

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code). <p style="text-align: center;">▶ Complete all entries in accordance with the instructions to the Form 5500.</p>	OMB Nos. 1210-0110 1210-0089 2013 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2013 or fiscal plan year beginning <u>01/01/2013</u> and ending <u>12/31/2013</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ a single-employer plan; ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report; ☐ the final return/report; ☐ an amended return/report; ☐ a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here.	☒
D Check box if filing under:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information—enter all requested information										
1a Name of plan <u>NESTLE HOURLY RETIREMENT PLAN</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>006</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>05/14/1955</u></td> </tr> <tr> <td colspan="2">2b Employer Identification Number (EIN) <u>95-1572209</u></td> </tr> <tr> <td colspan="2">2c Sponsor's telephone number <u>440-349-5757</u></td> </tr> <tr> <td colspan="2">2d Business code (see instructions) <u>311900</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>006</u>	1c Effective date of plan <u>05/14/1955</u>		2b Employer Identification Number (EIN) <u>95-1572209</u>		2c Sponsor's telephone number <u>440-349-5757</u>		2d Business code (see instructions) <u>311900</u>	
1b Three-digit plan number (PN) ▶	<u>006</u>										
1c Effective date of plan <u>05/14/1955</u>											
2b Employer Identification Number (EIN) <u>95-1572209</u>											
2c Sponsor's telephone number <u>440-349-5757</u>											
2d Business code (see instructions) <u>311900</u>											
2a Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan) <u>NESTLE USA, INC.</u> <u>30500 BAINBRIDGE RD</u> <u>SOLON, OH 44139-2205</u>											

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/10/2014	SHARON M. STRASSHOFFER
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	10/10/2014	RUSSELL NISWANDER
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE
Preparer's name (including firm name, if applicable) and address; include room or suite number. (optional)			Preparer's telephone number (optional)

3a Plan administrator's name and address ☒ Same as Plan Sponsor Name ☐ Same as Plan Sponsor Address		3b Administrator's EIN
4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:		3c Administrator's telephone number
a Sponsor's name		
4b EIN		
4c PN		
5 Total number of participants at the beginning of the plan year		5 7643
6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a , 6b , 6c , and 6d).		
a Active participants		6a 4817
b Retired or separated participants receiving benefits		6b 4900
c Other retired or separated participants entitled to future benefits		6c 3228
d Subtotal. Add lines 6a , 6b , and 6c		6d 12945
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits		6e 791
f Total. Add lines 6d and 6e		6f 13736
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)		6g
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested		6h 138
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)		7
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 1B		
b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:		
9a Plan funding arrangement (check all that apply)		9b Plan benefit arrangement (check all that apply)
(1) ☐ Insurance	(1) ☐ Insurance	
(2) ☐ Code section 412(e)(3) insurance contracts	(2) ☐ Code section 412(e)(3) insurance contracts	
(3) ☒ Trust	(3) ☒ Trust	
(4) ☐ General assets of the sponsor	(4) ☐ General assets of the sponsor	
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)		
a Pension Schedules		b General Schedules
(1) ☒ R (Retirement Plan Information)	(1) ☒ H (Financial Information)	
(2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary	(2) ☐ I (Financial Information – Small Plan)	
(3) ☒ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	(3) ☐ A (Insurance Information)	
	(4) ☐ C (Service Provider Information)	
	(5) ☒ D (DFE/Participating Plan Information)	
	(6) ☐ G (Financial Transaction Schedules)	

SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2013 This Form is Open to Public Inspection
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For calendar plan year 2013 or fiscal plan year beginning 01/01/2013 and ending 12/31/2013

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan <u>NESTLE HOURLY RETIREMENT PLAN</u>	B Three-digit plan number (PN) ▶ <u>006</u>
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF <u>NESTLE USA, INC.</u>	D Employer Identification Number (EIN) <u>95-1572209</u>
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500

Part I	Basic Information
1 Enter the valuation date: Month _____ Day _____ Year _____	
2 Assets:	
a Market value	2a <u>597090310</u>
b Actuarial value	2b <u>597090310</u>
3 Funding target/participant count breakdown:	
a For retired participants and beneficiaries receiving payment.....	3a <u>5441</u> <u>187890620</u>
b For terminated vested participants.....	3b <u>3652</u> <u>63261137</u>
c For active participants:	
(1) Non-vested benefits	3c(1) <u>8895912</u>
(2) Vested benefits	3c(2) <u>146908516</u>
(3) Total active.....	3c(3) <u>4788</u> <u>155804428</u>
d Total.....	3d <u>13881</u> <u>406956185</u>
4 If the plan is in at-risk status, check the box and complete lines (a) and (b)..... ☐	
a Funding target disregarding prescribed at-risk assumptions	4a
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor.....	4b
5 Effective interest rate	5 <u>6.35 %</u>
6 Target normal cost	6 <u>10418289</u>

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE		<u>09/29/2014</u>
Signature of actuary		Date
<u>THAD SUMMERSETT</u>		<u>14-07261</u>
Type or print name of actuary		Most recent enrollment number
<u>TOWERS WATSON PENNSYLVANIA INC.</u>		<u>310-551-5716</u>
Firm name		Telephone number (including area code)
<u>1925 CENTURY PARK EAST, SUITE 1500</u> <u>LOS ANGELES, CA 90067-2790</u>		
Address of the firm		

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2013
v. 130118

Part II Beginning of Year Carryover and Prefunding Balances		
	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	86164566	0
8 Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	0
9 Amount remaining (line 7 minus line 8)	86164566	0
10 Interest on line 9 using prior year's actual return of <u>13.58</u> %	11698080	
11 Prior year's excess contributions to be added to prefunding balance:		
a Present value of excess contributions (line 38a from prior year)		15545880
b Interest on (a) using prior year's effective interest rate of <u>6.96</u> % except as otherwise provided (see instructions)		1081993
c Total available at beginning of current plan year to add to prefunding balance		16627873
d Portion of (c) to be added to prefunding balance		
12 Other reductions in balances due to elections or deemed elections	0	0
13 Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	97862646	0

Part III Funding Percentages		
14 Funding target attainment percentage	14	122.67 %
15 Adjusted funding target attainment percentage	15	146.72 %
16 Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	147.36 %
17 If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV Contributions and Liquidity Shortfalls					
18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
02/07/2014	14058000				
			Totals ►	18(b)	14058000 18(c) 0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:		
a Contributions allocated toward unpaid minimum required contributions from prior years.	19a	0
b Contributions made to avoid restrictions adjusted to valuation date	19b	0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c	13136379
20 Quarterly contributions and liquidity shortfalls:		
a Did the plan have a "funding shortfall" for the prior year?	☐ Yes ☒ No	
b If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner?	☐ Yes ☐ No	
c If line 20a is "Yes," see instructions and complete the following table as applicable:		

Liquidity shortfall as of end of quarter of this plan year			
(1) 1st	(2) 2nd	(3) 3rd	(4) 4th

Part V Assumptions Used to Determine Funding Target and Target Normal Cost

21 Discount rate:				
a Segment rates:	1st segment: 4.94%	2nd segment: 6.15%	3rd segment: 6.76 %	☐ N/A, full yield curve used
b Applicable month (enter code).....				21b 0
22 Weighted average retirement age				22 63
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous Items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.	☒ Yes ☐ No
27 If the plan is subject to alternative funding rules, enter applicable code and see instructions regarding attachment.....	27

Part VII Reconciliation of Unpaid Minimum Required Contributions For Prior Years

28 Unpaid minimum required contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a).....	29	0
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII Minimum Required Contribution For Current Year

31 Target normal cost and excess assets (see instructions):												
a Target normal cost (line 6).....	31a	10418289										
b Excess assets, if applicable, but not greater than line 31a	31b	10418289										
32 Amortization installments:	<table border="1"> <thead> <tr> <th></th> <th>Outstanding Balance</th> <th>Installment</th> </tr> </thead> <tbody> <tr> <td>a Net shortfall amortization installment.....</td> <td></td> <td></td> </tr> <tr> <td>b Waiver amortization installment</td> <td></td> <td></td> </tr> </tbody> </table>				Outstanding Balance	Installment	a Net shortfall amortization installment.....			b Waiver amortization installment		
	Outstanding Balance	Installment										
a Net shortfall amortization installment.....												
b Waiver amortization installment												
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33											
34 Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33)...	34	0										
		Carryover balance	Prefunding balance									
35 Balances elected for use to offset funding requirement.....	0	0	0									
36 Additional cash requirement (line 34 minus line 35).....	36	0										
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c).....	37	13136379										
38 Present value of excess contributions for current year (see instructions)												
a Total (excess, if any, of line 37 over line 36)	38a	13136379										
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	0										
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)	39	0										
40 Unpaid minimum required contributions for all years	40	0										

Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)

