a new energy in the business and we believe this is visible externally through our results and the desire of new graduates to join Unilever.

In Brazil we had 10,000 graduate applicants in 2009 for 30 jobs. In India we are the most desired employer. In China, where we just opened up a new world class R&D Centre, it's cool to work for Unilever. In Indonesia we are the most-admired company.

All of these are examples of the ways in which Unilever is changing for the better.

Chart 57: Agenda

While there are many things that we are pleased about we remain constructively dissatisfied and there is still much to do.

Although improving, we still have some country and category positions that need to do better. Our competitive positions in India, Spain and Eastern Europe have not yet improved to the extent we expect.

Our sequential performance in Hair and Spreads is improving, but we still need to build share consistently everywhere. Product quality is getting better, but we need more of our products to show the superiority I have been talking about.

Brand equities are strengthening but not yet everywhere.

Our internal survey results indicate that we are not yet as consumer and customer focused as we want, with complexity, though reduced, still a challenge.

So - there is much still to do and improvements still to make. This is not a bad thing. These are all opportunities for growth.

Chart 58: Summary

Our expectation is that the environment in 2010 will be just as tough as in 2009, and we are prepared for that. We have the confidence that comes from such strong delivery over the last year. We expect:

- Volume and value shares to further improve throughout the year behind a clear step up in brand support and innovation.
- Strong delivery of savings.
- Further shaping of organisation and culture.

But we are far from complacent. We know that competition will be tougher and that consumers will be even more demanding.

Chart 59: Priorities for 2010

Our priorities for 2010 are clear and straight forward. They are to drive volume growth, whilst providing a steady year-on-year improvement in underlying operating margin and strong cash flow.

On that note, we are happy to take your questions.

Chart 60: Questions