

## **2013 Annual Financial Report Announcement**

7 March 2014

Unilever announces that as from today the following documents are available on its website [www.unilever.com/investorrelations](http://www.unilever.com/investorrelations):

Unilever Annual Report and Accounts 2013

Unilever Annual Report on Form 20-F 2013

A copy of each of the documents listed has been submitted to the National Storage Mechanism and will shortly be available for inspection at: [www.Hemscott.com/nsm.do](http://www.Hemscott.com/nsm.do)

Attached to this announcement is the additional information for the purposes of compliance with the Disclosure and Transparency Rules including principal risk factors, details of related party issues and a responsibility statement.

The unaudited 2013 Full Year and Fourth Quarter Results for the year ended 31 December 2013, which were announced on 21 January 2014, were prepared in accordance with IAS 34.

### **ADDITIONAL INFORMATION**

#### **PRINCIPAL RISK FACTORS**

Our business is subject to risks and uncertainties. On the following pages we have identified the risks that we regard as the most relevant to our business. There may be other risks which are unknown to Unilever or which are currently believed to be immaterial. We have also commented below on certain mitigating actions that we believe help us to manage these risks. However, we may not be successful in deploying some or all of these mitigating actions. If the circumstances in these risks 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, which may include forward-looking statements, or could impact on our ability to meet our targets or be detrimental to our profitability or reputation.

Description of Risk	What we are doing to manage the risk
<b>Brand Preference</b>	
<p>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 and remain competitive.</p> <p>Consumer tastes, preferences and behaviours are constantly changing and Unilever's ability to anticipate and 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. If we are unable to innovate effectively, Unilever's sales or margins could be materially adversely affected.</p>	<p>We continuously monitor external market trends and collate consumer, customer and shopper insight in order to develop category and brand strategies.</p> <p>Our strategy focuses on investing in markets and segments which we identify as attractive because we have already built, or are confident that we can build, competitive advantage.</p> <p>Our Research and Development function actively searches for ways in which to translate the trends in consumer preference and taste into new technologies for incorporation into future products.</p> <p>Our innovation management process deploys tools, technologies and resources to convert category strategies into projects and category plans, develop products and relevant brand communication and successfully roll out new products to our consumers.</p>
<b>Portfolio Management</b>	
<p>Unilever's strategic investment choices will affect the long-term growth and profits of our business.</p> <p>Unilever's growth and profitability are determined by our portfolio of categories, geographies and channels and how these evolve over time. If Unilever does not make optimal strategic investment decisions then opportunities for growth and improved margin could be missed.</p>	<p>Our Compass strategy and our business plans are designed to ensure that resources are prioritised towards those categories and markets having the greatest long-term potential for Unilever.</p> <p>Our acquisition activity is driven by our portfolio strategy with a clear, defined evaluation process.</p>
<b>Sustainability</b>	
<p>The success of our business depends on finding sustainable solutions to support long-term growth.</p> <p>Unilever's vision to double the size of our business while reducing our environmental footprint and increasing our positive social impact will require more sustainable ways of doing business. This means reducing our environmental footprint while increasing the positive social benefits of Unilever's activities.</p>	<p>The Unilever Sustainable Living Plan sets clear long-term commitments for health and well-being, environmental impact and enhancing livelihoods. These are underpinned by specific targets in areas such as sustainable sourcing, water usage, waste generation and disposal and greenhouse gas emissions. These targets are being integrated into Unilever's day-to-day business operations.</p> <p>The Unilever Sustainable Development Group, comprising five external specialists in corporate responsibility and sustainability, monitors the</p>

