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D. Risk factors

The information set forth under the heading “Note 15 Financial instruments and treasury risk management” on pages 104 to 110 of the Group’s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference.

Risk factors

Risks and uncertainties that could cause actual results to vary from those described in this document, or that could impact on our future performance or our ability to meet our published targets, are identified below. 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 2009 (furnished separately on 5 March 2010 on Form 6-K) and other information included in or incorporated by reference in this Report on Form 20-F.

Principal risks	Description of risk
<b>Economic</b>  Economic slowdown could adversely impact the markets in which we operate by reducing the ability of consumers to buy our products. If we are unable to respond to changing consumer demand our cashflow, turnover, profits, profit margins and the carrying value of our brands could be adversely affected.	  Unilever’s business is dependent on continuing consumer demand for our brands. Reduced consumer wealth driven by adverse economic conditions may result in our consumers becoming unwilling or unable to purchase our products, which could adversely affect our cash flow, turnover, profits and profit margins. For example, in 2008 the economic downturn adversely impacted our business by reducing the demand for some of our products. In addition we have a large number of global brands, some of which have a significant carrying value as intangible assets: adverse economic conditions may reduce the value of those brands which could require us to impair their balance sheet value.  During economic downturns access to credit could be constrained: this happened in 2008 and 2009. This could impact the viability of our suppliers and customers and could temporarily inhibit the flow of day-to-day cash transactions with suppliers and customers via the banks.  Adverse economic conditions may affect one or more countries within a region, or may extend globally. The impact on our overall portfolio will depend on the severity of the economic slowdown, the mix of countries affected and any government response to reduce the impact such as fiscal stimulus, changes to taxation and measures to minimise unemployment.
<b>Markets</b>  Unilever operates globally in competitive markets where the activities of competitors may adversely impact our market shares and therefore place our cashflow, turnover, profits and/or profit margins under pressure. Further, we derive significant revenues from Developing & Emerging (D&E) markets which are typically more volatile than developed markets. Social, political and/or economic developments could adversely impact our business.	  Unilever operates globally in competitive markets where the activities of other multinational companies, local and regional companies and customers which have a significant private label business may adversely affect our market shares, cash flow, turnover, profits and/or profit margins.  49% of Unilever’s turnover in 2009 came from D&E markets including Brazil, India, Indonesia, Turkey, South Africa, China, Mexico and Russia. These markets are typically more volatile than developed markets, so we are continually exposed to changing economic, political and social developments outside our control, any of which could adversely affect our business. Failure to understand and respond effectively to local market developments could put at risk our cash flow, turnover, profit and/or profit margins.

Principal risks	Description of risk
<b>Brand</b>  Unilever is a branded goods business and our success is dependent on producing superior innovations that meet the needs of our consumers. Failure to achieve this could damage our reputation and hence our growth prospects and future profitability.	  Unilever’s vision is to 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. This is achieved by designing and delivering superior branded products/services at relevant price points to consumers across the globe. Failure to provide sufficient funding to develop new products, lack of technical capability in the R&D function, lack of prioritisation of projects and/or failure by operating management to successfully and quickly roll out the products may adversely impact our cash flow, turnover, profit and/or profit margins and may impact our reputation.

**Customer**

Increasing competitive pressure from and consolidation of customers could adversely impact our cashflow, turnover, profits and/or profit margins.

**Financial/Treasury**

Our global operations expose us to changes in liquidity, interest rates, currency exchange rates, pensions and taxation, which may have a negative impact on our business.

Maintaining successful relationships with our customers is key to ensuring our brands are successfully presented to our consumers and are available for purchase at all times. Any breakdown in the relationships with customers could reduce the availability to our consumers of existing products and new product launches and therefore impact our cash flow, turnover, profits and/or profit margins.

