

Unilever United States, Inc.
Nonconsolidated Financial Statements
December 31, 2023 and 2022



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

Independent Auditors' Report

The Board of Directors of Unilever United States, Inc.
Unilever United States, Inc.:

Report on the Audit of the Nonconsolidated Financial Statements

Opinion

We have audited the nonconsolidated financial statements of Unilever United States, Inc. (the Company), which comprise the nonconsolidated statements of financial position as of December 31, 2023 and 2022, 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.

In our opinion, the accompanying nonconsolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits, which include relevant ethical requirements in the United States of America and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as issued by the IASB, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise significant doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are authorized for issuance; to disclose, as applicable, matters related to going concern; and to use the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our



opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and ISAs will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and ISAs, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise significant doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

/s/ KPMG LLP

New York, New York
March 29, 2024

Unilever United States, Inc.
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Unilever United States, Inc.
Nonconsolidated Statements of Financial Position
December 31, 2023 and 2022

	\$ thousands	
	2023	2022
Assets		
Non-current assets:		
Investments in subsidiaries (note 3)	28,969,242	28,814,899
Funds in escrow (notes 9,15)	675	551
Deferred taxes (note 7)	5,294	6,180
Total non-current assets	28,975,211	28,821,630
Current assets:		
Cash and cash equivalents (note 9)	-	-
Investment in equity shares of Ultimate Parent (notes 9,10)	1,733	16,441
Prepaid expenses (note 12)	3,666	6,095
Due from Unilever Group affiliates (note 8)	754	1,422
Total current assets	6,153	23,958
Total assets	28,981,364	28,845,588
Liabilities and Equity		
Equity: (note 13)		
Called up share capital	1	1
Share premium	1,350,172	1,350,172
Accumulated other comprehensive loss	(13,194)	(12,953)
Retained earnings	17,119,547	17,627,132
Total equity	18,456,526	18,964,352
Non-current liabilities:		
Liabilities to employee benefit plans (note 5)	6,285	12,568
Liabilities for share-based compensation (note 6)	10,412	29,337
Provisions (note 15)	2,137	465
Total non-current liabilities	18,834	42,370
Current liabilities:		
Trade and other payables (note 14)	19,754	23,376
Provisions (note 15)	6,604	10,237
Liabilities to employee benefit plans (note 5)	1,961	2,476
Liabilities for share-based compensation (note 6)	6,995	5,573
Due to Unilever Group affiliates (note 8)	5,846	3,453
Dividend Payable to Parent Company (note 8)	-	1,500,000
Net amounts due to UNUS Group affiliates (note 8)	10,464,844	8,293,751
Total current liabilities	10,506,004	9,838,866
Total liabilities and equity	28,981,364	28,845,588

The accompanying notes form an integral part of these nonconsolidated financial statements.

Unilever United States, Inc.
Nonconsolidated Statements of Operations
Years Ended December 31, 2023 and 2022

	\$ thousands	
	<u>2023</u>	<u>2022</u>
Management operations:		
Operating costs (note 8)	<u>(25,607)</u>	<u>(16,739)</u>
Finance income (expense):		
Interest on intercompany debt (note 8)	(636,218)	(495,354)
Dividend income from affiliate (note 3)	2,533,144	2,102,000
Finance costs on benefit plans (note 5)	(777)	(581)
Other interest expense, net	<u>(1,185)</u>	<u>(468)</u>
Total finance income	<u>1,894,964</u>	<u>1,605,597</u>
Income before income tax benefit	1,869,357	1,588,858
Income tax benefit (note 7)	<u>156,202</u>	<u>124,337</u>
Net income	<u><u>2,025,559</u></u>	<u><u>1,713,195</u></u>

The accompanying notes form an integral part of these nonconsolidated financial statements.

Unilever United States, Inc.
Nonconsolidated Statements of Comprehensive Income
Years Ended December 31, 2023 and 2022

	\$ thousands	
	<u>2023</u>	<u>2022</u>
Net income	2,025,559	1,713,195
Items that will not be reclassified to income:		
Actuarial losses on benefit programs, net of tax benefit of \$146 thousand in 2023 and \$303 thousand in 2022	<u>(241)</u>	<u>(625)</u>
Comprehensive income	<u><u>2,025,318</u></u>	<u><u>1,712,570</u></u>

The accompanying notes form an integral part of these nonconsolidated financial statements.

