UNILEVER UNITED STATES, INC.

Nonconsolidated Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

UNILEVER UNITED STATES, INC.

December 31, 2017 and 2016

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Management of Unilever United States, Inc.:

Report on the Financial Statements

We have audited the accompanying nonconsolidated financial statements of Unilever United States, Inc., which comprise the nonconsolidated statement of financial position as of December 31, 2017 and 2016, and the related nonconsolidated statements of operations, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the nonconsolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these nonconsolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these nonconsolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the nonconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the nonconsolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the nonconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the nonconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the nonconsolidated financial statements referred to above present fairly, in all material respects, the financial position of Unilever United States, Inc. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP

New York, New York
March 9, 2017

UNILEVER UNITED STATES, INC.

Nonconsolidated Statements of Financial Position

December 31, 2017 and 2016

(Dollars in thousands)

Assets		**2017**	**2016**
Noncurrent assets:			
Investments in subsidiaries (note 3)	$	27,965,009	27,808,648
Funds in escrow (note 9,15)		2,083	2,035
Deferred taxes (note 7)		11,820	20,354
Total noncurrent assets		27,978,912	27,831,037
Current assets:			
Cash and cash equivalents (note 9)		396	—
Investment in equity shares of Ultimate Parent (note 9,10)		1,297	1,305
Prepaid expenses (note 12)		3,509	4,597
Net amounts due from Unilever Group affiliates (note 8)		12,137	18,195
Other current assets		—	1
Total current assets		17,339	24,098
Total assets	$	27,996,251	27,855,135
Liabilities and Equity			
Equity: (note 13)			
Called up share capital	$	1	1
Share premium		1,341,561	1,341,561
Retained earnings		17,656,654	17,932,294
Total equity		18,998,216	19,273,856
Noncurrent liabilities:			
Liabilities to employee benefit plans (note 5)		24,250	15,871
Liabilities for share-based compensation (note 6)		16,476	19,490
Other		283	500
Total noncurrent liabilities		41,009	35,861
Current liabilities:			
Trade and other payables (note 14)		14,101	21,304
Provisions (note 15)		1,694	1,792
Liabilities to employee benefit plans (note 5)		3,601	10,457
Liabilities for share-based compensation (note 6)		4,084	4,255
Net amounts due to Unilever Group affiliates (note 8)		88	863
Net amounts due to UNUS Group affiliates (note 8)		8,933,458	8,506,747
Total current liabilities		8,957,026	8,545,418
Total liabilities and equity	$	27,996,251	27,855,135

See accompanying notes to nonconsolidated financial statements.

UNILEVER UNITED STATES, INC.

Nonconsolidated Statements of Operations

Years ended December 31, 2017 and 2016

(Dollars in thousands)

		2017	2016
Management operations:			
Operating costs (note 8)	$	(20,467)	(19,121)
Finance income (expense):			
Interest on intercompany debt (note 8)		(411,245)	(365,655)
Dividend income from affiliate (note 8)		1,176,000	200,000
Interest on benefit plans (note 5)		(996)	(1,115)
Other interest expense		—	(16)
		763,759	(166,786)
Income (loss) before taxes		743,292	(185,907)
Income tax benefit (note 7)		(157,261)	(144,885)
Net income (loss)	$	900,553	(41,022)

See accompanying notes to nonconsolidated financial statements.

UNILEVER UNITED STATES, INC.

Nonconsolidated Statements of Comprehensive Income

Years ended December 31, 2017 and 2016

(Dollars in thousands)

		2017	2016
Net income (loss)	$	900,553	(41,022)
Other comprehensive income (loss):			
Items that will not be reclassified to income:			
Actuarial gains (loss) on benefit programs, net of tax of $3,238 million in 2017 and $1 thousand in 2016		(193)	699
Comprehensive income (loss)	$	900,360	(40,323)

See accompanying notes to nonconsolidated financial statements.

UNILEVER UNITED STATES, INC.

Nonconsolidated Statements of Changes In Equity

Years ended December 31, 2017 and 2016

(Dollars in thousands)

	Total	Share capital	Share premium	Retained earnings
Equity, December 31, 2015	$ 19,514,179	1	1,341,561	18,172,617
Comprehensive loss	(40,323)	—	—	(40,323)
Dividends declared	(200,000)	—	—	(200,000)
Equity, December 31, 2016	19,273,856	1	1,341,561	17,932,294
Comprehensive income	900,360	—	—	900,360
Dividends declared	(1,176,000)	—	—	(1,176,000)
Equity, December 31, 2017	$ 18,998,216	1	1,341,561	17,656,654

See accompanying notes to nonconsolidated financial statements.

UNILEVER UNITED STATES, INC.

Nonconsolidated Statements of Cash Flows

Years ended December 31, 2017 and 2016

(Dollars in thousands)

		2017	2016
Cash flows from operating activities:			
Net income (loss)	$	900,553	(41,022)
Dividend income from affiliate		(1,176,000)	(200,000)
Income tax benefit		(157,261)	(144,885)
Post employment benefits		2,093	2,718
Share-based compensation		15,757	12,878
Interest expense		412,241	366,786
Interest paid		(427,709)	(16)
Changes in assets and liabilities:			
Prepaid expenses		1,088	1,074
Net amounts due from Unilever Group affiliates		5,283	(12,823)
Other current assets		1	801
Accounts payable		(7,203)	(21,259)
Provisions		(98)	(300)
Liabilities for share-based compensation		(18,942)	(22,827)
Other payables		(217)	(6)
Liabilities to employee benefit plans		(4,001)	(7,236)
Cash used in operating activities		(454,415)	(66,117)
Cash flows from investing activities:			
Investment in equity shares of Ultimate Parent		12,680	(56,220)
Funds in escrow		(48)	371
Dividend income from affiliate		1,176,000	200,000
Cash provided in investing activities		1,188,632	144,151
Cash flows from financing activities:			
Dividend to Unilever Group		(1,176,000)	(200,000)
Net borrowings from UNUS Group affiliates		442,179	121,390
Cash used in financing activities		(733,821)	(78,610)
Net change in cash and cash equivalents		396	(576)
Cash and cash equivalents:			
Beginning of year		—	576
End of year	$	396	—

See accompanying notes to nonconsolidated financial statements.