41 If an election was made to use PRA 2010 funding relief for this plan:			
a Schedule elected	☐ 2 plus 7 years ☐ 15 years		
b Eligible plan year(s) for which the election in line 41a was made	☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011		
42 Amount of acceleration adjustment	42		
43 Excess installment acceleration amount to be carried over to future plan years	43		

<div>SCHEDULE D (Form 5500)</div> <div>Department of the Treasury Internal Revenue Service</div> <div>Department of Labor Employee Benefits Security Administration</div>		<div>DFE/Participating Plan Information</div> <div>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).</div> <div>▶ File as an attachment to Form 5500.</div>		<div>OMB No. 1210-0110</div> <div>2013</div> <div>This Form is Open to Public Inspection.</div>	
For calendar plan year 2013 or fiscal plan year beginning 01/01/2013 and ending 12/31/2013					
A Name of plan NESTLE HOURLY RETIREMENT PLAN				B Three-digit plan number (PN) ▶ 006	
C Plan or DFE sponsor's name as shown on line 2a of Form 5500 NESTLE USA, INC.				D Employer Identification Number (EIN) 95-1572209	
Part I Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)					
a Name of MTIA, CCT, PSA, or 103-12 IE: NESTLE IN THE USA PENSION TRUST					
b Name of sponsor of entity listed in (a): NESTLE USA, INC.					
c EIN-PN 36-7324184-101		d Entity code M		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 609321554	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
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c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
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c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103	

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
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plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small> <small>Pension Benefit Guaranty Corporation</small>	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	<small>OMB No. 1210-0110</small> 2013 This Form is Open to Public Inspection
For calendar plan year 2013 or fiscal plan year beginning <u>01/01/2013</u> and ending <u>12/31/2013</u>		
A Name of plan <u>NESTLE HOURLY RETIREMENT PLAN</u>		B Three-digit plan number (PN) ► <u>006</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>NESTLE USA, INC.</u>		D Employer Identification Number (EIN) <u>95-1572209</u>

Part I	Asset and Liability Statement		
1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.			
Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....	1b(1)	16717000	14058000
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common.....	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property).....	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans.....	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)	580462438	609321554
(12) Value of interest in 103-12 investment entities.....	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	597179438	623379554

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	597179438	623379554
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	14058000	
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		14058000
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		0
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		0
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts.....	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts.....	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts.....	2b(8)		37211424
(9) Net investment gain (loss) from 103-12 investment entities.....	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		51269424

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers.....	2e(1)	22609334	
(2) To insurance carriers for the provision of benefits.....	2e(2)		
(3) Other.....	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		22609334
f Corrective distributions (see instructions).....	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees.....	2i(1)		
(2) Contract administrator fees.....	2i(2)		
(3) Investment advisory and management fees.....	2i(3)		
(4) Other.....	2i(4)	2459974	
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		2459974
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		25069308

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d.....	2k		26200116
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan.....	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)?

☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: **KPMG LLP**

(2) EIN: **13-5565207**

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

- a** Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....
- b** Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....

	Yes	No	Amount
4a		X	
4b		X	

	Yes	No	Amount
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)		X	
e Was this plan covered by a fidelity bond?	X		20000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)		X	
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)			
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
 If "Yes," enter the amount of any plan assets that reverted to the employer this year. ☐ Yes ☒ No Amount:

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

5c If the plan is a defined benefit plan, is it covered under the PBGC insurance program (see ERISA section 4021)? ☒ Yes ☐ No ☐ Not determined

Part V Trust Information (optional)

6a Name of trust	6b Trust's EIN

<div>SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation</div>	<div>Retirement Plan Information</div> <div>This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).</div> <div>▶ File as an attachment to Form 5500.</div>	<div>OMB No. 1210-0110</div> <div>2013</div> <div>This Form is Open to Public Inspection.</div>
For calendar plan year 2013 or fiscal plan year beginning 01/01/2013 and ending 12/31/2013		
A Name of plan NESTLE HOURLY RETIREMENT PLAN		B Three-digit plan number (PN) ▶ 006
C Plan sponsor's name as shown on line 2a of Form 5500 NESTLE USA, INC.		D Employer Identification Number (EIN) 95-1572209
Part I	Distributions	
All references to distributions relate only to payments of benefits during the plan year.		
1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....		1 0
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): 36-3046063		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....		3 141
Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)	
4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?..... ☐ Yes ☒ No ☐ N/A		
If the plan is a defined benefit plan, go to line 8.		
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____		
If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.		
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived).....		6a
b Enter the amount contributed by the employer to the plan for this plan year.....		6b
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount)		6c
If you completed line 6c, skip lines 8 and 9.		
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?..... ☐ Yes ☐ No ☐ N/A		
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?..... ☐ Yes ☐ No ☒ N/A		
Part III	Amendments	
9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box..... ☒ Increase ☐ Decrease ☐ Both ☐ No		
Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.	
10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? ☐ Yes ☐ No		
11 a Does the ESOP hold any preferred stock? ☐ Yes ☐ No		
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)..... ☐ Yes ☐ No		
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?..... ☐ Yes ☐ No		
For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.		
Schedule R (Form 5500) 2013 v. 130118		

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☒

- 19** If the total number of participants is 1,000 or more, complete lines (a) through (c)

- a** Enter the percentage of plan assets held as:

Stock: 34% Investment-Grade Debt: 34% High-Yield Debt: 0% Real Estate: 7% Other: 25%

- b** Provide the average duration of the combined investment-grade and high-yield debt:

☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☒ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

- c** What duration measure was used to calculate line 19(b)?

☒ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify):



NESTLÉ HOURLY RETIREMENT PLAN

Financial Statements

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

NESTLÉ HOURLY RETIREMENT PLAN

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Notes to Financial Statements	7

All schedules required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA) have been omitted because all investments are held in a master trust or because there is no other information to report.



KPMG LLP
One Cleveland Center
Suite 2600
1375 East Ninth Street
Cleveland, OH 44114-1796

Independent Auditors' Report

The Plan Administrator
Nestlé Hourly Retirement Plan:

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Nestlé Hourly Retirement Plan (the Plan), which comprise the statements of net assets available for benefits and statements of accumulated plan benefits as of December 31, 2013 and 2012, and the related statement of changes in net assets available for benefits and statement of changes in accumulated plan benefits for the year ended December 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan Administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in notes 5, 7, and 8, which was certified by The Northern Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the Plan Administrator that the trustee holds the Plan's investment assets and executes investment transactions. The Plan Administrator has obtained a certification from the trustee as of December 31, 2013 and 2012, and for the year ended December 31, 2013, that the information provided to the Plan Administrator by the trustee is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.



Report on Form and Content in Compliance with Department of Labor's Rules and Regulations

The form and content of the information included in the financial statements, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

/s/ KPMG LLP

Cleveland, Ohio
October 8, 2014

NESTLÉ HOURLY RETIREMENT PLAN
Statements of Net Assets Available for Benefits
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Investments, at fair value (notes 5, 7 and 8):		
Plan interest in Nestlé in the USA Pension Trust	\$ 609,321,554	580,462,438
	<u>609,321,554</u>	<u>580,462,438</u>
Net assets available for benefits	<u>\$ 609,321,554</u>	<u>580,462,438</u>

See accompanying notes to financial statements.

NESTLÉ HOURLY RETIREMENT PLAN
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2013

	<u>2013</u>
Investment income:	
Plan interest in Nestlé in the USA Pension Trust investment income	\$ <u>37,211,424</u>
Total investment income	<u>37,211,424</u>
Contributions:	
Employer contributions	<u>16,717,000</u>
Total contributions	<u>16,717,000</u>
Deductions:	
Benefits paid to participants	22,609,334
Investment and administrative expenses	<u>2,459,974</u>
Total deductions	<u>25,069,308</u>
Net increase	<u>28,859,116</u>
Net assets available for benefits:	
Beginning of year	<u>580,462,438</u>
End of year	\$ <u><u>609,321,554</u></u>

See accompanying notes to financial statements.

NESTLÉ HOURLY RETIREMENT PLAN

Statements of Accumulated Plan Benefits

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Actuarial present value of accumulated plan benefits (note 2(c)):		
Vested benefits:		
Participants currently receiving payments	\$ 177,719,999	176,275,843
Other participants	<u>174,636,204</u>	<u>194,161,779</u>
	352,356,203	370,437,622
Nonvested benefits	<u>7,287,750</u>	<u>8,269,473</u>
Total actuarial present value of accumulated plan benefits	<u>\$ 359,643,953</u>	<u>378,707,095</u>

See accompanying notes to financial statements.

