

## AGM Speech 13 May, 2009

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Good morning everyone – I am delighted to be here.

It is a great honour – and responsibility – to lead Unilever, together with my strong management team, some of whom are present here today.

This is, undoubtedly, a great company.

From the Chairman and Board to my Unilever colleagues, I am grateful for all the support I have received in my first few months on the job.

During this period, I have spent time getting to understand:

1. The portfolio of brands and categories we are in
2. The business in the top countries of which I have visited 15 of the top 20
3. The innovation capabilities with visits to key R&D facilities in Vlaardingen, Port Sunlight, Colworth and Shanghai – 4 of the 5 big ones
4. The organisational strength and I have met many of our key people and leaders that make up the backbone of this organisation.

I am encouraged by what I see. All the elements are there to succeed and succeed consistently.

1. We have great brands – 13 of them with more than one billion euros in turnover each
2. We have leading global positions in 7 of 11 categories
3. We have strong innovation capabilities
4. A tremendous depth of organisational quality and
5. Great values on which this company is built.

During the many country visits, I have also seen the role that Unilever plays in society at large. More than ever is it clear that companies like ours are crucial for the good functioning of society. Everyday, we sell over 160 million products and more than 2 billion times a day our products are used, thereby touching and improving the lives of consumers worldwide. We do that not only directly but indirectly through our broader footprint and commitment to Corporate Social Responsibility, whether in driving nutrition with the World Food Programme or hygiene with our handwashing campaigns; or driving sustainable sourcing, as we are doing for

tea with Lipton and the Rainforest Alliance, or Sustainable Palm Oil, or reducing our impact on Climate Change, both directly or indirectly

The fact is that we should all be grateful to those Unilever employees – past and present – who have worked so hard to make this company what it is. It is our responsibility to hand it over in an even better shape when we move on. For my own part, I am particularly grateful to my predecessor, Patrick Cescau, for what he has done for the company. It showed courage and foresight.

The portfolio has been significantly sharpened over the last ten years. The organisational structure and effectiveness has also step-changed, especially in the last five years. We are now fit to compete and not a day too soon. Although we will undoubtedly fine-tune and sharpen the strategy as we move forward, our main priority now is to put electricity through the wires, to get consistent business results. It requires making the company increasingly externally focussed, with a passion for winning.

But let me be clear – the major pillars of success are increasingly in place and we clearly see that reflected in the company's 2008 performance.

#### Results 2008

2008's sales growth of 7.4% was well ahead of the long-range target of 3–5%, mainly driven by pricing, reflecting heavy input cost increases. All categories increased turnover. It is especially pleasing that, despite the significant price increases we were forced to take, we did not lose volume over the year. It shows the inherent strength of our brands.

We had to deal with unprecedented cost increases of over €2.7 billion. Despite this, we were able to protect profitability - increasing operating margin by over 10 basis points. Net cash flow from operations was equally strong at €3.9 billion. A solid balance sheet and prudent management of cash during the year also meant that we were able to return €3.6 billion to you, our shareholders.

This all resulted in a further improvement in Total Shareholder Return (TSR) versus our peer group – up from 14<sup>th</sup> three years ago to ninth last year. This was achieved whilst further implementing the One Unilever programme – including bringing Foods and HPC together into a single category organisation - *and* divesting remaining non-strategic businesses. As I have said before, it was like changing the engine while keeping the car running. An admirable performance.

#### Now looking to the future

Much progress has been made, but the reality is that we have not been able to significantly grow our top line over the past ten years. Although the portfolio is sharpened, our overall turnover has been more or less flat at €40 billion. Because of the absence of growth, our PE ratio is still low versus our peer group.

But, I believe the foundation has now been built to get back to consistent profitable volume growth for long-term value creation.

Although my first priority has been to better understand the business (seek first to understand before being understood), we had to address with urgency the severe economic crisis we are facing. We are assuming that the tougher economic environment will be with us for some time to come - just to be safe - but we would love to be proven wrong.