(1) Presentation and Organization

Unilever United States, Inc. (the Company or UNUS) is a wholly owned subsidiary of UNUS Holding BV (incorporated in the Netherlands) (the Parent) which itself is an indirect, wholly owned, joint subsidiary of Unilever N.V. (incorporated in the Netherlands) and Unilever PLC (incorporated in the United Kingdom) (collectively referred to as the Unilever Group or Ultimate Parent). The Company is incorporated and domiciled in the United States.

The Unilever Group is one of the world's largest suppliers of fast moving consumer goods. It manufactures, markets and sells products in the food, personal care and household products industries throughout the world. The Unilever Group conducts its business in the United States primarily through Conopco, Inc. (Conopco), an entity wholly owned by UNUS. Unilever Capital Corporation (UCC), another wholly owned subsidiary of the Company, provides financing for Unilever Group's United States operations.

As a holding company UNUS provides management services to its operating subsidiaries (collectively the UNUS Group) and facilitates communications and the flow of information between those subsidiaries and other entities within the Unilever Group.

(2) Basis of Presentation

The accompanying financial statements of Unilever United States, Inc. represent the separate (nonconsolidated) financial statements of the Company pursuant to the exemption afforded under paragraph 4a of International Financial Reporting Standard (IFRS) 10 – *Consolidated Financial Statements*. Accordingly, the accompanying financial statements are separate financial statements of the UNUS Group. The Company's ultimate parents, Unilever N.V. and Unilever PLC, issue publicly available consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. These statements are available at Unilever N.V. Investor Relations Department, Weena 455, PO Box 760, 3000 DK Rotterdam, The Netherlands.

(a) Statement of Compliance

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The functional and reporting currency is the United States dollar.

(b) Basis of Measurement

The separate financial statements have been prepared on the historical cost basis unless otherwise indicated.

(c) Dividend Income

The Company's primary source of income is dividends from Conopco. These are recognized in the statement of operations when the Company's right to receive payment has been established, which is generally when the dividend has been declared. However, to the extent a distribution is considered a return of capital, the carrying value of the Company's investment is reduced. There were no distributions in 2017 or 2016 that represent a return of capital.

(d) *Financial Asset*

A financial asset is recorded at fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investment and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The Company's financial asset consists of an investment in shares of the Ultimate Parent. The Company acquires Unilever N.V. shares and Unilever PLC American Depository Receipts (ADRs) to satisfy obligations under share-based compensation programs in the near term. These equity securities are recorded at fair value.

Loans and receivables are financial assets with fixed and determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment charges.

(e) *Cash and Cash Equivalents*

Cash and cash equivalents are financial assets and include deposits, investments in money market funds and highly liquid investments that have are the following characteristics:

- Are readily convertible into cash
- Have an insignificant risk of change in value and
- Have a maturity of three months or less at acquisition

(f) *Investment in Subsidiaries*

Investments in the Company's subsidiaries are recorded at cost.

(g) *Financial Liabilities*

Financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or canceled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(h) *Estimates*

The preparation of nonconsolidated financial statements requires management to make judgments, estimates and assumptions in the application of accounting policies that affect the reported amounts of assets, liabilities, income, and expenses and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates. Estimates and judgments are evaluated continuously and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in applicable subsequent periods.

Significant estimates and judgments involved in the preparation of these nonconsolidated financial statements include the following:

- the measurement of defined benefit obligations and assets and the allocation thereof to subsidiaries
- allocation of income tax obligations to subsidiaries
- the fair value measurement of the investment in Conopco and the related impairment loss recognized
- the measurement of share-based compensation and the allocation thereof to subsidiaries

(i) Share-Based Compensation

The Company purchases shares of its Ultimate Parent (Unilever N.V. shares and Unilever PLC ADRs) to settle share based compensation awards and therefore considers its award programs to be cash-settled plans in these separate nonconsolidated financial statements. Accordingly, compensation expense determined under share-based compensation plans is adjusted at the end of each reporting period through profit and loss to reflect the fair value of the related liability.

(j) Pensions and Similar Obligations

The Company sponsors one funded defined benefit pension plan and several unfunded defined pension and welfare benefit plans for its employees and the employees of its subsidiaries. The most significant plans are open to substantially all employees and are subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). ERISA sets general and specific standards regarding requirements including, but not limited to plan participation, minimum funding, and participant vesting. In addition, the significant plans are subject to provisions of the Internal Revenue Code governing deductibility of plan contributions and the exemption of plan trusts from income tax.

The operating and financing components related to defined benefit plans are recognized separately in the statement of operations. Operating costs (service costs) represent the cost of accruing benefits to employees during the year plus the cost of other events such as plan amendments involving enhanced benefits for prior service or termination and curtailments. The amount charged or credited to finance costs is a net interest expense calculated by applying the liability discount rate to the net defined benefit liability or asset. Differences between the interest on assets and return actually achieved and any changes in the liabilities over the year due to changes in assumptions or experience within the plans are recognized immediately in the statement of comprehensive income (loss).

The liabilities to employee benefit plans in the statement of financial position are comprised of the present value of the defined benefit plan obligation (determined using the projected unit credit method) allocable to UNUS. That liability is discounted using rates based on high quality corporate bonds less the fair value of plan assets allocable to UNUS. All of the Company's defined benefit plans are subject to annual independent actuarial valuations prepared as of the reporting date.

With respect to defined contribution plans, the Company records an expense in the statement of operations equal to its contribution payable to each plan. The Company's obligation under defined contribution plans is limited to the amounts required to be contributed each year. The assets and liabilities of defined contribution plans are not reflected in these financial statements.