NESTLÉ HOURLY RETIREMENT PLAN
Statement of Changes in Accumulated Plan Benefits
Year ended December 31, 2013

	<u>2013</u>
Actuarial present value of accumulated plan benefits at beginning of year	\$ 378,707,095
Increase (decrease) during the year attributable to:	
Benefits accumulated and actuarial gains (losses)	7,248,840
Change in plan provisions (note 1(b))	1,574,901
Interest due to decrease in the discount rate	25,731,554
Benefits paid	(22,609,334)
Assumption changes (note 2(c))	(31,009,103)
Actuarial present value of accumulated plan benefits, end of year	\$ <u><u>359,643,953</u></u>

See accompanying notes to financial statements.

NESTLÉ HOURLY RETIREMENT PLAN

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(1) Description of the Plan

The following brief description of the Nestlé Hourly Retirement Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan Document for a more complete description of the Plan's provisions.

(a) General

The Plan is a defined benefit pension plan covering certain hourly employees of Nestlé USA, Inc. and certain affiliated companies (Company). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Effective December 31, 2012, the assets and related accumulated benefit obligations of the following plans were merged into the Plan:

- The Gerber-Ft Smith Hourly Pension Plan
- The Gerber-Reedsburg Hourly Pension Plan
- The Gerber-Fremont Hourly Pension Plan
- The Nestlé USA Pension Plan
- The Nestlé USA Hourly Pension Plan
- The Libby Sacramento Can Pension Plan

None of the Plans' provisions were materially changed as a result of the mergers.

(b) Pension Benefits

Participating employees at each Company location covered under the Plan receive benefits under a separate schedule of benefits (Schedule) that sets out specific eligibility provisions and benefit amounts for each location. The Plan provides defined benefits to retired participants based on their years of service. In general, the pension benefits are set to begin at age 65 in the form of a life annuity. Other forms of payment and early commencement are available based on provisions specific to the various agreements and locations covered under the Plan. For the majority of participants, benefits become fully vested after they have completed three years of vesting service. Periodically, for eligible participants at certain Company locations, changes to the Plan's provisions are negotiated to increase the base rates used to calculate pension benefits (including benefit level increases to take effect in future periods). The base rates within the Schedule for certain locations were updated in both 2013 and 2012.

(c) Death and Disability Benefits

If an active participant dies after completing the applicable vesting requirements, a death benefit may be paid to the participant's qualified surviving spouse. Based on the applicable Schedule, the amount of the benefits paid to the surviving spouse is computed with reference to the applicable early retirement factors of the Plan for participants who meet the applicable early retirement provisions, or with reference to the applicable vested deferred retirement factors for participants who meet the

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applicable deferred vested retirement provisions. In general, disability benefits are also available and vary by covered location.

(2) Summary of Significant Accounting Policies

The following are the significant accounting policies followed by the Plan:

(a) *Basis of Accounting*

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

(b) *Investment Valuation*

Plan assets are held in the Nestlé in the USA Pension Trust (Pension Trust), which was established by the Company for the pooled investment of assets for various qualified pension plans sponsored by the Company. The Pension Trust is maintained by The Northern Trust Company, as trustee.

The Pension Trust investments are stated at fair value, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*.

Purchases and sales of securities are recorded on a trade-date basis. Interest and other income are recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation/depreciation includes the Pension Trust's gains and losses on investments bought and sold as well as held during the year.

(c) *Actuarial Present Value of Accumulated Plan Benefits*

Accumulated plan benefits are those future periodic payments, including lump-sum distributions, which are attributable under the Plan's provision to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries.

The accumulated plan benefits for active employees are based on their years of credited service multiplied by benefit factors defined in the Plan document. Benefits payable under all circumstances – retirement, death, disability, and termination of employment – are included to the extent they are deemed attributable to employee credited service rendered to the valuation date.

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The actuarial present value of accumulated plan benefits is determined by an independent actuary, Towers Watson, and is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements due to death, disability, termination, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of December 31, 2013 and 2012 were as follows:

Life expectancy of participants	RP-2000 Mortality Tables
Retirement age	Probabilities varying by age
ASC 960 discount rate	7.80% and 7.00% respectively

Assumption changes from Plan year 2012 within the calculation of the actuarial present value of accumulated Plan benefits are primarily driven by the increase in the ASC 960 discount rate. These rates are consistent with the long-term expected return on assets. The mortality table of RP-2000 remains the same for 2013 and 2012; however, mortality projections have been changed in 2013 from 2028 to 2029 for preretirement participants and from 2020 to 2021 for postretirement participants.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

(d) Administrative Expenses

The Plan allows for administrative expenses such as trustee fees, investment management fees, actuarial valuation fees, accounting fees, and recordkeeping fees to be paid from Plan assets. Effective January 1, 2013, the administrative expenses are being paid by the Company as allowed per the Plan Document.

(e) Payment of Benefits

Benefit payments to participants are recorded upon distribution.

(f) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements, and changes therein. Actual results could differ from those estimates.

(g) Risks and Uncertainties

The Pension Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate risk, market risk, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statements of net assets available for benefits.

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Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

(h) *Derivative Financial Instruments*

The Plan accounts for derivatives and hedging activities in accordance with ASC 815, *Derivatives and Hedging*, which requires that all derivative instruments not qualifying for hedge accounting be recorded on the statements of net assets available for benefits at their respective fair values.

The Company uses derivatives for the benefit of the plans in the Pension Trust as a tool to reduce risk and as an investment strategy. The Pension Trust will enter into the following types of derivative instruments: interest rate swaps, credit default swaps (CDS), equity swaps, commodity swaps, financial futures, commodities futures, foreign exchange forward contracts and options, and swaptions and options. The derivative instruments outstanding as of period-end and the amounts of realized and unrealized gains and losses, as well as other income on derivative instruments during the period (as disclosed in the derivatives tables in note 7), serve as indicators of the volume of derivative activity for the Pension Trust. Derivative strategies involve risk and like other investments, can lose money. The impact on Pension Trust performance can be positive or negative, and will vary depending on market movements.

The Company manages the Pension Trust's interest rate risk using interest rate swaps and/or US Treasury futures (interest rate hedge). The objective of the interest rate hedge is to lengthen the effective duration of the Pension Trust's assets to better match its defined benefit obligations, thereby protecting the funded ratio of the Pension Trust as interest rates fluctuate. Interest rate swaps used in this manner adjust interest rate and yield curve exposures and substitute for physical securities.

The Company also uses derivatives as a substitute for physical securities in order to gain exposure to certain asset classes. Using derivatives instead of physical securities may be a more efficient means to gain exposure to an index or a market sector due to its characteristics of increased liquidity and reduced transaction costs. Using derivatives may also reduce the need to sell assets when there is a difficult trading environment. Swaps and futures are used to create credit, equity, and commodities exposure. Commodities exposure may only be obtained through the use of either futures or swaps derivative instruments, which is industry standard.

The Company uses a mix of equity, fixed income, and commodity futures to securitize a large cash position. Use of these derivatives enables the cash of the Pension Trust to earn a return as if it were invested in the various asset classes as defined by the strategic asset allocation. It allows the Pension Trust to retain liquidity and flexibility, while still earning equity, fixed income, or commodity returns.

The Company uses derivatives to execute portable alpha strategies. Portable alpha strategies involve the use of futures or swaps to provide market exposure in equities, fixed income, and commodities, combined with investment in market neutral total return strategies. Use of derivatives in this manner

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enables the Pension Trust to use market neutral strategies to earn an active return, while still complying with the strategic asset allocation.

The Company manages credit risk through use of CDS. These derivatives are used to manage credit exposure without buying or selling securities outright. Written CDS increase credit exposure (selling protection), obligating the portfolio to buy bonds from counterparties in the event of a default. Purchased CDS decrease exposure (buying protection) providing the right to “put” (sell) bonds to the counterparty in the event of a default.

The Company manages the foreign currency risk inherent in international equity portfolios through the use of foreign exchange forwards, which are foreign exchange transactions that have settlement periods longer than three days. The Company also uses foreign exchange forwards and currency options as an investment strategy.

Counterparty risk for swaps and forwards, that are not centrally cleared through a central exchange, is mitigated through the use of International Swaps and Derivatives Association (ISDA) standardized agreements that require gains and losses owed to and from the counterparty to be agreed daily, and gains or losses to be collateralized with cash. For futures, the gain (loss) is calculated and funds are transferred to and from the Pension Trust on a daily basis, based on the prior day’s market valuation. The types of counterparties are large banks and brokers, and the investment managers each have netting arrangements within their accounts to reduce the exposure to any single counterparty.

Holding derivatives has a significant impact on cash flow. Daily mark to markets and accumulated gains and losses can be large, depending on the volatility of the markets. The Company has maintained liquidity necessary to settle any losses, regardless of the severity of the market change. In addition, the Pension Trust has the ability to borrow from the Company through an interest-free loan, if needed, to cover cash flow needs.