Unilever United States, Inc.
Nonconsolidated Statements of Changes in Equity
Years Ended December 31, 2023 and 2022

	\$ thousands				
	Total	Share Capital	Share Premium	Accumulated Other Comprehensive Loss	Retained Earnings
Equity, December 31, 2021	18,751,782	1	1,350,172	(12,328)	17,413,937
Net income	1,713,195	-	-	-	1,713,195
Other comprehensive loss	(625)	-	-	(625)	-
Total comprehensive income	1,712,570	-	-	(625)	1,713,195
Dividends declared	(1,500,000)	-	-	-	(1,500,000)
Equity, December 31, 2022	18,964,352	1	1,350,172	(12,953)	17,627,132
Net income	2,025,559	-	-	-	2,025,559
Other comprehensive loss	(241)	-	-	(241)	-
Total comprehensive income	2,025,318	-	-	(241)	2,025,559
Dividends declared	(2,533,144)	-	-	-	(2,533,144)
Equity, December 31, 2023	18,456,526	1	1,350,172	(13,194)	17,119,547

The accompanying notes form an integral part of these nonconsolidated financial statements.

Unilever United States, Inc.
Nonconsolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	\$ thousands	
	2023	2022
Cash flows from operating activities:		
Net income	2,025,559	1,713,195
Dividend income from affiliate	(2,533,144)	(2,102,000)
Income tax benefit	(156,202)	(124,337)
Post-employment benefits	1,521	760
Share-based compensation	12,034	3,673
Interest expense	638,180	496,403
Interest paid	(636,218)	(495,354)
Changes in assets and liabilities:		
Prepaid expenses	2,429	(802)
Net amounts due from Unilever Group	(1)	-
Net amounts due to UNUS Group affiliates	(1,304,100)	(836)
Accounts payable	(3,622)	3,730
Provisions	(3,633)	7,747
Liabilities for share-based compensation	(25,875)	(301)
Other payables	1,672	-
Liabilities to employee benefit plans	(141,230)	(32,912)
Cash used by operating activities	<u>(2,122,630)</u>	<u>(531,034)</u>
Cash flows from investing activities:		
Funds in escrow	(124)	241
Dividends received from affiliate	4,033,144	602,000
Cash provided by investing activities	<u>4,033,020</u>	<u>602,241</u>
Cash flows from financing activities:		
Dividends paid to Unilever Group	(4,033,144)	-
Net borrowings (repayments) on debt with UNUS Group affiliates	2,122,754	(71,207)
Cash used by financing activities	<u>(1,910,390)</u>	<u>(71,207)</u>
Net change in cash and cash equivalents	-	-
Cash and cash equivalents:		
Beginning of year	<u>-</u>	<u>-</u>
End of year	<u>-</u>	<u>-</u>

The accompanying notes form an integral part of these 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, subsidiary of Unilever PLC (incorporated in the United Kingdom) (the “Ultimate Parent”). The Company is incorporated and domiciled in the United States.

Unilever PLC and Subsidiaries (“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 owns and manages investments in several operating subsidiaries (collectively the “UNUS Group”).

2. Material Accounting Policies

The accompanying financial statements of UNUS represent the separate (nonconsolidated) financial statements of the Company pursuant to the exemption afforded under paragraph 4a of International Financial Reporting Standards (“IFRS”) 10 – *Consolidated Financial Statements*. Accordingly, the accompanying financial statements are separate financial statements of the UNUS Group. The Company’s ultimate parent, Unilever PLC, issues publicly available consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board. These statements can be downloaded from www.unilever.com/investor-relations/annual-report-and-accounts.

(a) Statement of Compliance

The accompanying nonconsolidated financial statements have been prepared in accordance with IFRS 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 dividends are recognized in the nonconsolidated statements 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 2023 or 2022 that represent a return of capital.

