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Form 20-F

Exchange rates

Unilever reports its financial results and balance sheet position in euros. Other currencies which may significantly impact our financial statements are sterling and US dollars. Average and year-end exchange rates for these two currencies for the last five years are given below.

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|------------|-------|-------|-------|-------|-------|
| Year end | | | | | |
| €1 = US \$ | 1.294 | 1.337 | 1.433 | 1.417 | 1.471 |
| € 1 = £ | 0.839 | 0.862 | 0.888 | 0.977 | 0.734 |
| Average | | | | | |
| €1 = US \$ | 1.396 | 1.326 | 1.388 | 1.468 | 1.364 |
| € 1 = £ | 0.869 | 0.858 | 0.891 | 0.788 | 0.682 |

On 28 February 2012 the exchange rates between euros and US dollars and between euros and sterling as published in the Financial Times in London were as follows: €1 = US \$1.340 and €1 = £0.846.

Noon Buying Rates in New York for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York were as follows:

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|------------|-------|-------|-------|-------|-------|
| Year end | | | | | |
| €1 = US \$ | 1.297 | 1.327 | 1.433 | 1.392 | 1.460 |
| Average | | | | | |
| €1 = US \$ | 1.393 | 1.326 | 1.394 | 1.473 | 1.371 |
| High | | | | | |
| €1 = US \$ | 1.488 | 1.454 | 1.510 | 1.601 | 1.486 |
| Low | | | | | |
| €1 = US \$ | 1.293 | 1.196 | 1.255 | 1.245 | 1.290 |

High and low exchange rate values for each of the last six months:

| | September 2011 | October 2011 | November 2011 | December 2011 | January 2012 | February ^(a) 2012 |
|------------|-------------------|-----------------|------------------|------------------|-----------------|---------------------------------|
| High | | | | | | |
| €1 = US \$ | 1.428 | 1.417 | 1.380 | 1.349 | 1.319 | 1.345 |
| Low | | | | | | |
| €1 = US \$ | 1.345 | 1.328 | 1.324 | 1.293 | 1.268 | 1.307 |

(a) Through 24 February 2012

Share capital

The information set forth under the heading 'Note 19 Share capital' on pages 101 to 102 of the Group's Annual Report and Accounts 2011 furnished separately on 2 March 2012 under Form 6-K is incorporated by reference.

B. Capitalisation and indebtedness

Not applicable.

C. Reasons for the offer and use of proceeds

Not applicable.

D. Risk factors

Our principal risks, as described on pages 28 to 32 of the Group's Annual Report and Accounts 2011 furnished separately on 2 March 2012 under Form 6-K are incorporated by reference. The information set forth under the heading 'Note 16 Capital and treasury risk management' on pages 93 to 99 of the Group's Annual Report and Accounts 2011 furnished separately on 2 March 2012 under Form 6-K is incorporated by reference.

Risk factors

Our business is subject to risks and uncertainties. The risks that we regard as the most relevant to our business are set out below. We have undertaken certain mitigating actions that we believe help us to manage the risks identified below. However, we may not be successful in deploying some or all of these mitigating actions. If the circumstances in these risk factors occur or are not successfully mitigated, our cashflow, operating results, financial position, business and reputation could be materially adversely affected. In addition, risks and uncertainties could cause actual results to vary from those described in this document, or could impact on our ability to meet our targets or be detrimental to our profitability or reputation. This list is not intended to be exhaustive and there may be other risks and uncertainties that are not mentioned below that could impact our future performance or our ability to meet published targets. The risks and uncertainties discussed below should be read in conjunction with the Group's consolidated financial statements and related notes and the portions of the Report of the Directors that are incorporated by reference from the Group's Annual Report and Accounts 2011 (furnished separately on 2 March 2012 on Form 6-K) and other information included in or incorporated by reference in this Report on Form 20-F.

Principal risk

Description of risk

Consumer Preference

As a branded goods business, Unilever's success depends on the value and relevance of our brands and products to consumers across the world and on our ability to innovate.

Consumer tastes, preferences and behaviours are constantly changing and Unilever's ability to respond to these changes and to continue to differentiate our brands and products is vital to our business.

We are dependent on creating innovative products that continue to meet the needs of our consumers.

Competition

The activities of our competitors may adversely impact our business.

Unilever operates globally in competitive markets where other local, regional and global companies are targeting the same consumer base.

Our retail customers frequently compete with us through private label offerings.

Industry consolidation amongst our direct competitors and in the retail trade can bring about significant shifts in the competitive landscape.

Portfolio Management

Unilever's strategic investment choices will determine the long-term growth and profits of our business.