Never have we seen such a fast and drastic change in consumer sentiment. Both Europe and US are now forecasting negative growth for this year and, at best, flat next year. Over the last quarter of 2008, consumer spending on food in the US fell by an inflation-adjusted 4% - the steepest drop in over 60 years. The effects of falling house prices, excessive credit card debt, falling equity prices and job security fears are all contributing to on-going consumer habit changes that will stay with us for a long time to come.

This environment requires the best of all of us – both individually and collectively.

However, for any company, there are ample opportunities.

We are accelerating plans to close the remaining gaps versus our competitors and to open up new gaps in our favour. This to ensure we come out of this recession stronger than ever. We have done it before. After all, this company was born at the time of the Great Depression of the 1930s and has had to deal with many economic and financial crises since - from Latin American to Asian.

We did it then and can do it again.

In order to emerge stronger and get the growth agenda back, we have to be clear about our objectives. And we have been clear.

To increase volumes whilst protecting cash flow and margins.

Not easy with markets flat or down. In order to focus on this and do the right thing for the long-term we have stopped the practice of giving guidance and margin projections to the market. Instead, we have put all our energy against delivering this challenging objective and then letting the numbers speak for themselves. To succeed, it is even more important to (1) step-up innovations and investments in R&D; (2) to support our

brands sufficiently with advertising and promotional support. And, (3) to continue to invest in our people. No time for lofty, long-term statements. Instead, let's focus on what we are doing now.

The actions we have set out come under four broad headings.

1. First, increasing the effectiveness of our innovations and addressing weaknesses where we find them

In January this year we merged our R & D for Foods and Home & Personal Care together to give us crossover ideas, better use of technologies and more leveraging of scale. We also established the position of Chief R&D Officer at Executive Committee level with Geneviève Berger and concentrated our research efforts into far fewer centres. We have also established a global organisation for all category development under Vindi Banga, responsible for category strategies and innovation. Finally, we have completed the move to One Unilever and established single operating companies for all key markets (or sometimes a cluster of markets), that are responsible for the commercialisation of our innovations.

Taken together, this is enabling us to roll out innovations faster and better across multiple geographies. In the past, we had many innovations with low incremental turnover. Now we focus on fewer and bigger innovations and roll them out faster across the world. We are looking at a series of innovations of at least €50 million incremental turnover. For example, just in the last quarter alone, we are launching:

- Ponds to North Africa, the Middle East and South Africa.
- Signal 'White Now' - a whitening toothpaste - and Dove Hair Minimising deodorant across Latin America;
- Lipton Linea slimming tea to China and Russia and premium variants of the Lipton Pyramid range of teas to most of the Eastern European countries.

We are also faster in addressing the Brands that under-perform in the marketplace. We call this '30 day' action plans. Some are already starting to have an impact.

In South Africa, for example, our laundry market shares have been in decline for several years. To address this we filled a gap in the market with a new offering of Sunlight at a different price point; we fixed a number of supply chain issues; and we improved formulations. Since then, shares have risen strongly.

In this economic environment providing consumers with good value is key and we are continuously challenging all of our Brands to do just that. It is not always just about a low price. Value can be delivered in many ways. In North America, for example, because more people are eating at home our Hellmann's mayonnaise and Skippy peanut butter businesses have been growing fast behind increased use of

sandwiches; and so have our Ragu and Bertolli businesses. Bertolli freezer meals offers a better value equation to eating out and the brand is doing very well...

Finally, we have also filled some gaps in our portfolio with a number of strategic bolt-on acquisitions, such as Inmarko, Russia's leading ice-cream business; and the TIGI hair care business, which takes us into a new and exciting segment of the premium hair market with salon brands like Bed Head, Catwalk and S-Factor.

## 2. Next to stepping up our innovations, is improving our ability to win in the market place

This is vital, because you can have the best consumer insights, the best technology, or the strongest brands but you still have to ensure that our products reach the consumers in the most efficient way. We are putting special emphasis on driving customer service to higher levels and ensuring that our products are in-store and on-shelf when the consumer needs them. We are also working actively with our winning retailers to leverage consumer and shopper insight and improve the in-store shopping experience. We have just pioneered a customer innovation centre in the US with state of the art technology such as virtual stores for fast testing. We are now rolling this out globally. Initial response from our key customers has been overwhelmingly positive.