(d) Financial Asset

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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 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 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 is presented in the nonconsolidated statements 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

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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

(i) *Liabilities for Share-Based Compensation*

The Company purchases shares of its Ultimate Parent (Unilever PLC ADRs) to settle share-based compensation awards in these separate nonconsolidated financial statements. Accordingly, compensation expense determined under share-based compensation plans is adjusted at the end of each reporting period, the effects related to employees of subsidiaries are recognized as a debit in net amounts due to UNUS group affiliates and the effects related to UNUS employees are recognized 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 plans 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 nonconsolidated statements 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 nonconsolidated statements of comprehensive income.

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The liabilities to employee benefit plans in the nonconsolidated statements 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 nonconsolidated statements 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 nonconsolidated 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 nonconsolidated 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 nonconsolidated statements 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 asset and 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.

(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 nonconsolidated 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 to 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 International Accounting Standards (“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 2023 or 2022, and therefore no impairment recorded in 2023 or 2022.

(n) Leases

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

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- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. Investments in Subsidiaries

The following is a summary of the Company's investments in wholly-owned subsidiaries as of December 31, 2023 and 2022:

Subsidiary	Country of Incorporation	Principal Place of Business	\$ thousands	
			2023	2022
Conopco	U.S.	U.S.	28,965,795	28,811,452
UCC	U.S.	U.S.	<u>3,447</u>	<u>3,447</u>
			<u>28,969,242</u>	<u>28,814,899</u>

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
- Share-based compensation
- Generation of income tax receivables
- Impairment loss (recovery)

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During the years ended December 31, 2023 and 2022, the Company provided shares of its Ultimate Parent to employees of Conopco of \$2.5 million and \$20.1 million, respectively. The contribution of such amounts is not recovered from Conopco, and as such, is treated as an increase in the Company's investment in Conopco. In addition, there were related taxes on the share-based compensation plans in the amount of \$353 thousand tax benefit and \$119 thousand tax expense for the years ended December 31, 2023 and 2022, respectively. In addition, during the years ended December 31, 2023 and 2022, the Company generated income tax receivables of \$156.9 million and \$125.1 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 year ended December 31, 2023, the subsidiaries declared a dividend totaling \$2.5 billion, and the full amount was received in 2023. During the year ended December 31, 2022, the subsidiaries declared a dividend totaling \$2.1 billion, of which \$602 million was received in 2022 and \$1.5 billion was received in January 2023.

4. Employee Compensation

Staff and management costs for the years ended December 31, 2023 and 2022 consist of the following:

	\$ thousands	
	2023	2022
Staff costs:		
Remuneration of employees	21,742	20,449
Social Security	1,361	1,378
Post-employment benefits	259	191
Share-based payments	<u>10,735</u>	<u>3,249</u>
	<u>34,097</u>	<u>25,267</u>
Key management compensation:		
Salaries and short-term benefits	2,825	2,869
Post-employment benefits	3	4
Share-based payments	<u>1,299</u>	<u>424</u>
	<u>4,127</u>	<u>3,297</u>

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

Total staff and key management compensation of \$38.2 million and \$28.6 million for 2023 and 2022, respectively, are presented in the nonconsolidated 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, 2023 and 2022.

5. Post-Retirement Benefit Plans

Defined Benefit Plans

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 "Plans". 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 Plans.

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 Plans.

For the years ended December 31, 2023 and 2022, 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.

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 Plans continue 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 Plans also have significant investments in bonds and other alternative investments.

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Discount rate for Statement of Financial Position	5.10%	5.40%
Discount rate for Service Cost	5.10%	5.40%
Inflation	2.10%	2.30%
Rate of salary increase	2.90%	3.00%
Weighted average return on assets	4.90%	5.80%
Long-term medical care rate	5.00%	5.00%
Number of years a current pensioner is expected to live past 65		
Men	20.73	20.66
Women	22.71	22.64
Number of years a future pensioner currently aged 45 is expected to live past 65		
Men	22.23	22.16
Women	24.13	24.06

Mortality assumptions are based on the table Pri-2012 with generational mortality improvements using scale MP-2021. This table has a built-in allowance for future improvements in longevity.