Unilever's growth and profitability are determined by our portfolio of categories, geographies and channels and how these evolve over time.

Sustainability

The success of our business depends on finding sustainable solutions to support long-term growth.

Unilever's vision to double the size of our business while reducing our environmental impact will require more sustainable ways of doing business. This means increasing the positive social benefits of Unilever's activities while reducing our environmental impact.

Customer Relationships

Successful customer relationships are vital to our business and continued growth.

Maintaining strong relationships with our customers is necessary for our brands to be well presented to our consumers and available for purchase at all times.

The strength of our customer relationships also affects our ability to obtain pricing and secure favourable trade terms.

People

A skilled workforce is essential for the continued success of our business.

Our ability to attract, develop and retain the right number of appropriately qualified people is critical if we are to effectively compete and grow.

This is especially true in our key emerging markets where there can be a high level of competition for a limited talent pool.

Supply Chain

Our business depends on securing high quality materials, efficient manufacturing and the timely distribution of products to our customers.

Our supply chain network is exposed to potentially adverse events such as physical disruptions, environmental and industrial accidents or bankruptcy of a key supplier which could impact our ability to deliver orders to our customers.

The quality and safety of our products are of paramount importance for our brands and our reputation.

The cost of our products can be significantly affected by the cost of the underlying commodities and materials from which they are made. Fluctuations in these costs cannot always be passed on to the consumer through pricing.

Systems and Information

Unilever's operations are increasingly dependent on IT systems and the management of information.

We interact electronically with customers, suppliers and consumers in ways which place ever greater emphasis on the need for secure and reliable IT systems and infrastructure and careful management of the information that is in our possession.

This also increases the threat from unauthorised access and misuse of sensitive information.

Principal risk

Description of risk

Business Transformation

Successful execution of business transformation projects is key to delivering their intended business benefits and avoiding disruption to other business activities.

Unilever is continually engaged in major change projects, including acquisitions and disposals, to drive continuous improvement in our business and to strengthen our portfolio and capabilities.

In 2011, this included several significant acquisitions (Alberto Culver, Concern Kalina), IT system implementations, the roll-out of Enterprise Support and changes to our management organisation.

External economic and political risks, and natural disasters

Unilever operates across the globe and is exposed to a range of external economic and political risks and natural disasters that may affect the execution of our strategy or the running of our operations.

Adverse economic conditions may result in reduced consumer demand for our products, and may affect one or more countries within a region, or may extend globally.

Government actions such as fiscal stimulus, changes to taxation and price controls can impact on the growth and profitability of our local operations.

Social and political upheavals and natural disasters can disrupt sales and operations.

In 2011, more than half of Unilever's turnover came from emerging markets including Brazil, India, Indonesia, Turkey, South Africa, China, Mexico and Russia. These markets offer greater growth opportunities but also expose Unilever to economic, political and social volatility in these markets.

Eurozone risk

Issues arising out of the sovereign debt crisis in Europe could have a material adverse effect on Unilever's business in a number of ways.

Uncertainty, lack of confidence and any further deterioration in the situation could lead to lower growth and even recession in Europe and elsewhere.

Our operations would be affected if Eurozone countries were to leave the euro. In particular:

- our European supply chain would face economic and operational challenges;
- our customers and suppliers may be adversely affected, leading to heightened counterparty credit risk; and
- our investment in the country concerned could be impaired and may be subject to exchange controls and translation risks going forward.

The likely contraction in the availability of credit from financial institutions and the impact this will have on Unilever's liquidity risk are described under 'Financial' below.

Principal risk

Description of risk

Financial

Unilever is exposed to a variety of external financial risks.

Changes to the relative value of currencies can fluctuate widely and could have a significant impact on business results. Further, because Unilever consolidates its financial statements in euros it is subject to exchange risks associated with the translation of the underlying net assets and earnings of its foreign subsidiaries.

We are also subject to the imposition of exchange controls by individual countries which could limit our ability to import materials paid in foreign currency or to remit dividends to the parent company.

Currency rates, along with demand cycles, can also result in significant swings in the prices of the raw materials needed to produce our goods.

Unilever may face liquidity risk, i.e. difficulty in meeting its obligations, associated with its financial liabilities. A material and sustained shortfall in our cash flow could undermine Unilever's credit rating, impair investor confidence and also restrict Unilever's ability to raise funds.

We are exposed to market interest rate fluctuations on our floating rate debt. Increases in benchmark interest rates could increase the interest cost of our floating rate debt and increase the cost of future borrowings.

In times of financial market volatility, we are also potentially exposed to counter party risks with banks, suppliers and customers.