(i) Foreign Currency

The Pension Trust’s investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

The Pension Trust does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net appreciation and depreciation from investments.

(3) Funding Policy

The Company’s general funding policy is to make contributions to the Plan for each plan year in an amount not less than the minimum required contribution under ERISA, and to target 100% funded status on a Pension Protection Act (PPA) basis. This will not exceed the maximum tax-deductible contribution. The minimum and maximum contributions are calculated on an annual basis by the Plan’s actuary.

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Contributions made for the Plan year ended December 31, 2013 were \$16,717,000 and met the Company's policy.

(4) Plan Termination

Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA.

In the event the Plan terminates, the net assets of the Plan will be allocated as prescribed by ERISA and its related regulations. The assets allocated to each participant would be distributed through either (a) continuance of the trust fund that is attributable to the Plan or establishment of a new trust fund, and/or (b) purchase of annuity contracts. In addition, certain benefits under the Plan are insured by the Pension Benefit Guaranty Corporation (PBGC) if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, there is a statutory ceiling on the amount of an individual's monthly benefit that the PBGC guarantees, which is adjusted periodically.

Whether all participants receive their benefits should the Plan terminate at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide those benefits and may also depend on the level of benefits guaranteed by the PBGC.

(5) Trustee Certifications

The plan administrator has elected the method of compliance permitted by 29 CFR 2520.103-5 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, as permitted under such election, the plan administrator has obtained a certification from The Northern Trust Company, the trustee of the Plan, as of December 31, 2013 and 2012 and for the year ended December 31, 2013, that all of the information provided by them is complete and accurate. Information included in the accompanying financial statements and notes thereto, as to investments and investment income (loss), is presented in reliance upon those certifications, with the exception of the Pension Trust's investments in real estate funds, hedge funds, and venture capital and partnership funds. These investments are held by the investment fund managers, who report the net asset values of the Pension Trust's interests to the Company and trustee on a periodic basis. Information included in the accompanying financial statements related to these funds is based upon these net asset values as of December 31, 2013 and 2012.

(6) Parties in Interest

During 2013 and 2012, Nestle in the USA Pension Trust had parties in interest that included Plan Sponsor, trustee, investment advisory, legal, actuarial, and administrative service providers. The fees paid by the Pension Trust to these parties-in-interest were \$16,730,905 in 2013. The Plan's share of these expenses was approximately 15% for the Plan year ended 2013. In addition, the Pension Trust also invests in the common stock of The Northern Trust Company. The fair value of this investment was \$1,555,000 and \$1,254,000 in 2013 and 2012, respectively. Furthermore, the Pension Trust acquired a Northern Trust corporate bond with a fair value of \$578,901 in 2013.

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(7) Interest in Nestlé in the USA Pension Trust

The assets of the Plan are invested in the Pension Trust, in which the assets of the Plan are combined with the assets of other affiliated Company plans for investment purposes.

Pursuant to the trustee's method of allocating the investment holdings between the plans, contributions into the Pension Trust are treated as additions in the Pension Trust, withdrawals are treated as deductions in the Pension Trust, and investment income (loss) is allocated proportionately. Accordingly, the value of the Plan's investment in the Pension Trust is equal to the Plan's interest in each applicable investment increased or decreased by the Plan's allocated share in income, gains, and losses attributable to each applicable investment, which share is generally based upon the Plan's respective share of the Pension Trust's combined net assets available for benefits each month before investment income (loss) and net appreciation (depreciation) in the fair value of investments. Those investment expenses of the Pension Trust, which can be specifically identified as being applicable to the Plan, are charged to the Plan. The remaining investment expenses are allocated to the Plan based on the Plan's respective share of the Pension Trust's combined net assets available for benefits on a monthly basis.

The Plan's equitable share of the Pension Trust's net assets was approximately 15% and 9% at December 31, 2013 and 2012, respectively. The following is financial information with respect to the Pension Trust:

	<u>2013</u>	<u>2012</u>
Investments, at fair value**:		
Unencumbered investments:		
The Northern Trust Company Core Qualified Collateral Section***	\$ 103,853,681	104,540,605
Equities	786,779,179	650,166,055
Fixed income	1,294,954,832	1,355,043,052
Real estate	297,010,104	284,515,572
Venture capital and partnerships	303,995,505	278,990,153
Other investments	25,754,504	65,304,520
Hedge funds	807,610,112	704,537,154
Cash and cash equivalents*	472,299,733	510,875,270
Total unencumbered investments	<u>4,092,257,650</u>	<u>3,953,972,381</u>
Securities pledged to creditors***		
Equities	61,181,008	56,388,261
Fixed income	40,387,140	46,522,989
Total securities pledged to creditors	<u>101,568,148</u>	<u>102,911,250</u>
Total assets	4,193,825,798	4,056,883,631
Payable under securities loan agreements***	(103,853,681)	(104,540,605)
Liabilities	<u>(2,031,122)</u>	<u>(1,519,000)</u>
Net Pension Trust assets	\$ <u>4,087,940,995</u>	<u>3,950,824,026</u>
Net Pension Trust assets attributable to the Plan	\$ 609,321,554	580,462,438

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* Includes pending trade sales and purchases as of year-end.

** The following investments had a fair value in excess of 5% of net Pension Trust assets:

	<u>2013</u>	<u>2012</u>
Spring Lake Ltd Class A Shares USD	\$ 222,545,583	216,047,738
Futures March 2013 U.S. T-Bonds	441,266,688	573,185,000

*** The Pension Trust participated in a securities lending arrangement through the trustee in 2013 and 2012. The Pension Trust obtained cash and noncash collateral from the borrowers of the Plan's securities as a result of this arrangement. The collateral received from borrowers was invested in The Northern Trust Company Core Qualified Collateral Section. The noncash collateral received consisted primarily of fixed income securities and domestic equity securities.

	<u>2013</u>	<u>2012</u>
Cash Collateral	\$ 103,253,639	104,511,711
Non Cash Collateral	600,042	28,894
Total	<u>\$ 103,853,681</u>	<u>104,540,605</u>

During the year ended December 31, 2013, investment income for the Pension Trust consisted of the following:

	<u>2013</u>
Net appreciation (depreciation) in fair value of investments:	
Equities	\$ 235,172,013
Fixed income	(188,150,716)
Real estate	(1,940,134)
Venture capital and partnerships	51,554,125
Other investments and assets and liabilities	(57,118,217)
Hedge funds	59,941,449
Cash equivalents	8,929,406
	<u>108,387,926</u>
Interest	67,462,890
Dividends	7,672,372
Other income	67,839,035
	<u>\$ 251,362,223</u>
Pension Trust investment income attributable to the Plan	\$ 37,211,424

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As discussed in note 2(h), the Pension Trust uses derivative financial instruments as part of its investment strategy. Refer to note 8 for a description of valuation methodologies. Gains and losses on derivative financial instruments are realized in investment income (loss) on a daily basis. As of December 31, 2013 and 2012, the Pension Trust held the following derivatives:

	2013		2012	
	Asset derivatives Fair value	Liability derivatives Fair value	Asset derivatives Fair value	Liability derivatives Fair value
Derivatives not accounted for as hedging instruments under ASC 815:				
Interest rate	\$ 11,171,513	(25,431,946)	41,873,183	(14,735,879)
Foreign exchange	7,027,639	(6,946,740)	6,769,316	(3,904,460)
Credit	2,608,767	(939,660)	2,619,026	(2,646,035)
Equity	4,439,772	(12,797)	6,341,876	(844,993)
Commodity	325,050	(1,792,297)	846,850	(1,251,147)
	<u>\$ 25,572,741</u>	<u>(35,123,440)</u>	<u>58,450,251</u>	<u>(23,382,514)</u>

The fair values of the derivatives are located within Unencumbered Investments held by the Pension Trust in other investments in assets and liabilities, cash and cash equivalents, fixed income, and equities. There is no concentration of derivatives in any of the categories. Swap valuations are also represented in the Pension Trust Receivables and Liabilities.

For the year ended December 31, 2013, the Pension Trust recognized in investment income the following:

	2013	
	Amount of gain (loss)	Amount of other income (expense)
Derivatives not accounted for as hedging instruments under ASC 815:		
Interest rate	\$ (121,333,163)	9,305,685
Foreign exchange	4,514,815	—
Credit	2,803,216	1,357,624
Equity	73,500,449	38,214,267
Commodity	(12,065,393)	(4,896,017)
	<u>\$ (52,580,076)</u>	<u>43,981,560</u>

The gain (loss) related to the derivatives is located in the net appreciation (depreciation) in fair value of investments and the other income (loss) for the Pension Trust. There is no concentration of derivatives in any of the categories.