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Sensitivities

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

	Pension		Post-Retirement Health	
	Change in Assumptions	Change in Liabilities	Change in Assumptions	Change in Liabilities
Discount rate	Reduction by 0.5%	5.3%	Reduction by 0.5%	2.9%
Inflation	Increase by 0.5%	0.0%	Increase by 0.5%	0.3%

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.

Statements of Operations

Net defined benefit costs of the Plans charged to the nonconsolidated statement of operations for the Company and for the plans as a whole for the years ended December 31, 2023 and 2022 are as follows:

	\$ thousands			
	Company		The Plans	
	2023	2022	2023	2022
Charged to operating profit:				
Current service cost	744	179	7,532	11,505
Settlements/curtailments	-	-	-	5,720
Total operating costs	744	179	7,532	17,225
Charged to finance costs:				
Interest on retirement benefits	2,697	2,085	51,577	39,524
Expected return on assets	(1,920)	(1,504)	(35,006)	(28,232)
Finance costs	777	581	16,571	11,292

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Nonconsolidated Statements of Comprehensive Income

Net defined benefit costs of the Plans charged to comprehensive income for the Company and for the plans as a whole for the years ended December 31, 2023 and 2022 are as follows:

	\$ thousands			
	Company		The Plans	
	2023	2022	2023	2022
Actual return less expected return				
on plan assets	3,980	(11,249)	35,751	(262,273)
Experience gains (losses)	(2,985)	(1,287)	(6,289)	23,569
Changes in assumptions	(1,382)	11,609	(32,433)	290,821
Net pre-tax actuarial gain (loss) recognized in comprehensive income	(387)	(927)	(2,971)	52,117

Nonconsolidated Statements of Financial Position

The assets, liabilities and deficit position of pension and other post-retirement benefit plans at December 31, 2023 and 2022 related to the Company's participation in such plans are as follows:

	\$ thousands			
	2023		2022	
	Pension Plans	Other Post-employment Benefit Plans	Pension Plans	Other Post-employment Benefit Plans
Principal plan assets:				
Equities	4,463	-	11,325	-
Bonds	41,408	-	26,397	-
Other	(133)	-	242	-
	45,738	-	37,964	-
Present value of liabilities:				
Principal plans	43,312	4,309	41,988	4,777
Other plans	6,364	-	6,243	-
	49,676	4,309	48,231	4,777
Pension liability net of assets	(3,938)	(4,309)	(10,267)	(4,777)
Funded plans in deficit	(2,426)	-	4,024	-
Unfunded Plans	6,364	4,309	6,243	4,777
	3,938	4,309	10,267	4,777

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The assets, liabilities and deficit position of pension and other post-retirement benefit plans at December 31, 2023 and 2022 related to the Plan are as follows:

	\$ thousands			
	2023		2022	
	Pension Plans	Other Post- employment Benefit Plans	Pension Plans	Other Post- employment Benefit Plans
Principal plan assets:				
Equities	78,050	-	206,522	-
Bonds	724,145	-	481,389	-
Other	(2,333)	-	4,418	-
	<u>799,862</u>	<u>-</u>	<u>692,329</u>	<u>-</u>
Present value of liabilities:				
Principal plans	757,431	162,613	765,713	175,854
Other plans	74,556	12,644	73,645	11,471
	<u>831,987</u>	<u>175,257</u>	<u>839,358</u>	<u>187,325</u>
Pension liability net of assets	<u>(32,125)</u>	<u>(175,257)</u>	<u>(147,029)</u>	<u>(187,325)</u>
Funded plans in deficit	(42,431)	-	73,384	-
Unfunded Plans	74,556	175,257	73,645	187,325
	<u>32,125</u>	<u>175,257</u>	<u>147,029</u>	<u>187,325</u>

As of December 31, 2023 and 2022, the Plan's investments did not include equity shares of the Ultimate Parent.