Certain businesses have defined benefit pension plans, most now closed to new employees, which are exposed to movements in interest rates, fluctuating values of underlying investments and increased life expectancy. Changes in any or all of these inputs could potentially increase the cost to Unilever of funding the schemes and therefore have an adverse impact on profitability and cash flow.

Ethical

Acting in an ethical manner, consistent with the expectations of customers, consumers and other stakeholders is essential for the protection of the reputation of Unilever and its brands.

Unilever's brand and reputation are valuable assets and the way in which we operate, contribute to society and engage with the world around us is always under scrutiny both internally and externally.

Legal, Regulatory and Other

Compliance with laws and regulations is an essential part of Unilever's business operations.

Unilever is subject to local, regional and global laws and regulations in such diverse areas as product safety, product claims, trademarks, copyright, patents, competition, employee health and safety, the environment, corporate governance, listing and disclosure, employment and taxes.

Failure to comply with laws and regulations could expose Unilever to civil and/or criminal actions leading to damages, fines and criminal sanctions against us and/or our employees with possible consequences for our corporate reputation.

Changes to laws and regulations could have a material impact on the cost of doing business.

Unilever is also exposed to varying degrees of risk and uncertainty related to other factors including environmental, political, social and fiscal risks. All these risks could materially affect Unilever's business. There may be other risks which are unknown to Unilever or which are currently believed to be immaterial.



Item 4. Information on the Company

A. History and development of the Company

The information set forth under the following headings of the Group's Annual Report and Accounts 2011 furnished separately on 2 March 2012 under Form 6-K is incorporated by reference:

- 'Financial Review 2011' on pages 20 to 27;
- 'Our requirements and compliance' on pages 43 to 45;
- 'Note 21 Acquisitions and disposals' on pages 104 to 106; and
- 'Shareholder information' on pages 123 to 126.

Please refer also to 'Financial Review 2010' within Item 5A of this report and 'The Unilever Group' on page 1 of this report.

B. Business overview

The information set forth under the following headings of the Group's Annual Report and Accounts 2011 furnished separately on 2 March 2012 under Form 6-K is incorporated by reference:

- 'Note 2 Segment information' on pages 70 to 71; and
- 'Better service' on page 16.

Please also refer to 'The Unilever Group' on page 1 of this report.

Marketing channels

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

Raw materials

Our products use a wide variety of raw and packaging materials which we source internationally, and which may be subject to price volatility. We saw commodity prices rise during the second half of 2011 and this looks set to continue into 2012.

Seasonality

Certain of our businesses, such as ice cream, are subject to significant seasonal fluctuations in sales. However, Unilever operates globally in many different markets and product categories, and no individual element of seasonality is likely to be material to the results of the Group as a whole.

Intellectual property

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

Competition

As a FMCG (fast moving consumer goods) company, we are competing with a diverse set of competitors. Some of these operate on an international scale like ourselves, while others have a more regional or local focus. Our business model centres on building brands which consumers know, trust, like, and buy in conscious preference to competitors'. Our brands command loyalty and affinity and deliver superior performance.

C. Organisational structure

The information set forth under the heading 'Principal group companies and non-current investments' on pages 109 and 110 of the Group's Annual Report and Accounts 2011 furnished separately on 2 March 2012 under Form 6-K is incorporated by reference:

Please also refer to 'The Unilever Group' on page 1 of this report.

D. Property, plant and equipment

We have interests in properties in most of the countries where there are Unilever operations. However, none is material in the context of the Group as a whole. The properties are used predominantly to house production and distribution activities and as offices. There is a mixture of leased and owned property throughout the Group. We are not aware of any environmental issues affecting the properties which would have a material impact upon the Group, and there are no material encumbrances on our properties. Any difference between the market value of properties held by the Group and the amount at which they are included in the balance sheet is not significant. We believe our existing facilities are satisfactory for our current business and we currently have no plans to construct new facilities or expand or improve our current facilities in a manner that is material to the Group.

The information set forth under the following headings of the Group's Annual Report and Accounts 2011 furnished separately on 2 March 2012 under Form 6-K is incorporated by reference:

- 'Note 10 Property, plant and equipment' on pages 86 and 87; and
- 'Principal group companies and non-current investments' on pages 109 and 110.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

A. Operating results

The information set forth under the following headings of the Group's Annual Report and Accounts 2011 furnished separately on 2 March 2012 under Form 6-K is incorporated by reference:

- 'Outlook' on page 28;
- 'Financial review 2011' on pages 20 to 27; and
- 'Currency risk' on page 94.