(k) Income Taxes

The Company files its tax returns on a consolidated basis with the UNUS Group for U. S. federal purposes and in many states in which it conducts business. Income taxes reflected in these financial statements are determined using the pro rata method whereby current and deferred income taxes are allocated to members of the UNUS Group based on each member's relative contribution to the UNUS Group's consolidated income tax expense or benefit.

Income taxes are comprised of current and deferred tax. Current taxes are based on the enacted and substantively enacted tax rates and are recognized in the statement of operations except to the extent that they relate to items recognized directly in equity. Current tax benefit may also include adjustments to amounts recorded for tax assets and liabilities in prior years.

The Company recognizes deferred taxes using the liability method on its temporary differences and on any carryforwards except to the extent benefits are not expected to be utilized by the consolidated UNUS Group. Deferred taxes are based on the expected manner of realization or settlement using tax rates enacted or substantively enacted as of the fiscal year end. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax is related to the same regulatory authority. Deferred taxes are not provided on temporary differences related to investments in subsidiaries to the extent that it is probable they will not reverse in the foreseeable future.

The Tax Cuts and Jobs Act, which was enacted in December 2017, had a substantial impact on our income tax benefit for the year ended December 31, 2017. See note 7 to the financial statements for further detail.

(l) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) arising from a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation is available. Provisions are discounted if the effect is material to the financial statements. No provisions were discounted in these financial statements.

(m) Impairment of Assets

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency be a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below cost is objective evidence of impairment.

Annually, in accordance with IAS 36 – *Impairment of Assets*, the Company determines whether indicators of asset impairment exist, particularly with respect to its investments in subsidiaries and its receivables from entities within the Unilever Group. There were no indicators of impairment in 2017 or 2016, and therefore no impairment recorded in 2017 or 2016.

(n) New Accounting Pronouncements

Amendments to IAS 7 – *Statement of Cash Flows* effective for annual periods beginning on or after January 1, 2017. These amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and noncash changes. The changes in liabilities arising from financing activities as required by the Amendments to IAS 7 are disclosed in note 8.

IFRS 9 – *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after January 1, 2018.

IFRS 15 – *Revenue from Contracts with Customers* effective for reporting periods beginning on or after January 1, 2018 clarifies the accounting for bundles services and identifying each 'performance obligation' in contractual arrangements. It also provides more guidance on the measurement of revenue contract which have discounts, rebates, payments to suppliers and consignment stock. The company will adopt IFRS 15 in fiscal year 2018. As the Company does not generate revenue, the new requirements in IFRS 15 will have no impact on these financial statements.

IFRS 16 – *Leases* for reporting periods beginning on or after January 1, 2019 changes the recognition, measurement, presentation and disclosure of leases. In particular it requires lessees to record all leases on the balance sheet with exemptions available for low value and short-term leases. The new requirements in IFRS 16 will currently have no impact on these financial statements.

All other standards or amendments to standards, that have been issued by the International Accounting Standards Board, and were effective by January 1, 2017 were not applicable to these separate financial statements of the Company.

(Dollars in thousands)

(3) Investments in Subsidiaries

Following is a summary of the Company's investments in wholly owned subsidiaries as of December 31, 2017 and 2016:

Subsidiary	Country of incorporation	Principal place of business		2017	2016
Conopco, Inc.	U.S.	U.S.	$	27,961,562	27,805,201
UCC	U.S.	U.S.		3,447	3,447
			$	27,965,009	27,808,648

The carrying value of UCC is historical cost. UCC provides financing for all entities within the UNUS Group. It has no other independent operations.

The carrying value of the Company's investment in Conopco is adjusted for the following:

- Acquisition of equity shares of the Ultimate Parent
- Generation of income tax receivables
- Impairment loss (recovery)

During the years ended December 31, 2017 and 2016, the Company acquired equity shares of its Ultimate Parent, which were then provided to employees of Conopco, of $41.0 million and $62.1 million, respectively. The contribution of such amounts is not recovered from Conopco, and as such is treated as an increases in the Company's investment in Conopco. In addition, during the years ended December 31, 2017 and 2016, the Company generated income tax receivables of $165.2 million and $151.6 million, respectively, which are used to offset income taxes payable by Conopco in the Company's consolidated income tax returns. These income tax receivables are not recovered from Conopco, and as such are treated as increases to the Company's investment in Conopco.

During the years ended December 31, 2017 and 2016, the Company received dividends totaling $1.176 billion and $200 million, respectively from Conopco.

(Dollars in thousands)

(4) Employee Compensation

Staff and management costs for the years ended December 31, 2017 and 2016 consist of the following:

		2017	2016
Staff costs:			
Remuneration of employees	$	20,918	24,433
Social Security		1,777	1,766
Post-employment benefits		584	1,413
Share-based payments		13,518	11,048
	$	36,797	38,660
Key management compensation:			
Salaries and short-term benefits	$	3,442	4,998
Post-employment benefits		26	99
Share-based payments		2,239	1,830
	$	5,707	6,927

Staff includes all persons not included within key management. Key management includes members of the Executive leadership team and other (executive and nonexecutive) Company officers.

Total staff and key management compensation of $42.5 million and $45.6 million for 2017 and 2016, respectively are presented in the statements of operations within operating costs. All compensation, with the exception of share-based payments, is rebilled to affiliates. The above amounts represent gross costs incurred including amounts paid related to UNUS Group entities that the Company is reimbursed for. Refer to note 8 for a summary of amounts comprising the operating costs, net of rebilling to affiliates, for the years ended December 31, 2017 and 2016.

(5) Post Retirement Benefit Plans

Defined Benefit Plans

(a) General

The Company sponsors pension and welfare benefit plans for both its employees and the employees of its subsidiaries under six pension plans and two welfare benefit plans. The Company's primary post-retirement benefit plan is the Unicare Retirement Plan which is also the only funded post-retirement benefit plan. Collectively, pension and post-retirement benefit plans are referred to as "the Plan". It is the Company's policy to contribute the minimum required contribution and comply with applicable U.S. law. The Company may increase its contribution above the minimum if appropriate to its tax and cash position and the funded position of the Plan. The Company has a stated policy of allocating net defined benefit cost among UNUS Group entities based on the ratio that the pensionable salaries of an individual employer bears to the pensionable salaries of all employers under the plan.