Reconciliation of Changes in Assets and Liabilities

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

	\$ thousands			
	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Balance, January 1	37,964	53,008	54,726	72,079
Current service cost	-	744	-	179
Expected return on assets	1,920	-	1,504	-
Interest costs	-	2,697	-	2,085
Actuarial gain (loss)	3,980	4,366	(11,249)	(10,322)
Employer contributions	8,701	-	3,408	-
Reclassification of benefits	(22)	(25)	(1,484)	(2,072)
Benefit payments	(6,805)	(6,805)	(8,941)	(8,941)
Balance, December 31	<u>45,738</u>	<u>53,985</u>	<u>37,964</u>	<u>53,008</u>

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

	\$ thousands			
	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Balance, January 1	692,329	1,026,683	1,027,369	1,433,229
Current service cost	-	7,532	-	11,505
Net transfers/disposals	-	-	-	2,035
Settlements/curtailments	-	-	-	5,720
Expected return on assets	35,006	-	28,232	-
Interest costs	-	51,577	-	39,542
Plan mergers	-	-	-	-
Actuarial gain (loss)	35,751	38,722	(262,272)	(314,390)
Employer contributions	154,046	-	49,958	-
Benefit payments	(117,269)	(117,269)	(150,958)	(150,958)
Balance, December 31	<u>799,863</u>	<u>1,007,245</u>	<u>692,329</u>	<u>1,026,683</u>

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 2023 and 2022 as well as an estimate for amounts to be paid in 2024 related to the Company's participation in the Plans are as follows:

	\$ thousands		
	(Estimate)		
	2024	2023	2022
Company contributions to funded plans:			
Defined benefit	-	5,896	-
Defined contribution	1,216	1,176	994
Benefits paid under unfunded plans	<u>1,961</u>	<u>2,806</u>	<u>3,408</u>
Cash flow	<u>3,177</u>	<u>9,878</u>	<u>4,402</u>

The benefits paid under unfunded plans related to the current portion of the liability to employee benefit plans were \$2.0 million and \$2.5 million as of December 31, 2023 and 2022, respectively.

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Amounts paid in 2023 and 2022 as well as an estimate for amounts to be paid in 2024 related to the Plan as a whole are as follows:

	\$ thousands		
	(Estimate) 2024	2023	2022
Company contributions to funded plans:			
Defined benefit	-	110,000	-
Defined contribution	62,658	60,601	51,114
Benefits paid under unfunded plans	<u>34,367</u>	<u>44,046</u>	<u>49,959</u>
Cash flow	<u>97,025</u>	<u>214,647</u>	<u>101,073</u>

Defined Contribution Plan

UNICare Savings Plan

The Company operates the UNICare Savings Plan (the “UNICare Plan”), a defined contribution plan open to eligible employees of UNUS Group except employees located in Puerto Rico, employees covered by a collective bargaining agreement and employees of certain companies recently acquired by Unilever. 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 at a rate of 100% of the first 5% of compensation contributed by employees. In addition, the Company makes a non-elective 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 non-elective contributions for each of the years ended December 31, 2023 and 2022 was \$1.2 million and \$994 thousand, respectively, and as of those dates amounts owed to the Plan, included in accounts payable and accrued expenses, totaled \$32 thousand and \$25 thousand, respectively. It is the Company’s policy to fund the UNICare Plan on a current basis.

Unilever Advantage Savings Plan

Effective January 1, 2019, Unilever established the Unilever Advantage Savings Plan (the “AS Plan”) for employees of certain companies acquired by Unilever. The groups participating in this AS Plan are Liquid IV, Tatcha, Murad, REN, Sundial, Schmidt’s, Sir Kensington’s, Dermalogica, The Laundress, Kingdom Animalia (Hourglass), Blue Air, Kate Somerville, and Living Proof. Under the AS Plan the Company matches employee elective deferrals based on the rules established by each participating company. In some cases, there may be no match allocated. The AS Plan is funded 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 (“Omnibus Plan”) as amended in November 2012. The Omnibus Plan provides for the granting of options up to 117.9 million shares of Unilever ADRs and 3 million Unilever Ordinary Shares. The aggregate share numbers include shares distributable with respect to outstanding grants under the 2002 Plan as of the effective date of the 2012 restatement of the Plan. UNUS Group employees as of December 31, 2023 and 2022 held 95 thousand and 327 thousand Unilever ADRs, respectively. For the years ended December 31, 2023 and 2022, share-based compensation expense totaled \$12.0 million and \$3.7 million, respectively. As of December 31, 2023 and 2022, liabilities related to share-based compensation plans totaled \$17.4 million and \$34.9 million, respectively, and this liability includes share-based compensation of UNUS employees and subsidiaries.