## 3. The third area we are focussed on is getting our cash up and costs down

We have set a simple objective to protect cash flow and operating margin in this environment. Whilst we have improved our cost structure, we are still not quite as competitive as we want to be. More than ever, consumers are not willing to pay for any costs that do not add value. For that reason, we are pulling forward where we can restructuring plans that were originally earmarked for 2010, and we are accelerating other cost saving opportunities. We are taking unnecessary complexity out of the system, better leveraging scale in purchasing, and taking drastic measures to cut our administrative costs. Regarding complexity, look at this example from our dressings business. The picture tells the story. It shows the unnecessary number of ketchup bottles that proliferated our portfolio. Multiply this with different specifications for tomatoes, recipes etc. The new organisational model is gradually allowing us to eliminate this kind of complexity, saving not only a lot of money but also freeing up resources to invest behind our brands and innovations. This is a critical part of our growth agenda.

## 4. Finally, let me say a few words about the organisation and culture

We have a culture with global strengths, which has stood the test of time. We are proud to work for this organisation. There is a deep passion for the company and our brands, a cultural diversity that is second to none, a high level of integrity and trust and commitment to our people's development and the development of society at large. We call this "doing well by doing good".

However, in this fast changing environment our culture needs to evolve as well. Following years of work on changing the portfolio and organisational structure, we need once again to put the consumer and customer squarely in the middle of all we do and make the organisation even more focussed on the external world - with an increased bias for action and a high level of accountability/responsibility in achieving results.

We have adjusted short-term targets, now on a six monthly basis, to drive clear accountability/responsibility and to be responsive to fast-changing economic circumstances. We have aligned and simplified these targets better across the different business units. We are driving speed with thirty day action plans to correct under-performing businesses and with a simple set of managerial goals which we call the "9 for 2009". And, where needed, we are continuously strengthening the organisation to ensure that we have the right talent in the right jobs. All the time we continue to explore how we can further drive to an increasingly consumer and customer focussed organisation.

There are some early signs from the First Quarter 2009 results that our actions are starting to bite.

Over the quarter, we have strong organic growth of 4.8% in the upper tercile of our peer groups with all categories growing. Our 13 brands of a billion euro or more, to which we gave priority, are growing faster than the company average and we are encouraged by the steady volume progress we have seen throughout the quarter. In North America and Asia, our business is building share in many places. The challenge continues to be Western Europe but, here again, we see some encouraging signs in the categories where we have had strong innovation and support.

We recognise that volume is still negative for the quarter, so there is some way to go; there is no room for complacency, but we do feel that plans are in place to build volumes. There are especially strong innovations coming in during the second quarter such as Starbucks ice cream in the US, the Dove Deodorant Hair Minimising rollout, the launch of Lipton Pyramid bags or our Dirt is Good with Oxymax giving single wash stain removal.

The steps we are taking amount to a significant change programme and are designed to ensure that we come out of this recession stronger than ever.

But let me also reassure you that there are some things that will never change. Those are our values as an organisation and our strong commitment to being responsible corporate citizens. Those values are deeply embedded in the business from its start in 1930. They date back to the very founders and are still guiding us today.

In conclusion, the fundamentals are in place for success. Although we are operating in difficult environments, we are approaching the challenges from a position of strength.

We have an excellent portfolio of brands in categories with significant scope for growth. We have a broad geographic footprint with now over half of our business in the parts of the world with the biggest populations and the fastest growing markets.

And, we have an organisation of the highest quality ready to drive the business further. These are real assets.

We reiterate our clear priority to reignite volume growth whilst protecting underlying margins and cash flow. I do believe that volume growth can be achieved profitably and sustainably and that is the surest way to ensure long term value for you, our shareholders.

Thanks for your attention.