(Dollars in thousands)

Benefits under pension plans are generally determined based on years of service and pensionable remuneration. Benefits under welfare benefit plans, including post-retirement healthcare plans, are defined in the plan documents.

The Company serves as the entity for the recording of the UNUS Group's defined benefit pension and welfare obligations in order to report the UNUS Group's financial position and results of operations to Unilever Group. For purposes of preparing these separate, nonconsolidated financial statements, the UNUS Group's pension liabilities have been allocated to its subsidiaries based on the ratio of the benefit obligations related to the subsidiaries' employees (current and retired), to the total of all benefit obligations under the plan.

For the years ended December 31, 2017 and 2016, the defined benefit cost related to these plans was based on the ratio of pensionable salaries in UNUS to the total of all pensionable salaries in the plans.

The Company's principal defined benefit pension plan was closed to new participants in 2007. In 2012 the benefits of certain plan participants were frozen. The benefits of most of the remaining plan participants were frozen effective July 1, 2017.

(b) Investment Strategy

The Company follows Unilever Group policy guidelines with respect to the investment of pension assets. Those guidelines require the allocation of plan assets to various classes of investments with the goal of controlling risk and maintaining the right balance between risk and long-term returns in order to limit the cost of the plans to the Company. The diversification of plan assets is such that the failure of a single investment would not impact the overall level of plan assets. The plan continues to invest a significant proportion of assets in equities which offer the best returns over the long run commensurate with an acceptable level of risk. The plans expose the Company to investment risk, interest rate risk, and longevity risk. In order to mitigate such risks, the plan also has significant investments in bonds and other alternative investments.

(c) Plan Assumptions

The following represent the significant assumptions in the determination of the benefit obligation under the Company's pension and other post-retirement plans as of December 31, 2017 and 2016:

	2017	2016
Discount rate for balance sheet	3.60 %	4.30 %
Discount rate for service cost	3.60	4.40
Inflation	2.10	2.10
Rate of salary increase	3.00	3.00
Weighted average return on assets	4.70	5.40
Long-term medical care rate	5.00	5.00

(Dollars in thousands)

	2017	2016
Number of years a current pensioner is expected to live past 65:		
Men	20.68 %	20.80 %
Women	22.65	22.80
Number of years a future pensioner currently aged 45 is expected to live past 65:		
Men	22.29	23.10
Women	24.23	26.20

Mortality assumptions are based on the table RP-2017 with generational mortality improvements using scale BB. This table has a built-in allowance for future improvements in longevity.

(d) Sensitivities

The sensitivity of pension and post-retirement health benefit liabilities to changes in key assumptions are as follows:

	Change in assumptions	Change in liabilities pension	Change in liabilities post-retirement health
Discount rate	Increase by 0.1%	(1.5)%	(0.7)%
Inflation	Increase by 0.1%	—	0.1
Long-term medical care rate	Increase by 0.1%	—	—

An equivalent decrease in the indicated rates would have a commensurate effect in the opposite direction. Sensitivity analyses have been determined based on reasonably possible changes in the respective assumptions occurring at the end of the reporting period and may not be representative of an actual change. The analysis is based on a change in the key assumption while holding all other assumptions constant. The methods and types of assumptions used in preparing the sensitivity analysis did not change when compared in the prior period.

Valuations of other post-retirement benefit plans assume a higher initial level of medical cost inflation, which drops from 7% to the long-term rate of 5% within 5 years. Healthcare cost trend assumptions can have a significant impact on the amounts reported for healthcare plans.

(Dollars in thousands)

(e) Statement of Operations

Net defined benefit cost of the plans charged to the statement of operations for the Company and for the plans as a whole for the years ended December 31, 2017 and 2016 are as follows:

	Company		The plans	
	2017	**2016**	**2017**	**2016**
Charged to operating profit:				
Current service cost	$ 1,097	1,603	22,045	31,136
Special termination benefits	—	—	(1,399)	(5,086)
Past service cost	—	—	(300)	(1,545)
Settlements/curtailments	—	—	(4,035)	4,351
Total operating costs	$ 1,097	1,603	16,311	28,856
Charged to finance costs:				
Interest on retirement benefits	$ 3,140	3,340	71,071	82,627
Expected return on assets	(2,144)	(2,225)	(44,477)	(52,448)
Finance costs	$ 996	1,115	26,594	30,179

(f) Statement of Comprehensive Income (Loss)

Net defined benefit cost of the plans charged to comprehensive income (loss) for the Company and for the plans as a whole for the years ended December 31, 2017 and 2016 are as follows:

	Company		The plans	
	2017	**2016**	**2017**	**2016**
Actual return less expected return on plan assets	$ 10,919	7,889	122,905	49,088
Experience gains (losses)	(8,191)	(6,561)	5,318	5,585
Changes in assumptions	(6,158)	(629)	(145,100)	(14,505)
Net pre-tax actuarial gain (loss) recognized in comprehensive income (loss)	$ (3,430)	699	(16,877)	40,168

(Dollars in thousands)

(g) Statement of Financial Position

The assets, liabilities and deficit position of pension and other post-retirement benefit plans at December 31, 2017 and 2016 related to the Company's participation in such plans are as follows:

		2017		2016	
		Pension plans	**Other post-employment benefit plans**	**Pension plans**	**Other post-employment benefit plans**
Principal plan assets:					
Equities	$	19,876	—	19,106	—
Bonds		32,955	—	30,204	—
Other		2,605	—	3,331	—
		55,436	—	52,641	—
Present value of liabilities:					
Principal plans		61,583	9,256	57,779	10,400
Other plans		12,448	—	10,790	—
		74,031	9,256	68,569	10,400
Pension liability net of assets	$	(18,595)	(9,256)	(15,928)	(10,400)
Funded plans in deficit	$	6,147	—	5,138	—
Unfunded plans		12,448	9,256	10,790	10,400
	$	18,595	9,256	15,928	10,400