(a) Performance Share Programs

Management Co-Investment Program (“MCIP”)

The MCIP allowed certain eligible employees to invest up to 100 percent 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 or four year vesting period and the achievement of specific performance conditions.

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 long-term performance measures. Last award was made in 2020 and is paid out in 2024.

Annual Share Plan (“ASP”)

Under the ASP, eligible employee may be granted a right to receive free ordinary Unilever PLC shares, to the extent they vest. Awards normally vest after 3 years subject to continued employment at the vesting date. The award is in addition to the annual bonus and is based on the target discretionary annual bonus. There are set target levels of award, depending on the Work Level.

During the three-year vesting period, employees will earn additional rights (dividend equivalents) which are based on the value of dividends which would have been payable had the employee owned the shares from the point of grant.

Performance Share Plan (“PSP”)

Under the PSP, eligible employees may be granted a right to receive free ordinary Unilever PLC shares, to the extent they vest. Awards normally vest after 3 years subject to Performance Conditions and continued employment at the vesting date. The award is in addition to the annual bonus, and is based on the target discretionary annual bonus. There are set target levels of award, depending on the Work Level.

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During the three-year vesting period, employees will earn additional rights (dividend equivalents) which are based on the value of dividends which would have been payable had the employee owned the shares from the point of grant.

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.

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 all the plans, 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.

Dividends related to the target award under all the plans are credited to each employee and converted into additional target shares which are subject to the same vesting criteria as the original target shares.

A summary of the status of performance share programs as of December 31, 2023 and 2022 and the changes therein during the years then ended are as follows:

	Number of Shares	
	2023	2022
Outstanding, January 1	280,527	199,426
Awarded	122,616	110,937
Distributed	(44,232)	(29,836)
Forfeited	-	-
Outstanding, December 31	<u>358,911</u>	<u>280,527</u>
Fair value per share award as of year-end	<u>\$ 48.48</u>	<u>\$ 50.35</u>

The above table includes unvested shares. When shares vested, they are distributed to the employees. The total liability as of December 31, 2023 and 2022 was \$17.4 million and \$8.6 million, respectively.

The share-based compensation liability also included additional amounts related to the PSP (Performance Share Plan) for \$26.3 million as of December 31, 2022. The liability was assumed by the Parent and as a result there was no share-based compensation liability for additional rights related to the PSP for UNUS as of December 31, 2023.

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7. Income Taxes

The Company files income tax returns in the United States at the Federal level as part of a consolidated group and is able to utilize any losses. The income tax benefits recognized in 2023 and 2022 are as follows:

	\$ thousands	
	2023	2022
Current tax :		
Current year benefit	(156,880)	(125,142)
Deferred tax:		
Deferred tax expense	678	805
Income tax benefit	<u>(156,202)</u>	<u>(124,337)</u>

The reconciliation between U.S. Federal tax rate and the effective tax rate is as follows:

	%	
	2023	2022
U.S. Federal tax rate	21.0	21.0
Differences due to:		
State taxes, net of federal benefit	(0.9)	(0.9)
Non-taxable dividends	<u>(28.5)</u>	<u>(28.1)</u>
Effective tax rate	<u>(8.4)</u>	<u>(8.0)</u>

Deferred tax movements in 2023 are as follows:

	\$ thousands				
	January 1, 2023	Profit and Loss	OCI	Investments in Subsidiaries	December 31, 2023
Pension and similar obligations	3,035	(1,812)	146	-	1,369
Share-based compensation	3,842	1,183	-	(354)	4,671
Other	<u>(697)</u>	<u>(49)</u>	<u>-</u>	<u>-</u>	<u>(746)</u>
	<u>6,180</u>	<u>(678)</u>	<u>146</u>	<u>(354)</u>	<u>5,294</u>