The retail industry continues to consolidate in many of our markets. Further consolidation and the continuing growth of discounters could increase the competitive retail environment by increasing customers’ purchasing power, increasing the demand for competitive promotions and price discounts, increase cross-border sourcing to take advantage of pricing arbitrage and thus adversely impact our cash flow, turnover, profits and/or profit margins. Increased competition between retailers could place pressure on retailer margins and increase the counterparty risk to Unilever.

As a global organisation Unilever’s asset values, earnings and cashflows are influenced by a wide variety of currencies, interest rates, tax jurisdictions and differing taxes. If we are unable to manage our exposures to any one, or a combination, of these factors, this could adversely impact our cash flow, profits and/or profit margins. A material and significant shortfall in net cash flow could undermine Unilever’s credit rating, impair investor confidence and hinder our ability to raise funds, whether through access to credit markets, commercial paper programmes, long-term bond issuances or otherwise. In times of financial market volatility, we are also potentially exposed to counterparty risks with banks.

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. Our inability to manage the interest cost effectively could have an adverse impact on our cash flow, profits and/or profit margins.

Because of the breadth of our international operations we are subject to risks from changes to the relative value of currencies which can fluctuate widely and could have a significant impact on our assets, cash flow, turnover, profits and/or profit margins. Further, because Unilever consolidates its financial statements in euros it is subject to exchange risks associated with the translation of the underlying net assets 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 by foreign currency or to remit dividends to the parent company.

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.

In view of the current economic climate and deteriorating government deficit positions, tax legislation in the countries in which we operate may be subject to change, which may have an adverse impact on our profits.

Principal risks

Consumer and environmental safety

Our industry is subject to focus on social and environmental issues, including sustainable development, product safety and renewable sources. If we fail to meet applicable standards or expectations with respect to these issues, our reputation could be damaged and our business adversely affected.

Description of risk

Unilever has developed a strong corporate reputation over many years for its focus on social and environmental issues, including promoting sustainable development and utilisation of renewable resources. The Unilever brand logo, now displayed on all our products and advertising, increases our external exposure. Should we fail to meet high product safety, social, environmental and ethical standards across all our products and in all our operations and activities it could impact our reputation, leading to the rejection of products by consumers, damage to our brands including growth and profitability, and diversion of management time into rebuilding our reputation.

We aim to grow our business while reducing our environmental impact. The environmental measures that we regard as most significant are those relating to the amounts of CO2 from energy that we use, the water we consume as part of our production processes and the amount of waste that we generate for disposal. Failure to design products with a lower environmental footprint could damage our reputation and hence long-term cash flow, turnover, profits and/or profit margins.

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Operations

Our input costs are subject to fluctuation and we are reliant on efficient suppliers and regional/global supply chains to produce and deliver our products to our customers.

Our ability to make products is dependent on securing timely and cost-effective supplies of production materials, some of which are globally traded commodities. The price of commodities and other key materials, labour, warehousing and distribution fluctuates according to global economic conditions, which can have a significant impact on our product costs. For example, in 2008 we saw unprecedented increases in many of our commodity costs, including edible oils and crude oil. If we are unable to increase prices to compensate for higher input costs, this could reduce our cash flow, profits and/or profit margins. If we increase prices more than our competitors, this could undermine our competitiveness and hence market shares.

Further, two-thirds of the raw materials that we buy come from agriculture. Changing weather patterns, water scarcity and unsustainable farming practices threaten the long-term viability of agricultural production. A reduction in agricultural production may limit our ability to manufacture products in the long term.

We are dependent on regional and global supply chains for the supply of raw materials and services and for the manufacture, distribution and delivery of our products. We may be unable to respond to adverse events occurring in any part of this supply chain such as changes in local legal and regulatory schemes, labour shortages and disruptions, environmental and industrial accidents, bankruptcy of a key supplier or failure to deliver supplies on time and in full, which could impact our ability to deliver orders to our customers. Any of the foregoing could adversely impact our cash flow, turnover, profits and/or profit margins and harm our reputation and our brands.