The assets, liabilities and deficit position of pension and other post-retirement benefit plans at December 31, 2017 and 2016 related to the Plan are as follows:

		2017		2016	
		Pension plans	**Other post-employment benefit plans**	**Pension plans**	**Other post-employment benefit plans**
Principal plan assets:					
Equities	$	398,984	—	396,429	—
Bonds		661,525	—	626,710	—
Other		52,296	—	69,122	—
		1,112,805	—	1,092,261	—

(Dollars in thousands)

		2017		2016	
		Pension plans	Other post-employment benefit plans	Pension plans	Other post-employment benefit plans
Present value of liabilities:					
Principal plans	$	1,236,191	386,409	1,198,880	403,411
Other plans		126,807	9,305	131,519	7,151
		1,362,998	395,714	1,330,399	410,562
Pension liability net of assets	$	(250,193)	(395,714)	(238,138)	(410,562)
Funded plans in deficit	$	123,386	—	106,619	—
Unfunded plans		126,807	395,714	131,519	410,562
	$	250,193	395,714	238,138	410,562

As of December 31, 2017 and 2016 the Plan's investment in equity shares of the Ultimate Parent totaled $167 thousand and $121 thousand, respectively.

(h) Reconciliation of Changes in Assets and Liabilities

Changes in the assets and liabilities of the Plan related to the Company's participation in the plan are as follows:

		2017		2016	
		Assets	Liabilities	Assets	Liabilities
Balance, January 1	$	52,641	78,968	51,930	83,473
Current service cost		—	1,097	—	1,603
Special termination benefits		—	—	—	—
Past service costs		—	—	—	—
Settlements/curtailments		—	—	—	—
Interest income		2,144	—	2,225	—
Interest costs		—	3,140	—	3,340
Actuarial gain (loss)		10,919	14,349	7,889	7,191
Employer contributions		3,620	—	7,236	—
Reclassification of benefits		(756)	(1,135)	—	—
Benefit payments		(13,132)	(13,132)	(16,639)	(16,639)
Balance, December 31	$	55,436	83,287	52,641	78,968

(Dollars in thousands)

Changes in the assets and liabilities of the Plan as a whole are as follows:

		2017		2016	
		Assets	**Liabilities**	**Assets**	**Liabilities**
Balance, January 1	$	1,092,261	1,740,961	1,223,999	1,916,258
Current service cost		—	22,045	—	31,136
Special termination benefits		—	1,399	—	5,086
Past service costs		—	(300)	—	(1,545)
Adjustment for BCS		—	—	—	1,744
Settlements/curtailments		—	(4,035)	—	6,051
Expected return on plan assets		44,477	—	52,448	—
Interest costs		—	71,071	—	82,627
Plan mergers		—	—	—	—
Actuarial gain (loss)		122,904	139,781	49,089	8,921
Employer contributions		65,373	—	76,042	—
Benefit payments		(212,210)	(212,210)	(309,317)	(309,317)
Balance, December 31	$	1,112,805	1,758,712	1,092,261	1,740,961

(i) Cash Flow

The Company's cash flow related to pensions and other post–retirement benefits includes contributions to its funded plan and benefits paid under unfunded plans. Amounts paid in 2017 and 2016 as well as an estimate for amounts to be paid in 2018 related to the Company's participation in the plans are as follows:

		(Estimate) 2018	2017	2016
Company contributions to funded plans:				
Defined benefit	$	—	—	—
Defined contribution		1,788	1,611	1,946
Benefits paid under unfunded plans		3,601	3,620	7,236
Cash flow	$	5,389	5,231	9,182

(Dollars in thousands)

Amounts paid in 2017 and 2016 as well as an estimate for amounts to be paid in 2017 related to the Plan as a whole are as follows:

		(Estimate) 2018	2017	2016
Company contributions to funded plans:				
Defined benefit	$	—	—	—
Defined contribution		49,600	44,422	44,568
Benefits paid under unfunded plans		72,735	72,787	89,481
Cash flow	$	122,335	117,209	134,049

(j) Defined Contribution Plan

The Company operates the UNICare Savings Plan (the Plan), a defined contribution plan open to eligible employees of UNUS Group except employees located in Puerto Rico and employees covered by a collective bargaining agreement. The Plan is a qualified retirement plan under Section 401(a) of the Internal Revenue Code of 1986 and is subject to the provisions of ERISA.

Under the Plan the Company matches employee elective deferrals on a sliding scale based on the individual employee's participation status in the Company's primary defined benefit pension plan. In addition, the Company makes a nonelective contribution equal to 4% of compensation for all eligible employees employed after January 1, 2007, whether or not they make elective deferrals to the Plan. The Company's matching and nonelective contributions for each of the years ended December 31, 2017 and 2016 were $1.6 million and $1.9 million, respectively, and as of those dates amounts owed to the Plan, included in accounts payable and accrued expenses, totaled $87 thousand and $120 thousand, respectively. It is the Company's policy to fund the Plan on a current basis.

(6) Share-Based Payments

The Company has several share-based programs for UNUS Group employees which are covered by the Unilever North America 2002 Omnibus Equity Compensation Plan as amended in November 2012. The Omnibus Plan provides for the granting of options on up to 121.5 million Unilever N.V (New York Registry) shares, 117.9 million shares of Unilever PLC ADRs, 6 million ordinary shares of Unilever N.V and 1.3 million ordinary shares of Unilever PLC (collectively, the Shares) to key UNUS Group employees. The Company purchases shares of Unilever N.V. and Unilever PLC ADRs to satisfy its share-based compensation program obligations and as of December 31, 2017 held 16.4 thousand Unilever N.V shares and 6.3 thousand Unilever PLC ADRs. As of December 31, 2016, the Company held 17.5 thousand Unilever N.V. shares and 14.4 thousand Unilever PLC ADRs. For the years December 31, 2017 and 2016, share-based compensation expense totaled $15.8 million and $12.9 million, respectively. As of

December 31, 2017 and 2016 liabilities related to share-based compensation plans totaled $20.6 million and $23.7 million, respectively.