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Offsetting of Assets and Liabilities – Nestle at December 31, 2013:

Asset description	Gross recognized assets	Gross amounts offset	Net amounts presented	Amounts not offset		Net exposure
				Financial instruments	Net collateral received	
OTC Commodities	\$ 67,164	—	67,164	28,037	—	39,127
OTC Equities	3,454,741	—	3,454,741	484	—	3,454,257
OTC Foreign exchange	6,871,559	—	6,871,559	4,900,974	157,000	1,813,585
OTC Interest rate/credit	11,342,009	—	11,342,009	3,765,048	6,856,605	720,356
Total derivatives subject to a Master Netting Agreement (MNA)	21,735,473	—	21,735,473	8,694,543	7,013,605	6,027,325
Exchange cleared interest rate/credit	2,102,850	—	2,102,850	—	—	2,102,850
Exchange traded commodities	257,886	—	257,886	—	—	257,886
Exchange traded equities	985,031	—	985,031	—	—	985,031
Exchange traded foreign exchange	156,080	—	156,080	—	—	156,080
Exchange traded interest rate / credit	335,421	—	335,421	—	—	335,421
Total derivatives not subject to a MNA**	3,837,268	—	3,837,268	—	—	3,837,268
Total derivatives	\$ 25,572,741	—	25,572,741	8,694,543	7,013,605	9,864,593
Repurchase agreements	\$ 2,600,000	—	2,600,000	—	2,600,000	—
Securities lending (pledged)	101,568,148	—	101,568,148	—	101,568,148	—
Liability description	Gross recognized liabilities	Gross amounts offset	Net amounts presented	Amounts not offset		Net exposure
				Financial instruments	Net collateral pledged	
OTC Commodities	\$ 239,953	—	239,953	28,037	—	211,916
OTC Equities	1,570	—	1,570	484	—	1,086
OTC Foreign Exchange	6,826,166	—	6,826,166	4,900,974	—	1,925,192
OTTC Interest rate / credit	20,407,408	—	20,407,408	3,765,048	11,995,000	4,647,360
Total derivatives subject to a MNA	27,475,097	—	27,475,097	8,694,543	11,995,000	6,785,554
Exchange cleared interest rate/credit	2,890,989	—	2,890,989	—	—	2,890,989
Exchange traded commodities	1,552,344	—	1,552,344	—	—	1,552,344
Exchange traded equities	11,227	—	11,227	—	—	11,227
Exchange traded foreign exchange	120,574	—	120,574	—	—	120,574
Exchange traded interest rate /credit	3,073,209	—	3,073,209	—	—	3,073,209
Total derivatives not subject to a MNA**	7,648,343	—	7,648,343	—	—	7,648,343
Total derivatives	\$ 35,123,440	—	35,123,440	8,694,543	11,995,000	14,433,897
Repurchase agreements	\$ —	—	—	—	—	—
Securities lending	—	—	—	—	—	—

** Nestle elected to follow Section 210-20-55-10A of ASU 2013-01 to include instruments not subject to an enforceable master netting arrangement or similar agreement.

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Offsetting of Assets and Liabilities – Nestle at December 31, 2012:

Asset description	Gross recognized assets	Gross amounts offset	Net amounts presented	Amounts not offset		Net exposure
				Financial instruments	Net collateral received	
OTC Commodities	\$ 187,037	—	187,037	43,934	—	143,103
OTC Equities	118,133	—	118,133	8,133	—	110,000
OTC Foreign exchange	6,448,809	—	6,448,809	1,988,509	914,030	3,546,270
OTC Interest rate / credit	39,524,444	—	39,524,444	3,231,035	36,146,937	146,472
Total derivatives subject to a MNA	46,278,423	—	46,278,423	5,271,611	37,060,967	3,945,845
Exchange traded commodities	659,813	—	659,813	—	—	659,813
Exchange traded equity	6,223,743	—	6,223,743	—	—	6,223,743
Exchange traded foreign exchange	320,508	—	320,508	—	—	320,508
Exchange traded interest rate / credit	641,494	—	641,494	—	—	641,494
Exchange cleared interest rate / credit	4,326,270	—	4,326,270	—	—	4,326,270
Total derivatives not subject to a MNA	12,171,828	—	12,171,828	—	—	12,171,828
Total derivatives	\$ 58,450,251	—	58,450,251	5,271,611	37,060,967	16,117,673
Repurchase agreements	\$ 13,400,000	—	13,400,000	—	13,400,000	—
Securities lending (pledged)	102,911,250	—	102,911,250	—	102,911,250	—
Liability description	Gross recognized liabilities	Gross amounts offset	Net amounts presented	Amounts not offset		Net exposure
				Financial instruments	Net collateral pledged	
OTC Commodities	\$ 554,179	—	554,179	43,934	—	510,245
OTC Equities	218,296	—	218,296	8,133	—	210,163
OTC foreign exchange	3,696,497	—	3,696,497	1,988,509	—	1,707,988
OTC Interest rate / credit	6,766,868	—	6,766,868	3,231,035	3,535,833	—
Total derivatives subject to a MNA	11,235,840	—	11,235,840	5,271,611	3,535,833	2,428,396
Exchange traded commodities	696,967	—	696,967	—	—	696,967
Exchange traded equity	626,697	—	626,697	—	—	626,697
Exchange traded foreign exchange	207,963	—	207,963	—	—	207,963
Exchange traded interest rate / credit	6,276,426	—	6,276,426	—	—	6,276,426
Exchange cleared interest rate / credit	4,338,621	—	4,338,621	—	—	4,338,621
Total derivatives not subject to a MNA	12,146,674	—	12,146,674	—	—	12,146,674
Total derivatives	\$ 23,382,514	—	23,382,514	5,271,611	3,535,833	14,575,070
Repurchase agreements	\$ —	—	—	—	—	—
Securities lending	—	—	—	—	—	—

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December 31, 2013 and 2012

(8) Fair Value Measurements

The Plan has adopted the guidance in ASC 820, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant judgment. The three levels are defined as follows:

- Level 1: Assets or liabilities that are valued based on unadjusted quoted prices in active markets that are accessible at measurement date.
- Level 2: Assets or liabilities that are valued based on observable inputs, other than those included in Level 1, based on quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, or financial instruments for which all significant inputs are observable; either directly or indirectly.
- Level 3: Assets or liabilities that are valued based on unobservable inputs, including the reporting entity's own analysis of the underlying economic data that market participants would factor into the pricing of the asset or liability.

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Assets and liabilities of the Pension Trust measured at fair value on a recurring basis are categorized as follows:

December 31, 2013				
	Level 1	Level 2	Level 3	Total
Nestlé in the USA Pension				
Trust assets:				
Northern Trust Core				
Qualified Collateral Section	\$ —	103,853,681 (e)	—	103,853,681
Equities:				
Preferred	8,263,178	—	—	8,263,178
Common stock	350,056,472	—	—	350,056,472
Commingled funds	158,916,273	330,725,350	—	489,641,623
Equity derivatives	—	(1,086)	—	(1,086)
	—	—	—	—
Total equities	517,235,923 (a)	330,724,264 (b)	—	847,960,187
Fixed income:				
Options and futures	—	(14,553)	—	(14,553)
Mutual funds	34,731,881	—	—	34,731,881
Collateralized obligations	—	60,305,146	—	60,305,146
Corporate bonds	—	901,623,572	—	901,623,572
Government and municipal	—	245,037,366	—	245,037,366
Bank loans	—	5,522,544	—	5,522,544
Other fixed income	—	—	88,136,016	88,136,016
Total fixed income	34,731,881 (a)	1,212,474,075 (b)	88,136,016 (c)	1,335,341,972
Hedge funds	—	—	807,610,112 (d)	807,610,112
Real estate	—	—	297,010,104 (d)	297,010,104
Venture capital and partnerships	—	—	303,995,505 (d)	303,995,505
Other assets:				
Diversified mutual funds	32,286,293	—	—	32,286,293
Options and swaps	—	(6,540,135)	—	(6,540,135)
Commodities	(6,960)	12,128	—	5,168
Misc.	2,908	—	270	3,178
Total other assets	32,282,241 (a)	(6,528,007) (b)	270	25,754,504
Cash and cash equivalents:				
Cash (held at broker)	56,583,579	—	—	56,583,579
Cash	144,873,828	—	—	144,873,828
Currency options	—	928,553	—	928,553
Short term	—	269,913,773	—	269,913,773
Total cash and cash equivalents	201,457,407 (a)	270,842,326 (b)	—	472,299,733
Liabilities:				
Collateral held	(2,031,122)	—	—	(2,031,122)
Total liabilities	(2,031,122) (a)	—	—	(2,031,122)
Payables under				
Securities lending agreement	—	(103,853,681) (e)	—	(103,853,681)
	\$ 783,676,330	1,807,512,658	1,496,752,007	4,087,940,995