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Deferred tax movements in 2022 are as follows:

	\$ thousands				
	January 1, 2022	Profit and Loss	OCI	Investments in Subsidiaries	December 31, 2022
Pension and similar obligations	3,511	(779)	303	-	3,035
Share-based compensation	4,174	(213)	-	(119)	3,842
Other	(884)	187	-	-	(697)
	<u>6,801</u>	<u>(805)</u>	<u>303</u>	<u>(119)</u>	<u>6,180</u>

Deferred tax to be settled after 12 months at December 31, 2023 and 2022 is \$6.0 million and \$6.9 million, respectively, which is inclusive of the pension and similar obligations and shared-based compensation balances. 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.

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, 2023 and 2022, interest rates on intercompany debt ranged from 3.68% to 5.98% and 2.04% to 4.14%, respectively.

On a daily basis, available funds are swept from depository accounts into a Unilever Group concentration account and used to settle intercompany borrowings. Cash principally represents the balance that has not yet cleared through the banking system and becomes 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 nonconsolidated statements of financial position as the Company has both the right and the intent to offset amounts due to and from these affiliates.

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Amounts owed to and from different affiliates within the Unilever Group are presented separately in the nonconsolidated statements of financial position as these amounts are settled on a current basis. Where the Company has the 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.

Net amounts owed to UNUS Group affiliates at December 31, 2023 and 2022 total \$10.5 billion and \$8.3 billion, respectively, includes the following:

The Company has a debt with the subsidiary Unilever Capital Corporation for \$13.1 billion and \$10.9 billion as of December 31, 2023 and 2022, respectively, which bears interest at a variable rate, and during the year the minimum and maximum rates were 3.68% to 5.98% and 2.04% to 4.14%, respectively. The net interest expense on these balances totaled approximately \$636 million and \$495 million for the years ended December 31, 2023 and 2022, respectively.

	\$ thousands	
	2023	2022
Debt as of January 1	10,961,274	11,032,481
Net (repayments) borrowings on debt		
with UNUS Group affiliates	2,122,754	(71,207)
Interest expense	636,218	495,354
Interest paid	(636,218)	(495,354)
Debt as of December 31	<u>13,084,028</u>	<u>10,961,274</u>

Net amounts owed to UNUS Group affiliates also includes several accounts receivables net in the liability of \$2.6 billion as of December 31, 2023 and 2022, and those balances are mainly related to pension activities for both years and a dividend receivable of \$1.5 billion as of December 31, 2022.

The Company had non-cash transactions with related parties of \$434 million and \$442 million during 2023 and 2022, respectively, which related to shared-based compensations, pension, income tax and related party adjustments.

Net amount owed from Unilever Group affiliates at December 31, 2023 and 2022 was \$5.1 million, and \$2.0 million, respectively.

A summary of amounts comprising the income (expense) net of rebilling for the years ended December 31, 2023 and 2022 is as follows:

	\$ thousands	
	2023	2022
Compensation (Note 4)	38,224	28,564
Non-personnel costs	4,833	11,993
	43,057	40,557
Amounts rebilled to affiliates	(17,450)	(23,818)
Operating costs	<u>25,607</u>	<u>16,739</u>

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Dividends declared and paid to Unilever Group totaled \$2.5 billion for the year ended December 31, 2023. Dividends declared to Unilever Group totaled \$1.5 billion for the year ended December 31, 2022 and were paid January 2023.

The Company is the guarantor of debt issued by 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 nonconsolidated financial statements.

The outstanding amounts of these guarantees as of December 31, 2023 and 2022 are summarized following:

	\$ thousands	
	2023	2022
Debt of subsidiaries	13,129,296	12,503,330
Debt of Ultimate Parent	15,010,422	14,936,121
Total debt guarantees	<u>28,139,718</u>	<u>27,439,451</u>

In addition, the Company guarantees twelve and eleven lease contracts with future minimum lease payments of \$292.4 million and \$245.1 million in 2023 and 2022, respectively.