(a) Performance Share Programs

(i) Global Performance Share Program (GPSP)

The GPSP provides for the granting of Share awards to qualified employees within certain manager classes which vest over a three-year performance period at levels ranging from 0% to 200% of a target award depending upon the achievement of specific performance conditions.

Generally, awards are made annually covering the year of the grant and the subsequent two years. Shares are issued at the end of each three-year performance period based on actual performance versus the pre-established criteria. Individuals receive the shares issued only if they remain eligible at the end of the three-year performance period. Performance metrics of the GPSP relate to sales growth, operating cash flow and core operating margin improvement. Certain employees may elect to defer the payment of vested shares until retirement. Awards are settled in Unilever NV shares or Unilever PLC ADRs in the year following the year in which the awards vest. However, the Company may elect to settle awards under the GPSP in cash.

(ii) Global Share Incentive Program (GSIP)

The GSIP, which operates in a manner very similar to the GPSP, is limited to certain executives. Share awards vest over a three-year period at levels ranging from 0% to 200% of a target award depending on the achievement of specific performance conditions. Performance metrics for the GSIP program include those of the GPSP program as well as one additional metric – total shareholder return. Under the GSIP, employees have more flexibility with respect to selecting the type of Shares to be received. Awards are settled in Unilever NV shares or Unilever PLC ADRs in the year following the year in which the awards vest. However, the Company reserves the right to settle its Shares in cash.

(iii) Management Co-Investment Program (MCIP)

The MCIP allows certain employees who are eligible to participate in the GPSP and GSIP to invest up to 60% of their annual bonus in Shares (the Investment Shares), for which they are immediately vested. Under the MCIP the Company matches each Investment Share with up to one additional Share (the Match Shares). Each employee's right to receive Match Shares is subject to a three year vesting period and the achievement of specific performance conditions. The number of match Shares awarded can range from 0% to 200% of the target award.

MCIP participants who either are, or eligible to be, participants of the GPSP are subject to the GPSP performance conditions. MCIP participants who either are or are eligible to be participants of the GSIP are subject to the GSIP performance conditions. Match Shares are distributed at the end of the vesting period based on actual performance versus the pre-established criteria.

In 2017, the Company launched an enhanced MCIP, which relates to MCIP awards granted starting January 1, 2017. The enhanced plan allows participants to invest up to 100% of their annual bonus in Unilever shares called "Investment Shares" and receive a corresponding award in performance shares, which vest after four years, subject to satisfaction of new long term performance measures. In 2018 Work Level 2 and above employees will be eligible to participate as long as local laws and exchange regulations permit, and can invest up to 20% of their annual bonus.

(iv) The Shares Plan (SHARES)

Effective July 23, 2014 the Company adopted a new global employee share plan, SHARES, which eligible employees were allowed to enroll in November 2016 for the 2017 year. SHARES allows eligible employees to invest a minimum of 25 Euros to a maximum of 200 Euros per month, in the USD equivalent towards purchasing shares of the Ultimate Parent (the Investment Shares). The minimum and maximum amounts are set in Euros each year, and converted to USD before the enrollment period opens. At the end of each quarter the number of Investment Shares an eligible employee purchases will equal the total USD amount contributed in the prior 3 months divided by the applicable Unilever share acquisition price.

Under SHARES at the end of each quarterly investment period, the Company will award “phantom” Match Shares equal to one-third of the number of Investment Shares purchased. Each employee’s right to receive the Match Shares is subject to a three year vesting period. Three years after the “phantom” Match Shares are awarded the eligible employee will receive a Unilever share for every “phantom” Match Share, provided the Investment Shares purchased were not sold or transferred. The SHARES program terminates in 2024.

Compensation expense under the GPSP, GSIP and MCIP, which is charged over the performance period, is initially determined on the date of the award based on the fair value of the target shares awarded and the number of Shares expected to vest; the expense is updated annually for changes in the actual number of Shares expected to vest, changes in the fair value of the underlying Shares and the fair value of the liability to be settled.

Compensation expense under the ESBP is initially determined at the grant date based on the fair value of the matching Shares and adjusted annually over the vesting period based on changes in the current price of the Shares and the value of the liability at each reporting date.

Dividends related to the target award under the GPSP, GSIP and MCIP are credited to each employee and converted into additional target shares which are subject to the same vesting criteria as the original target shares. Dividends on ESBP matching Shares are credited to the employee and converted into additional matching Shares at settlement.

(Dollars in thousands)

A summary of the status of performance share programs as of December 31, 2017 and 2016 and the changes therein during the years then ended are as follows:

	Number of shares	
	2017	**2016**
Outstanding, January 1	580,058	778,598
Awarded	300,941	317,290
Distributed	(366,611)	(482,723)
Forfeited	(24,828)	(33,107)
Outstanding, December 31,	489,560	580,058
Fair value per share award as of year end	56.32	41.06

(7) Income Taxes

The Tax Cuts and Jobs Act that was enacted in December 2017 reduced the U.S. federal corporate tax rate from 35% to 21%. Deferred tax assets and liabilities are to be recorded based on the tax rates at the time of reversal. Consequently, as a result of the change in the tax rate and remeasurement of deferred tax balances, the deferred tax expense decreased by $6,726.