NESTLÉ HOURLY RETIREMENT PLAN

Notes to Financial Statements

December 31, 2013 and 2012

		December 31, 2012			
		Level 1	Level 2	Level 3	Total
Nestlé in the USA Pension					
Trust assets:					
Northern Trust Core					
Qualified Collateral Section	\$	—	104,540,605 (e)	—	104,540,605
Equities:					
Preferred		11,606,272	—	—	11,606,272
Common stock		265,563,834	919,742	—	266,483,576
Commingled funds		137,731,352	290,662,011	—	428,393,363
Equity derivatives		—	(37,759)	—	(37,759)
Rights and warrants		108,864	—	—	108,864
Total equities		415,010,322 (a)	291,543,994 (b)	—	706,554,316
Fixed income:					
Options and futures		—	(7,258)	—	(7,258)
Mutual funds		34,198,975	—	—	34,198,975
Collateralized obligations		—	70,172,532	769,167	70,941,699
Corporate bonds		—	973,314,615	—	973,314,615
Government and municipal		—	254,790,751	—	254,790,751
Bank loans		—	5,745,212	—	5,745,212
Other fixed income		—	—	62,582,047	62,582,047
Total fixed income		34,198,975 (a)	1,304,015,852 (b)	63,351,214 (c)	1,401,566,041
Hedge funds		—	—	704,537,154 (d)	704,537,154
Real estate		—	—	284,515,572 (d)	284,515,572
Venture capital and partnerships		—	—	278,990,153 (d)	278,990,153
Other assets:					
Diversified mutual funds		33,073,814	—	—	33,073,814
Options and swaps		—	32,174,431	—	32,174,431
Commodities		(3,620)	39,645	—	36,025
Misc.		19,980	—	270	20,250
Total other assets		33,090,174 (a)	32,214,076 (b)	270	65,304,520
Cash and cash equivalents:					
Cash (held at broker)		59,751,835	—	—	59,751,835
Cash		197,772,679	—	—	197,772,679
Currency options		—	947,880	—	947,880
Short term		(107)	252,402,983	—	252,402,876
Total cash and cash equivalents		257,524,407 (a)	253,350,863 (b)	—	510,875,270
Liabilities:					
Collateral held		(1,519,000)	—	—	(1,519,000)
Total liabilities		(1,519,000) (a)	—	—	(1,519,000)
Payables under					
Securities lending agreement		—	(104,540,605) (e)	—	(104,540,605)
	\$	738,304,878	1,881,124,785	1,331,394,363	3,950,824,026

NESTLÉ HOURLY RETIREMENT PLAN

Notes to Financial Statements

December 31, 2013 and 2012

Due to the Company's policy to diversify the holdings of the Pension Trust portfolio, there is no significant concentration of investments within any particular class of investments included above. The valuation methodologies utilized by the Plan and Pension Trust for the above investments as of December 31, 2013 and 2012, are as follows:

- (a) Based on quoted market prices in active markets
- (b) Based on investment manager or industry pricing services over investments. Certain fixed income pricing is on a bid-evaluation basis. Institutional bid evaluations are estimated prices. Pricing vendors use models, which are generally proprietary, to arrive at the estimated prices. These prices represent the price a dealer would pay for a security. Model inputs vary depending on the type of security, but typically include trade data, institutional bids, comparable trades, dealer quotes, and news media. Market data is provided by multiple independent sources, including primary and secondary dealers, portfolio managers, and research analysts.

Collateralized mortgage models are based on trade and quote activity of bonds with similar features including issuer, vintage, prepayment speeds, and purpose of the underlying loan (first or second lien).

Cash equivalents include short term fixed income instruments whose valuations are determined based upon maturity date, issue date, and credit ratings.

Commingled Funds are valued based on the net asset value of the fund as determined by the investment manager. The net asset value is the market value of all of the securities owned by a fund, minus its total liabilities divided by the number of shares issued. There are no redemption restrictions that would impact the liquidity of the fund. These funds are valued and traded at the net asset value on a daily basis.

U.S. Treasuries are priced by obtaining feeds from various live data sources including market makers and interdealer brokers.

Currency forwards use quoted foreign exchange rates in an active market or exchange. Over-the-counter options are valued using bid, ask/offer quotes that are binding and corroborated. Swaps are valued using the discounted cash flow method. The two legs (fixed and floating) are priced independently as the present value of their expected cash flows.

- (c) Certain fixed income securities (primarily certain collateralized obligations) are valued based upon evaluated prices using unobservable inputs (i.e., extrapolated data, proprietary models, and indicative quotes).
- (d) Investments in real estate funds, hedge funds, and private equity funds are based on the net asset values reported to the Company and trustee by the fund managers or the general partners of the fund. These net asset values are based on the fair value of the underlying portfolio investments held by the investment fund.

NESTLÉ HOURLY RETIREMENT PLAN

Notes to Financial Statements

December 31, 2013 and 2012

These fair values are determined by a variety of methods: real estate investments are valued at appraised values plus undistributed rental and interest income; hedge funds are valued by the investment manager using quoted market prices of underlying investments and evaluations supplied by industry pricing vendors; and private equity investments are valued using income and market based analysis.

Management has used the net asset value as a practical expedient to estimate the fair value of these investment funds. Limited partnerships are held until they unwind, which is typically ten years from the date of entering the investment. As of December 31, 2013 and 2012, unfunded commitments were \$197 million and \$215 million, respectively. For investments in hedge funds and real estate that allow partial and/or full redemptions, upon notice and upon the approval of the fund manager, the funds are typically paid out over multiple quarters. The redemption approval is based on factors including market conditions and other redemption requests in the queue. There are no gates or lock ups that would substantially impact the liquidity of the investments for either complete or partial liquidations. Redemptions occur at fair value, which is based on the most recent net asset value prior to the redemption. The Company currently has no intention of selling any of these investments at an amount other than the net asset value.

- (e) Fair value is based on the net asset value of the Core Collateral Fund as determined daily, by the trustee, using market prices of underlying investments and evaluations supplied by industry pricing vendors.

The Company's Level 3 investments are in venture capital, infrastructure, real estate, hedge funds, and fixed income partnerships. These investments are primarily limited partnership investments and are fair valued almost entirely using an audited net asset value (NAV). The fair values of Level 3 investments are estimated using techniques that may rely heavily on the investment managers' assumptions and qualitative observations. The Company uses the fair valuations from the investment managers and reviews and validates their valuation methods and processes throughout the year. The Company did not make any adjustments to any valuations. The Company's Director of Retirement Investments is responsible for ensuring accurate fair valuations of the Level 3 investments. The Director of Retirement Investments reports to the Chief Financial Officer of the Company. The Company establishes and follows valuation policies and procedures. The Company employs specialized investment consultants who perform due diligence on the valuation policies and procedures of the general partners before making the investments and periodically thereafter. Using their own procedures and systems, they evaluate the reasonableness of the partnerships' NAVs on a monthly and quarterly basis using industry comparisons, operating performance metrics and they conduct frequent reviews with the general partners. The Company periodically evaluates the fair valuation policies and procedures of these specialized investment consultants and requests and reviews the valuation policies of the investment managers and general partners annually. In addition to the funds and partnerships, in 2012, certain collateralized mortgage obligations are reported in the Level 3 investments as they were valued using nonbinding broker quotes.

NESTLÉ HOURLY RETIREMENT PLAN

Notes to Financial Statements

December 31, 2013 and 2012

A summary of changes in the fair value of Level 3 assets and liabilities for the years ended December 31, 2013 and 2012 is as follows:

	December 31, 2012	Gross purchases and issuances	Gross sales and settlements	Unrealized gains (losses)	Realized gains (losses)	December 31, 2013
Fixed income	\$ 63,351,214	25,627,364	(10,680,230)	6,050,878	3,786,790	88,136,016
Hedge funds	704,537,154	131,847,919	(79,456,794)	42,629,296	8,052,537	807,610,112
Real estate	284,515,572	59,052,831	(63,475,888)	3,150,754	13,766,835	297,010,104
Venture capital and partnerships	278,990,153	41,555,421	(57,108,060)	30,596,225	9,961,766	303,995,505
Other assets	270	—	—	—	—	270
	<u>\$ 1,331,394,363</u>	<u>258,083,535</u>	<u>(210,720,972)</u>	<u>82,427,153</u>	<u>35,567,928</u>	<u>1,496,752,007</u>

	December 31, 2011	Transfers January 1, 2012*	Gross purchases and issuances	Gross sales and settlements	Unrealized gains (losses)	Realized gains (losses)	December 31, 2012
Fixed income	\$ 55,268,742	28,240,588	61,824,682	(99,462,834)	(857,651)	18,337,687	63,351,214
Hedge funds	698,452,961	(34,632,110)	25,208,821	(29,709,077)	44,148,082	1,068,477	704,537,154
Real estate	239,023,794	—	53,542,879	(36,879,239)	22,398,747	6,429,391	284,515,572
Venture capital and partnerships	252,439,341	—	49,948,829	(40,579,915)	14,096,499	3,085,399	278,990,153
Other assets	—	270	—	—	—	—	270
	<u>\$ 1,245,184,838</u>	<u>(6,391,252)</u>	<u>190,525,211</u>	<u>(206,631,065)</u>	<u>79,785,677</u>	<u>28,920,954</u>	<u>1,331,394,363</u>

* The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another.