People and talent

Our success depends on attracting, developing and retaining talented people within our business. Any shortfall in recruitment or retention could adversely affect our ability to deliver our strategy and compete in our markets.

Attracting, developing and retaining talented employees is essential to the delivery of our strategy. If we fail to determine the appropriate mix of skills required to implement our strategy and subsequently fail to recruit or develop the right number of appropriately qualified people, or if there are high levels of staff turnover, this could adversely affect our ability to operate successfully, and hence grow our business and effectively compete in the marketplace.

Legal and regulatory

Unilever is subject to many local, regional and global jurisdictions. Failure to comply with local laws and regulatory regimes could expose Unilever to litigation, penalties, fines and/or imprisonment of its executives.

Unilever is subject to local, regional and global rules, laws and regulations, covering such diverse areas as product safety, product claims, trademarks, copyright, patents, employee health and safety, the environment, corporate governance, listing and disclosure, employment and taxes. Important regulatory bodies in respect of our business include the European Commission and the US Food and Drug Administration. Failure to comply with laws and regulations could leave Unilever open to civil and/or criminal legal challenge and, if upheld, fines or imprisonment imposed on us or our employees. Further, our reputation could be significantly damaged by adverse publicity relating to such a breach of laws or regulations and such damage could extend beyond a single geography.

Principal risks

Restructuring and change management

Ongoing restructuring initiatives involve significant changes to our organisation. If we are unable to successfully implement these changes in a timely manner, we may not realise the expected benefits from the restructuring.

Description of risk

In recent years Unilever has launched global and regional restructuring programmes to help simplify our organisational structure, leverage common platforms, realise benefits from our regional and global scale and outsource business processes. Implementation of such programmes requires significant effort and attention from management and employees to complete to the agreed timescale and realise the anticipated benefits. In the event that we are unable to successfully implement these changes in a timely manner or at all, or effectively manage third-party relationships and/or outsourced processes, we may not be able to realise some or all of the anticipated expense reductions. In addition, because some of the restructuring changes involve important functions, any disruption could harm the operations of our business, our reputation and/or relationship with our employees.

Other risks (Four)

Unilever is exposed to varying degrees of risk and uncertainty related to other factors including physical risks, legislative, environmental, fiscal, tax and regulatory developments, legal matters, insurance and resolution of such pending matters within current estimates, our ability to integrate acquisitions and complete planned divestitures, terrorism and economic, political and social conditions in the environments where we operate and new or changed priorities of the Boards. All these risks could materially affect the Group’s business, our turnover, operating profits, net profits, net assets and liquidity. There may be 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 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

- “The Unilever Group” on page 2;
- “Our business” on pages 25 to 29;
- “Financial Review 2009” on pages 37 to 46;
- “Financial Review 2008” on pages 47 to 49;
- “The Unilever Group” on page 50;
- “Note 26 Acquisitions and disposals” on pages 123 and 124; and
- “Shareholder information” on pages 144 to 147.

**B. Business overview**

The information set forth under the following headings of the Group’s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

- “Our business” on page 25;
- “Our brands” on pages 27 and 28;
- “Operating environment” (paragraphs 4, 5 and 6 only) on page 27;
- “Intellectual property” and “Laws and regulation” on page 29; and
- “Note 2 Segment information” on pages 87 to 88.

**C. Organisational structure**

The information set forth under the following headings of the Group’s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

- “The Unilever Group” on page 2;
- “Organisation” on page 26 and 27; and
- “Principal group companies and non-current investments” on page 131 and 132.

**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. There are no 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 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

- “Note 10 Property, plant and equipment” on pages 95 and 96; and
- “Principal group companies and non-current investments” on pages 131 and 132.

**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 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

- “Key indicators 2009 – Performance and portfolio” (first table and first second and third paragraphs) on page 25;
- “Outlook” on page 30;
- “Financial Review 2009” and “Financial Review 2008” on pages 37 to 49; and
- “Currency risks” on page 104.