The Company files taxes in the United States at the Federal level as part of a consolidated group and is able to utilize any losses. The income tax benefit recognized in 2017 and 2016 are as follows:

		2017	**2016**
Current tax :			
Current year benefit	$	(165,201)	(151,603)
Deferred tax:			
Deferred tax expense		7,940	6,718
Income tax benefit	$	(157,261)	(144,885)

(Dollars in thousands)

The reconciliation between the statutory tax rates and the effective tax rate charged is as follows:

	2017	2016
U.S. Federal tax rate	35.0 %	35.0 %
Differences due to:		
Tax reform revaluation	1.3	—
Nondeductible expenses	0.1	(0.2)
State taxes, net of federal benefit	(1.4)	5.5
Nontaxable dividends	(56.6)	37.6
Effective tax rate	(21.6)%	77.9 %

Deferred tax movements in 2017 are as follows:

		January 1, 2017	Profit and loss	OCI	Investments in subsidiaries	December 31, 2017
Pension and similar obligations	$	9,687	(6,538)	3,238	—	6,387
Share based compensation		11,357	(1,685)	—	(3,832)	5,840
Other		(690)	283	—	—	(407)
	$	20,354	(7,940)	3,238	(3,832)	11,820

Deferred tax movements in 2016 are as follows:

		January 1, 2016	Profit and loss	OCI	Investments in subsidiaries	December 31, 2016
Pension and similar obligations	$	10,901	(1,214)	—	—	9,687
Share based compensation		13,468	(5,202)	—	3,091	11,357
Other		(388)	(302)	—	—	(690)
	$	23,981	(6,718)	—	3,091	20,354

Deferred tax to be settled after 12 months at December 31, 2017 and 2016 is $12,227 thousand and $21,044 thousand, respectively. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax liabilities are not recorded with respect to the outside basis differences for investments in subsidiaries, where the Company is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future. The Company has determined that it is impracticable to determine the amount of taxes that would be payable if the temporary differences were to reverse.

(8) Related Party Transactions

Related parties include people and entities that have or are subject to the influence or control of the UNUS Group or the Unilever Group.

The Company provides administrative services to entities in the UNUS Group and receives administrative and other services from the Unilever Group. All balances with Unilever Group and UNUS Group entities are uncollateralized and interest bearing. It is Unilever Group's policy to charge interest on all intercompany debt. During each of the years ended December 31, 2017 and 2016 interest on intercompany debt ranged from 0.61% to 4.19% and 2.42% to 2.83%, respectively.

The Company has provided Conopco with two unsecured, noninterest bearing lines of credit totaling $5.9 million to fund the environmental remediation of two sites in New Jersey. The letters of credit automatically renew on an annual basis and can only be terminated by the Company with the permission of the New Jersey Department of Environmental Protection. There were no amounts outstanding under either line of credit as of December 31, 2017 and 2016 or during the years ended December 31, 2017 and 2016.

On a daily basis, available funds are swept from depository accounts into a concentration account and used to settle intercompany borrowings. Cash principally represents the balance of customer checks that have not yet cleared through the banking system and become available to be swept into the concentration account, and deposits made subsequent to the daily cash sweep. The Company does not fund its disbursement accounts for checks it has written until the checks are presented to the bank for payment. Cash overdrafts represent the balance of outstanding checks and are classified with other current liabilities. There are no compensating balance requirements or other restrictions on the transfer of cash associated with the Company's depository accounts.

All balances due to and from affiliates within the UNUS Group are presented as a single net amount in the statements of financial position as the Company has both the legal right and the intent to offset amounts due to and from these affiliates.

Amounts owed to and from different affiliates within the Unilever Group are presented separately in the statement of financial position as these amounts are settled on a current basis. Where the Company has the legal right of offset, amounts due to and from the same affiliate within the Unilever Group but outside the UNUS Group have been presented on a net basis.

(Dollars in thousands)

Net amounts owed to UNUS Group affiliates at December 31, 2017 and 2016 total $8.9 billion and $8.5 billion, respectively. Net interest expense on affiliate debt totaled approximately $411 million and $366 million for the years ended December 31, 2017 and 2016, respectively.

		2017	2016
Borrowings as of January 1	$	8,506,747	8,018,571
Proceeds		912,922	627,382
Repayments		—	—
Noncash transactions		(486,211)	(139,206)
Total debt guarantees	$	8,933,458	8,506,747

Net amounts owed from Unilever Group affiliates at December 31, 2017 and 2016 total $12.0 million and $17.3 million, respectively.

A summary of amounts comprising the income (expense) net of rebilling for the years ended December 31, 2017 and 2016 follows:

		2017	2016
Compensation (note 4)	$	42,504	45,587
Nonpersonnel costs		17,494	17,268
		59,998	62,855
Amounts rebilled to affiliates		(39,531)	(43,734)
Operating costs	$	20,467	19,121

Dividends paid to Unilever Group totaled $1.176 billion and $200 million for the years ended December 31, 2017 and 2016, respectively.

The Company is the guarantor of debt issued by Unilever N.V, and Unilever PLC. In addition, the Company guarantees certain debt of its subsidiaries. The guarantees generally require performance in the event of a default under the terms of the debt agreements. The Company considers the possibility of default remote and therefore has not reflected any liabilities associated with these guarantees in the financial statements.

(Dollars in thousands)

The outstanding amounts of these guarantees as of December 31, 2017 and 2016 are summarized following:

		2017	2016
Debt of subsidiaries	$	10,519,651	15,756,907
Debt of Ultimate Parent		14,575,811	6,513,841
Total debt guarantees	$	25,095,462	22,270,748

In addition, the Company guarantees nine lease contracts with future minimum lease payments of $285.3 million and $315.0 million in 2017 and 2016, respectively.

(9) Financial Assets and Liabilities

Financial Assets

Financial assets at December 31, 2017 and 2016 are comprised of the following:

		2017		2016	
		Current	Noncurrent	Current	Noncurrent
Cash in bank	$	396	—	—	—
Funds in escrow		—	2,083	—	2,035
Equity shares of Ultimate Parent		1,297	—	1,305	—
	$	1,693	2,083	1,305	2,035

Cash and cash equivalents at December 31, 2017 and 2016 are all considered current assets and consist of cash in bank.