The significance of transfers between levels is evaluated based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. There were no transfers into or out of Level 3 in 2013. While not considered significant, a transfer of \$6 million of fixed income investments was made from Level 3 to Level 2 in 2012. This is due to the inclusion of observable inputs in pricing the investments resulting in improved pricing transparency. There were no significant transfers into or out of Level 1 during 2013 or 2012.

(9) Tax Status

The Internal Revenue Service (IRS) has determined and informed the Plan by a letter dated February 15, 2011 that the Plan and related trust are designed in accordance with applicable Sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the Plan Administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

NESTLÉ HOURLY RETIREMENT PLAN

Notes to Financial Statements

December 31, 2013 and 2012

U.S. generally accepted accounting principles require the Plan Administrator to evaluate tax positions taken by the Plan. The financial statement effects are recognized when the Plan has taken an uncertain position that more likely than not would be sustained upon examination by the IRS. The Plan Administrator has analyzed the tax positions taken by the Plan and has concluded that as of December 31, 2013, there are no uncertain tax positions taken or expected to be taken.

The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes the Plan is no longer subject to income tax examinations for years prior to 2010.

(10) Reconciliation of Financial Statements to Form 5500

Contributions of \$14,058,000 and \$16,717,000 were made by the Company during 2014 and 2013, respectively. Since the contributions were made prior to September 15, the contributions have been designated for the 2013 and 2012 plan years, respectively, for tax purposes on Form 5500. However, the Plan recognized \$16,717,000 in the 2013 financial statements, as this was the amount required to meet the minimum funding requirements and/or the Company's funding policy.

The following is a reconciliation of net assets available for benefits per the financial statements as of December 31, 2013 and 2012 to Form 5500:

	<u>2013</u>	<u>2012</u>
Net assets available for benefits per the financial statements	\$ 609,321,554	580,462,438
Add contributions received for current plan year	<u>14,058,000</u>	<u>16,717,000</u>
Net assets available for benefits per Form 5500	<u>\$ 623,379,554</u>	<u>597,179,438</u>

The following is a reconciliation of the Plan's employer contributions per the financial statements for the year ended December 31, 2013 to Form 5500:

	<u>2013</u>
Employer contributions per the financial statements	\$ 16,717,000
Add contributions received for current plan year	14,058,000
Less contributions received for prior plan year	<u>(16,717,000)</u>
Employer contributions per Form 5500	<u>\$ 14,058,000</u>

(11) Subsequent Events

The Plan has evaluated subsequent events through October 8, 2014, the date these financial statements were available for issuance. Except as otherwise noted throughout the notes to financial statements, there are no material subsequent events to report.

Nestlé USA, Inc. — Nestlé Hourly Retirement Plan

EIN: 95-1572209 PN: 006

Schedule R, line 18 –Funded Percentage of Plans Contributing to the Liabilities of Plan Participants

Plan Name	NESTLE HOURLY RETIREMENT PLAN	NESTLE USA PENSION PLAN	NESTLE USA HOURLY PENSION PLAN	SACRAMENTO CAN PENSION PLAN	GERBER-FT. SMITH HOURLY PENSION PLAN	GERBER- FREMONT HOURLY PENSION PLAN	GERBER- REEDSBURG HOURLY PENSION PLAN
Employer ID Number	95-1572209	95-1572209	95-1572209	95-1572209	95-1572209	95-1572209	95-1572209
Plan Number	006	042	047	050	111	112	113
Funding Percentage	118.8%	110.9%	126.7%	119.8%	144.5%	142.0%	110.1%

Nestlé USA, Inc. — Nestlé Hourly Retirement Plan

EIN: 95-1572209 PN: 006

2013 Schedule SB, Line 22 – Description of Weighted Average Retirement Age

Aggregate Calculation of Weighted Average Retirement Age for NHRP

Description of Weighted Average Retirement Age

Retirement rates vary by participant groups. The weighted average age across all participant groups, based on plan demographics as of the valuation date, is 63.

Group	Count of Actives	Weight	Average Age	Weight*Age
HRET	1,728	36%	63.90	23.06
CHPP	1,120	23%	62.29	14.57
CPP	838	18%	62.29	10.90
Fort Smith / Fremont	1,102	23%	62.46	14.38
	4,788	100%		63

Participant group: Nestlé Hourly Retirement Plan (HRET)

Description of Weighted Average Retirement Age

<u>Age</u>	<u>Retirement Rate</u>	<u>1.00 - Retirement Rate</u>	<u>Probability of Remaining Active</u>	<u>Percentage Retiring at Age</u>	<u>Age Times Percentage Retiring</u>
54	0.00%	100.00%	100.00%	0.00%	0.00
55	1.00%	99.00%	99.00%	1.00%	0.55
56	2.00%	98.00%	97.02%	1.98%	1.11
57	2.00%	98.00%	95.08%	1.94%	1.11
58	2.00%	98.00%	93.18%	1.90%	1.10
59	2.00%	98.00%	91.31%	1.86%	1.10
60	2.00%	98.00%	89.49%	1.83%	1.10
61	2.00%	98.00%	87.70%	1.79%	1.09
62	18.00%	82.00%	71.91%	15.79%	9.79
63	18.00%	82.00%	58.97%	12.94%	8.15
64	8.00%	92.00%	54.25%	4.72%	3.02
65	50.00%	50.00%	27.13%	27.13%	17.63
66	50.00%	50.00%	13.56%	13.56%	8.95
67	50.00%	50.00%	6.78%	6.78%	4.54
68	50.00%	50.00%	3.39%	3.39%	2.31
69	50.00%	50.00%	1.70%	1.70%	1.17
70	100.00%	0.00%	0.00%	1.70%	1.19
				100.00%	

Average Retirement Age: 64

Nestlé USA, Inc. — Nestlé Hourly Retirement Plan

EIN: 95-1572209 PN: 006

2013 Schedule SB, Line 22 – Description of Weighted Average Retirement Age

Participant group: Nestlé USA Hourly Pension Plan (CHPP)

Description of Weighted Average Retirement Age

<u>Age</u>	<u>Retirement Rate</u>	<u>1.00 - Retirement Rate</u>	<u>Probability of Remaining Active</u>	<u>Percentage Retiring at Age</u>	<u>Age Times Percentage Retiring</u>
54	0.00%	100.00%	100.00%	0.00%	0.00
55	5.00%	95.00%	95.00%	5.00%	2.75
56	5.00%	95.00%	90.25%	4.75%	2.66
57	5.00%	95.00%	85.74%	4.51%	2.57
58	5.00%	95.00%	81.45%	4.29%	2.49
59	5.00%	95.00%	77.38%	4.07%	2.40
60	5.00%	95.00%	73.51%	3.87%	2.32
61	12.00%	88.00%	64.69%	8.82%	5.38
62	25.00%	75.00%	48.52%	16.17%	10.03
63	13.00%	87.00%	42.21%	6.31%	3.97
64	15.00%	85.00%	35.88%	6.33%	4.05
65	50.00%	50.00%	17.94%	17.94%	11.66
66	50.00%	50.00%	8.97%	8.97%	5.92
67	50.00%	50.00%	4.48%	4.48%	3.00
68	50.00%	50.00%	2.24%	2.24%	1.52
69	50.00%	50.00%	1.12%	1.12%	0.77
70	100.00%	0.00%	0.00%	1.12%	0.78
				100.00%	

Average Retirement Age: 62

Participant group: Nestlé USA Pension Plan (CPP)

Description of Weighted Average Retirement Age

<u>Age</u>	<u>Retirement Rate</u>	<u>1.00 - Retirement Rate</u>	<u>Probability of Remaining Active</u>	<u>Percentage Retiring at Age</u>	<u>Age Times Percentage Retiring</u>
54	0.00%	100.00%	100.00%	0.00%	0.00
55	5.00%	95.00%	95.00%	5.00%	2.75
56	5.00%	95.00%	90.25%	4.75%	2.66
57	5.00%	95.00%	85.74%	4.51%	2.57
58	5.00%	95.00%	81.45%	4.29%	2.49
59	5.00%	95.00%	77.38%	4.07%	2.40
60	5.00%	95.00%	73.51%	3.87%	2.32
61	12.00%	88.00%	64.69%	8.82%	5.38
62	25.00%	75.00%	48.52%	16.17%	10.03
63	13.00%	87.00%	42.21%	6.31%	3.97
64	15.00%	85.00%	35.88%	6.33%	4.05
65	50.00%	50.00%	17.94%	17.94%	11.66
66	50.00%	50.00%	8.97%	8.97%	5.92
67	50.00%	50.00%	4.48%	4.48%	3.00
68	50.00%	50.00%	2.24%	2.24%	1.52
69	50.00%	50.00%	1.12%	1.12%	0.77
70	100.00%	0.00%	0.00%	1.12%	0.78
				100.00%	