<p>We are dependent on the efforts of partners and various certification bodies to achieve our sustainability goals. There can be no assurance that sustainable business solutions will be developed and failure to do so could limit Unilever's growth and profit potential and damage our corporate reputation.</p>	<p>execution of this strategy.</p> <p>Progress towards the Unilever Sustainable Living Plan is monitored by the Unilever Leadership Executive and the Boards.</p>
<b>Customer Relationships</b>	
<p>Successful customer relationships are vital to our business and continued growth.</p> <p>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.</p> <p>The strength of our customer relationships also affects our ability to obtain pricing and secure favourable trade terms. Unilever may not be able to maintain strong relationships with customers and failure to do so could negatively impact the terms of business with the affected customers and reduce the availability of our products to consumers.</p>	<p>We build and maintain trading relationships across a broad spectrum of channels ranging from centrally managed multinational customers through to small traders accessed via distributors in many developing countries.</p> <p>We develop joint business plans with our key customers that include detailed investment plans and customer service objectives and we regularly monitor progress.</p> <p>We have developed capabilities for customer sales and outlet design which enable us to find new ways to improve customer performance and enhance our customer relationships.</p>
<b>Talent</b>	
<p>A skilled workforce is essential for the continued success of our business.</p> <p>Our ability to attract, develop and retain the right number of appropriately qualified people is critical if we are to compete and grow effectively.</p> <p>This is especially true in our key emerging markets where there can be a high level of competition for a limited talent pool. The loss of management or other key personnel or the inability to identify, attract and retain qualified personnel could make it difficult to manage the business and could adversely affect operations and financial results.</p>	<p>Resource committees have been established and implemented throughout our business. These committees have responsibility for identifying future skills and capability needs, developing career paths and identifying the key talent and leaders of the future.</p> <p>We have an integrated management development process which includes regular performance reviews underpinned by a common set of leadership behaviours, skills and competencies.</p> <p>We have targeted programmes to attract and retain top talent and we actively monitor our performance in retaining talent within Unilever.</p>
<b>Supply Chain</b>	
<p>Our business depends on purchasing materials, efficient manufacturing and the timely distribution of products to our customers.</p> <p>Our supply chain network is exposed to</p>	<p>We have contingency plans designed to enable us to secure alternative key material supplies at short notice, to transfer or share production between manufacturing sites and to use substitute materials in our product formulations and recipes.</p>

<p>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.</p> <p>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.</p>	<p>These contingency plans also extend to an ability to intervene directly to support a key supplier should it for any reason find itself in difficulty or be at risk of negatively affecting a Unilever product.</p> <p>We have policies and procedures designed to ensure the health and safety of our employees and the products in our facilities, and to deal with major incidents or crises including business continuity and disaster recovery.</p> <p>Commodity price risk is actively managed through forward-buying of traded commodities and other hedging mechanisms. Trends are monitored and modelled regularly and integrated into our forecasting process.</p>
<b>Safe and high quality products</b>	
<p>The quality and safety of our products are of paramount importance for our brands and our reputation.</p> <p>The risk that raw materials are accidentally or maliciously contaminated throughout the supply chain or that other product defects occur due to human error, equipment failure or other factors cannot be excluded.</p>	<p>Our product quality processes and controls are comprehensive from product design to customer shelf. They are verified annually, and regularly monitored through performance indicators that drive continuous improvement activities. Our key suppliers are externally certified and the quality of material received is regularly monitored to ensure that it meets the rigorous quality standards that our products demand.</p> <p>In the event of an incident relating to the safety of our consumers or the quality of our products, incident management teams are activated in the affected markets under the direction of our product quality, science, and communications experts, to ensure timely and effective market place action.</p>
<b>Systems and Information</b>	
<p>Unilever's operations are increasingly dependent on IT systems and the management of information.</p> <p>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.</p> <p>Disruption of our IT systems could inhibit our business operations in a number of ways,</p>	<p>Hardware that runs and manages core operating data is fully backed up with separate contingency systems to provide real time back-up operations should they ever be required.</p> <p>We maintain a global system for the control and reporting of access to our critical IT systems. This is supported by an annual programme of testing of access controls.</p> <p>We have policies covering the protection of both business and personal information, as well as the use of IT systems and applications by our</p>