Financial Liabilities

The Company’s primary financial liabilities consist of trade payables and amounts due to affiliated entities discussed in notes 14 and 8, respectively.

(10) Fair Value of Financial Instruments

The Company’s financial instruments subject to fair value reporting on a recurring basis consist of shares of the Ultimate Parent (Unilever N.V and Unilever PLC). The value of such shares for each of the years December 31, 2017 and 2016 totals $1.3 million. These assets are classified in the Level 1 fair value hierarchy – quoted prices for identical instruments.

(Continued)

(Dollars in thousands)

(11) Risk Management

(a) Credit Risk

Credit risk is the risk of financial loss if a counter-party fails to meet its contractual obligation. Credit risk related to cash and cash equivalents and funds in escrow is limited since the Company places its deposits in high-quality financial institutions and monitors those institutions on a regular basis. The Company does not require collateral from its financial institutions and has not suffered any losses.

(b) Liquidity Risk

Liquidity risk relates to the Company’s ability to meet is financial obligations as they come due. As indicated in note 1 the Company is a holding entity that provides management services to its subsidiaries. The Company’s primary source of income is dividends from these subsidiaries, the timing of which is initiated by management of companies in the UNUS Group. The Company has no line of credit. As such, the Company is dependent upon its subsidiaries to provide it with financing, in the form of inter-company loans, to enable it to satisfy its obligations to unrelated parties as they come due. While amounts due to affiliated entities are considered demand debt, the timing of the settlement of any significant balance would need to be agreed with management of companies in the UNUS Group or the Unilever Group. Substantially all of it is not expected to be settled in the near term. Furthermore, the Company has an unrestricted ability to withdraw funds from its subsidiaries.

(c) Market Risk

Due to the nature UNUS’s operations, its direct exposure to market risk is considered minimal. The Company is exposed to limited currency risk related to obligations to foreign, third party vendors. The Company has interest rate risk due to the amount of inter-company debt on its balance sheet. A 240 basis point increase (decrease) in interest rates would result in an increase (decrease) in finance charges on amounts due to affiliated entities by approximately $264 million ($264 million) based on the average amounts outstanding for the year ended December 31, 2017.

The Company does not have any derivative financial instruments.

(12) Prepaid Expenses

Prepaid expenses are recorded at amortized cost and consist of the following:

		2017	2016
Current:			
Insurance	$	3,417	3,633
Duty, taxes, and other		92	964
	$	3,509	4,597

(Dollars in thousands)

(13) Equity

The Company considers total equity (share capital, share premium and retained earnings) to be part of managed capital. The primary goal of capital management is to achieve the Ultimate Parent's objectives which include assuring the entity continues as a going concern and optimizing returns to the Ultimate Parent's shareholders. The authorized and issued share amounts of the Company's capital as of December 31, 2017 and 2016 is as follows:

	2017	2016
Preferred $73.50 par	$ 7,350	—
Common $0.333 par	3	1
	$ 7,353	1

(14) Trade and Other Payables

The following summarizes current trade and other payables which are initially recorded at fair value and subsequently carried at amortized cost:

	2017	2016
Employee benefits and withholding taxes	$ 4,614	10,734
Trade payables	7,643	5,623
Trading	167	2,302
Other	1,677	2,645
	$ 14,101	21,304

The fair value of trade payables approximates carrying value.

(15) Legal Proceedings and Provisions

Environmental Remediation

A 1997 stock sale of certain Company subsidiaries triggered the New Jersey Industrial Site Recovery Act (ISRA). Pursuant to ISRA and its implementing regulations, the Company was obligated to establish a financial assurance in connection with its ISRA obligations to investigate and, if necessary, remediate the industrial establishments that were sold. As such, in July 1997 the Company established a $7 million "Remediation Trust Fund" to cover numerous sites.

The New Jersey Department of Environmental Protection (NJDEP) is the beneficiary of the Trust and, all earnings of the fund are added to the corpus and are not available to the Company except as determined by the NJDEP and the applicable regulatory provisions.

(Dollars in thousands)

In light of changes to the regulatory provisions governing financial assurance obligations and, recognizing the degree of remedial work that had been completed at the involved sites, in 2013, the NJDEP authorized the Company to terminate the original Trust Agreement and create two separate Trust Agreements for the two remaining sites requiring remediation. As such, the original Trust was terminated and the funds were returned to the Company. Thereafter, (in 2014) two separate "Remediation Trust Fund Agreements" were created; one funded at $2.275 million, and, the second funded at $302 thousand. At December 31, 2017 and 2016, amounts in the trust fund totaled approximately $2.0 million.

The Company reflected a $1.7 million and $1.8 million provision related to these environmental issues as of December 31, 2017 and 2016, respectively, included in other noncurrent liabilities in the statement of financial position. Amounts charged to profit and loss in 2017 and 2016 related to site remediation total $0. Changes in provisions as of and for the years ended December 31, 2017 and 2016 follow:

		2017	2016
Balance, January 1	$	1,792	2,092
Current year expense		—	—
Payments		(98)	(300)
Balance, December 31	$	1,694	1,792

Other Matters

The Company is indirectly involved in legal proceedings that have arisen through the normal course of business in its operating subsidiaries. The majority of these matters relate to consumer product liability, allegedly deceptive advertising and environmental remediation liability issues related to Conopco and its subsidiaries' operations. In many of these matters the Company is named as a defendant. While the Company is named as a defendant in such matters, the Company does not believe it is probable that the settlement or other resolution of legal obligations related to such matters will result in an outflow of economic benefits from the Company. Provisions for liabilities related to these matters, if any, are recorded in the financial statements of the individual operating subsidiaries and are not considered material to those entities' operations.

(16) Events after the Reporting Period

No events have occurred after the reporting period which requires disclosure in or adjustment to the nonconsolidated financial statements.

(17) Approval of the Financial Statements

The financial statements were approved by management and authorized for release on March 9, 2018.