9. Financial Assets and Liabilities

Financial Assets

Financial assets at December 31, 2023 and 2022 are comprised of the following:

	\$ thousands			
	2023		2022	
	Current	Non-current	Current	Non-current
Cash in bank	-	-	-	-
Funds in escrow	-	675	-	551
Equity shares of Ultimate Parent	1,733	-	16,441	-
	<u>1,733</u>	<u>675</u>	<u>16,441</u>	<u>551</u>

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 PLC). The value of such shares as of December 31, 2023 and 2022 totals \$1.7 million and \$16.4 million, respectively. These assets are classified in the Level 1 fair value hierarchy – quoted prices for identical instruments.

11. Risk Management

(a) Credit Risk

Credit risk is the risk of financial loss if a counterparty 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 its financial obligations as they come due. 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 these balances are 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 variable interest rate risk due to the amount of inter-company debt on its nonconsolidated statements of financial position. During 2023 the variation between the highest and lowest interest rate was 231 basis points. A 231 basis point increase (decrease) in interest rates would result in an increase (decrease) in finance charges on amounts due to affiliated entities by approximately \$275.5 million (\$275.5 million) based on the average amounts outstanding for the year ended December 31, 2023.

The Company does not have any derivative financial instruments.

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12. Prepaid Expenses

Prepaid expenses are recorded at amortized cost and consist of the following at December 31:

	\$ thousands	
	2023	2022
Current:		
Insurance	3,472	3,384
Duty, taxes, and other	<u>194</u>	<u>2,711</u>
	<u>3,666</u>	<u>6,095</u>

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, 2023 and 2022 are as follows:

	Authorized		Issued	
	Shares	Amount	Shares	Amount
Preferred \$73.50 par	100,000	\$ 7,350,000	-	\$ -
Common \$.333 par	<u>10,000</u>	<u>3,330</u>	<u>3,003</u>	<u>1,000</u>
	<u>110,000</u>	<u>\$ 7,353,330</u>	<u>3,003</u>	<u>\$ 1,000</u>

14. Trade and Other Payables

The following summarizes current trade and other payables:

	\$ thousands	
	2023	2022
Employee benefits and withholding taxes	12,310	15,497
Trade payables	4,979	4,834
Trading	738	651
Other	<u>1,727</u>	<u>2,394</u>
	<u>19,754</u>	<u>23,376</u>

The carrying value of trade payables approximates fair 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 trust amount and are not available to the Company except as determined by the NJDEP and the applicable regulatory provisions.

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 \$2.3 million, and the second funded at \$302 thousand. In February 2019 one of the trusts was terminated. At December 31, 2023 and 2022, the amount of the trust fund totaled approximately \$675 thousand and \$551 thousand, respectively, reflected as funds in escrow on the accompanying nonconsolidated statements of financial position.

The Company reflected a provision of approximately \$729 thousand as of December 31, 2023, \$350 thousand was recognized as a current liability and \$379 thousand as a long-term liability, and \$457 thousand as of December 31, 2022, \$1 thousand recognized as a current liability and \$456 thousand as a long term liability related to these environmental issues, and are included in provisions in the statements of financial position. Amounts charged to profit and loss in 2023 related to site remediation totaled \$569 thousand. Changes in provisions as of and for the years ended December 31, 2023 and 2022 follow:

	\$ thousands	
	<u>2023</u>	<u>2022</u>
Balance, January 1	457	728
Current year expense	569	243
Payments	<u>(297)</u>	<u>(514)</u>
Balance, December 31	<u><u>729</u></u>	<u><u>457</u></u>

Other provisions related to restructuring amounted to \$6.2 million as of December 31, 2023, recognized as a current liability, and \$10.2 million as of December 31, 2022, \$10.2 million recognized as a current liability and \$9 thousand recognized as a long term liability. Other non-restructuring provisions amounted to \$1.8 million recognized as a long term liability.

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.

17. Events After the Reporting Period

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

18. Approval of the Financial Statements

The nonconsolidated financial statements were approved by management and authorized for release on March 29, 2024.