<p>including disruption to sales, production and cash flows, ultimately impacting our results.</p> <p>There is also a threat from unauthorised access and misuse of sensitive information. Unilever's information systems could be subject to unauthorised access or the mistaken disclosure of information which disrupts Unilever's business and/or leads to loss of assets.</p>	<p>employees. Our employees are trained to understand these requirements.</p> <p>We have standardised ways of hosting information on our public websites and have systems in place to monitor compliance with appropriate privacy laws and regulations, and with our own policies.</p>
<b>Business Transformation</b>	
<p>Successful execution of business transformation projects is key to delivering their intended business benefits and avoiding disruption to other business activities.</p> <p>Unilever is continually engaged in major change projects, including acquisitions and disposals and outsourcing, to drive continuous improvement in our business and to strengthen our portfolio and capabilities.</p> <p>Failure to execute such transactions or change projects successfully, or performance issues with third party outsourced providers on which we are dependent, could result in under-delivery of the expected benefits. Furthermore, disruption may be caused in other parts of the business.</p>	<p>All acquisitions, disposals and global restructuring projects are sponsored by a member of the Unilever Leadership Executive. Regular progress updates are provided to the Unilever Leadership Executive.</p> <p>Sound project disciplines are used in all merger, acquisitions, restructuring and outsourcing projects and these projects are resourced by dedicated and appropriately qualified personnel. The performance of third party outsourced providers is kept under constant review, with potential disruption limited to the time and cost required to install alternative providers.</p> <p>Unilever also monitors the volume of change programmes underway in an effort to stagger the impact on current operations and to ensure minimal disruption.</p>
<b>External economic and political risks and natural disasters</b>	
<p>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.</p> <p>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.</p> <p>Government actions such as fiscal stimulus, changes to taxation and price controls can impact on the growth and profitability of our local operations.</p> <p>Social and political upheavals and natural disasters can disrupt sales and operations.</p>	<p>The breadth of Unilever's portfolio and our geographic reach help to mitigate our exposure to any particular localised risk to an extent. Our flexible business model allows us to adapt our portfolio and respond quickly to develop new offerings that suit consumers' and customers' changing needs during economic downturns.</p> <p>We regularly update our forecast of business results and cash flows and, where necessary, rebalance investment priorities.</p> <p>We have continuity planning designed to deal with crisis management in the event of political and social events and natural disasters.</p> <p>We believe that many years of exposure to emerging markets have given us experience</p>

<p>In 2013, 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.</p>	<p>operating and developing our business successfully during periods of economic, political or social change.</p>
<p><b>Treasury and Pensions</b></p>	
<p>Unilever is exposed to a variety of external financial risks in relation to Treasury and Pensions.</p> <p>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.</p> <p>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.</p> <p>Currency rates, along with demand cycles, can also result in significant swings in the prices of the raw materials needed to produce our goods.</p> <p>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.</p> <p>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.</p> <p>In times of financial market volatility, we are also potentially exposed to counter-party risks with banks, suppliers and customers.</p> <p>Certain businesses have defined benefit pension plans, most now closed to new employees, which</p>	<p>Currency exposures are managed within prescribed limits and by the use of forward foreign exchange contracts. Further, operating companies borrow in local currency except where inhibited by local regulations, lack of local liquidity or local market conditions. We also hedge some of our exposures through the use of foreign currency borrowing or forward exchange contracts.</p> <p>Our interest rate management approach aims to achieve an optimal balance between fixed and floating rate interest exposures on expected net debt.</p> <p>We seek to manage our liquidity requirements by maintaining access to global debt markets through short-term and long-term debt programmes. In addition, we have high committed credit facilities for general corporate purposes.</p> <p>Group treasury regularly monitors exposure to our banks, tightening counter-party limits where appropriate. Unilever actively manages its banking exposures on a daily basis.</p> <p>We regularly assess and monitor counter-party risk in our customers and take appropriate action to manage our exposures.</p> <p>Our pension investment standards require us to invest across a range of equities, bonds, property, alternative assets and cash such that the failure of any single investment will not have a material impact on the overall value of assets.</p> <p>The majority of our assets, including those held in our 'pooled' investment vehicle, Uninvest, are managed by external fund managers and are regularly monitored by pension trustees and central pensions and investment teams.</p> <p>Further information on financial instruments and</p>

<p>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.</p>	<p>capital and treasury risk management is included in note 16 on pages 120 to 125.</p>
<b>Ethical</b>	
<p>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.</p> <p>Unilever's brands 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. Despite the commitment of Unilever to ethical business and the steps we take to adhere to this commitment, there remains a risk that activities or events cause us to fall short of our desired standard, resulting in damage to Unilever's corporate reputation and business results.</p>	<p>Our Code of Business Principles and our Code Policies govern the behaviour of our employees, suppliers, distributors and other third parties who work with us.</p> <p>Our processes for identifying and resolving breaches of our Code of Business Principles and our Code Policies are clearly defined and regularly communicated throughout Unilever. Data relating to such breaches is reviewed by the Unilever Leadership Executive and by relevant Board committees and helps to determine the allocation of resources for future policy development, process improvement, training and awareness initiatives.</p>
<b>Legal, Regulatory &amp; Other</b>	
<p>Compliance with laws and regulations is an essential part of Unilever's business operations.</p> <p>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.</p> <p>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.</p> <p>Changes to laws and regulations could have a material impact on the cost of doing business. Tax, in particular, is a complex area where laws and their interpretation are changing regularly, leading to the risk of unexpected tax exposure.</p>	<p>Unilever is committed to complying with the laws and regulations of the countries in which we operate. In specialist areas the relevant teams at global, regional or local levels are responsible for setting detailed standards and ensuring that all employees are aware of and comply with regulations and laws specific and relevant to their roles.</p> <p>Our legal and regulatory specialists are heavily involved in monitoring and reviewing our practices to provide reasonable assurance that we remain aware of and in line with all relevant laws and legal obligations.</p> <p>We have a Tax Risk Framework in place which sets out the controls established to assess and monitor tax risk for direct and indirect taxes.</p>

## RELATED PARTY TRANSACTIONS

The following related party balances existed with associate or joint venture businesses at 31 December:

Related party balances	€ million 2013	€ million 2012
Trading and other balances due from joint ventures	130	116
Trading and other balances due from/(to) associates	-	-

### Joint ventures

Sales by Unilever group companies to Unilever Jerónimo Martins and Pepsi/Lipton Partnership were €92 million and €14 million in 2013 (2012: €78 million and €13 million) respectively. Sales from Unilever Jerónimo Martins to Unilever group companies were €43 million in 2013 (2012: €49 million). Balances owed by/(to) Unilever Jerónimo Martins and Pepsi/Lipton Partnership at 31 December 2013 were €117 million and €0.2 million (2012: €116 million and €0.4 million) respectively.

### Associates

Langholm Capital Partners invests in private European companies with above-average longer-term growth prospects. Langholm Fund I was launched in 2002 and terminated in accordance with its fund constitution on 16 December 2013. Unilever invested €84 million over the life of the fund, and received a total of €163 million in cash proceeds.

Langholm Capital II was launched in 2009. Unilever has invested €33 million in Langholm II, with an outstanding commitment at the end of 2013 of €42 million (2012: €44 million).

## DIRECTORS' RESPONSIBILITY STATEMENT

Each of the Directors confirms that, to the best of his or her knowledge:

- The Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy;
- The financial statements which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and as issued by the International Accounting Standards Board (in the case of the consolidated financial statements) and UK accounting standards (in the case of the PLC parent company accounts) and UK accounting standards and Part 9 of Book 2 of the Dutch Civil Code (in the case of the NV parent company accounts), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the NV and PLC entities taken as a whole; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the NV and PLC entities taken as a whole, together with a description of the principal risks and uncertainties they face.



<b>Name</b>	<b>Function</b>
Michael Treschow	Chairman
Kees Storm	Vice-Chairman and Senior Independent Director
Paul Polman	Chief Executive Officer
Jean-Marc Huët	Chief Financial Officer
Laura Cha	Non-Executive Director
Louise Fresco	Non-Executive Director
Ann Fudge	Non-Executive Director
Charles Golden	Non-Executive Director
Byron Grote	Non-Executive Director
Mary Ma	Non-Executive Director
Hixonia Nyasulu	Non-Executive Director
Sir Malcolm Rifkind	Non-Executive Director
John Rishton	Non-Executive Director
Paul Walsh	Non-Executive Director

### **Safe Harbour**

This announcement may contain forward-looking statements, including 'forward-looking statements' within the meaning of the United States Private Securities Litigation Reform Act of 1995. Words such as 'will', 'aim', 'expects', 'anticipates', 'intends', 'looks', 'believes', 'vision', or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Group. They are not historical facts, nor are they guarantees of future performance.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. Among other risks and uncertainties, the material or principal factors which cause actual results to differ materially are: Unilever's global brands not meeting consumer preferences; Unilever's ability to innovate and remain competitive; Unilever's investment choices in its portfolio management; inability to find sustainable solutions to support long-term growth; customer relationships; the recruitment and retention of talented employees; disruptions in our supply chain; the cost of raw materials and commodities; the production of safe and high quality products; secure and reliable IT infrastructure; successful execution of acquisitions, divestitures and business transformation projects; economic and political risks and natural disasters; financial risks; failure to meet high and ethical standards; and managing regulatory, tax and legal matters. Further details of potential risks and uncertainties affecting the Group are described in the Group's filings with the London Stock Exchange, Euronext Amsterdam and the US Securities and Exchange Commission, including in the Group's Annual Report on Form 20-F for the year ended 31 December 2013 and the Annual Report and Accounts 2013. These forward-looking statements speak only as of the date of this announcement. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

7 March 2014