Average Retirement Age: 62

Participant group: Gerber-Fort Smith and Gerber-Fremont

Description of Weighted Average Retirement Age

<u>Age</u>	<u>Retirement Rate</u>	<u>1.00 - Retirement Rate</u>	<u>Probability of Remaining Active</u>	<u>Percentage Retiring at Age</u>	<u>Age Times Percentage Retiring</u>
54	0.00%	100.00%	100.00%	0.00%	0.00
55	0.00%	100.00%	100.00%	0.00%	0.00
56	0.00%	100.00%	100.00%	0.00%	0.00
57	10.00%	90.00%	90.00%	10.00%	5.70
58	5.00%	95.00%	85.50%	4.50%	2.61
59	5.00%	95.00%	81.23%	4.28%	2.52
60	5.00%	95.00%	77.16%	4.06%	2.44
61	5.00%	95.00%	73.31%	3.86%	2.35
62	30.00%	70.00%	51.31%	21.99%	13.63
63	10.00%	90.00%	46.18%	5.13%	3.23
64	10.00%	90.00%	41.56%	4.62%	2.96
65	100.00%	0.00%	0.00%	41.56%	27.02
66	100.00%	0.00%	0.00%	0.00%	0.00
67	100.00%	0.00%	0.00%	0.00%	0.00
68	100.00%	0.00%	0.00%	0.00%	0.00
69	100.00%	0.00%	0.00%	0.00%	0.00
70	100.00%	0.00%	0.00%	0.00%	0.00
				<u>100.00%</u>	

Average Retirement Age: 62

Schedule SB - Statement by Enrolled Actuary

Plan Sponsor	Nestlé USA, Inc.
EIN/PN	95-1572209/006
Plan Name	Nestlé Hourly Retirement Plan
Valuation Date	January 1, 2013
Enrolled Actuary	Thad Summersett
Enrollment Number	14-07261

The actuarial assumptions that are not mandated by IRC § 430 and regulations, represent the enrolled actuary's best estimate of anticipated experience under the plan, subject to the following conditions:

The actuarial valuation, on which the information in this Schedule SB is based, has been prepared in reliance upon the employee and financial data furnished by the plan administrator and the trustee. The enrolled actuary has not made a rigorous check of the accuracy of this information but has accepted it after reviewing it and concluding it is reasonable in relation to similar information furnished in previous years. The amounts of contributions and dates paid shown in Item 18 of Schedule SB were listed in reliance on information provided by the plan administrator and/or trustee.

Statement of Actuarial Assumptions and Methods

1. Assumptions and methods for contribution purposes

Actuarial Assumptions and Methods — Contributions

Economic Assumptions

Interest rate basis:

- | | |
|---|---------------|
| ▶ Applicable month | January 2013 |
| ▶ Yield curve basis | Segment rates |
| ▶ Map-21 applied for funding and benefit restrictions | Yes |
| ▶ ASC 960 discount rate | 7.00% |

Interest rates:

- | | | |
|-----------------------|-------------|-------------|
| | For Minimum | For Maximum |
| ▶ First segment rate | 4.94% | 1.62% |
| ▶ Second segment rate | 6.15% | 4.40% |
| ▶ Third segment rate | 6.76% | 5.45% |

Annual rates of increase:

- | | |
|-----------------------------|---------------------------------|
| ▶ Compensation | Varies by age,
average 3.50% |
| | Sample rates: |
| | <u>Age</u> <u>Rate:</u> |
| | 25 5.50% |
| | 40 3.50% |
| | 55 3.00% |
| ▶ Social Security wage base | 3.50% |
| ▶ Lump sum rates | 4.94%/6.15%/6.76% |
| ▶ Lump sum rate for ASC 960 | 6.00% |

Demographic Assumptions

Inclusion date The valuation date coincident with or next following the date on which the employee becomes a participant.

Mortality

- ▶ Healthy Separate rates for non-annuitants (based on RP-2000 “Employees” table without collar or amount adjustments, projected to 2028 using Scale AA) and annuitants (based on RP-2000 “Healthy Annuitants” table without collar or amount adjustments, projected to 2020 using Scale AA).
- ▶ Disabled Single table rates (based on RP-2000 “Healthy Annuitants” table without collar or amount adjustments, projected to 2020 using Scale AA).

Termination

Rates varying by age, service and plan

Representative Termination Rates

- ▶ Nestlé Pension Plan
(Excludes FPCB)

Percentage leaving during the year										
Participant Group	NUSA Traditional Salaried	NPPC Traditional Salaried	NUSA Traditional Hourly	NPPC Traditional Hourly		NUSA PEP Salaried		NPPC PEP Salaried		NUSA PEP Hourly
Years of Service Attained Age	All	All	All	<2	>5	<2	>5	<2	>5	<2 >5
25	19.9%	17.8%	23.4%	46.3%	21.8%	47.8%	19.8%	48.3%	19.0%	58.3% 20.7%
40	7.3%	5.7%	7.0%	20.3%	7.4%	20.3%	9.3%	20.3%	6.4%	25.3% 8.7%
50	4.9%	3.8%	4.3%	14.3%	4.1%	16.3%	7.3%	15.3%	4.3%	20.3% 6.3%

- ▶ Nestlé Pension Plan
(FPCB)

Percentage leaving during the year	
Attained Age	
25	12.0%
40	6.0%
50	3.0%

- ▶ Nestlé Hourly Retirement

Percentage leaving during the year						
Sub Plan	HRET		CHPP	CPP	Gerber Hourly Plans	
Years of Service Attained Age	<3	>3			Males	Females
25	31.0%	9.4%	24.5%	21.7%	7.1%	11.2%
40	10.7%	4.3%	10.4%	10.1%	1.8%	3.5%
50	5.5%	2.3%	7.6%	7.7%	0.4%	1.1%

► Infant Nutrition

Percentage leaving during the year								
Attained Age	Years of Service							
	<1		1-2		2-3		>3	
	Males	Females	Males	Females	Males	Females	Males	Females
25	35.6%	38.3%	23.7%	25.5%	17.8%	19.1%	11.9%	12.8%
40	14.0%	16.1%	9.3%	10.8%	7.0%	8.1%	4.7%	5.4%
55	3.6%	5.4%	2.4%	3.6%	1.8%	2.7%	1.2%	1.8%

► Gerber Life

Percentage leaving during the year	
Attained Age	
25	11.6%
40	5.5%
55	0.0%

Disability

Rates varying by age, sex, and plan.

Representative Disability Rates

► Nestlé Pension Plan
(Excludes FPCB)

Percentage becoming disabled during the year				
Participant Group	NUSA Hourly		All other	
Age	Males	Females	Males	Females
30	0.15%	0.60%	0.06%	0.09%
40	0.43%	0.69%	0.07%	0.11%
50	0.95%	1.25%	0.18%	0.27%

► Nestlé Hourly Retirement
(HRET)

Percentage becoming disabled during the year		
Age	Males	Females
30	0.09%	0.12%
40	0.22%	0.43%
50	0.64%	0.67%

► Nestlé Hourly Retirement
(Gerber Hourly Plans)

Percentage becoming disabled during the year		
Age	Males	Females
25	0.3%	0.4%
40	0.3%	0.5%
50	0.6%	0.9%

► Gerber Life

Percentage becoming disabled during the year		
Age	Males	Females
25	0.1%	0.1%
40	0.2%	0.3%
50	0.5%	0.6%

► All other plans

None Assumed.

Retirement

Rates varying by age and plan

Representative Retirement Rates

► Nestlé Pension Plan
(Excludes FPCB)

Percentage leaving during the year							
Participant Group	NUSA Traditional Salaried	NPPC Traditional Salaried	NUSA Traditional Hourly	NPPC Traditional Hourly	NUSA PEP Salaried	NPPC PEP Salaried	NUSA PEP Hourly
Attained Age							
55	7.5%	5.0%	7.5%	7.5%	7.5%	7.5%	7.5%
60	16.5%	11.5%	16.5%	16.5%	16.5%	11.5%	11.5%
62	27.5%	22.5%	32.5%	30.0%	27.5%	27.5%	25.0%
65	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
70	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

► Nestlé Pension Plan
(FPCB)

Percentage leaving during the year	
Attained Age	
55	7.0%
60	7.0%
62	28.0%
65	100.0%
70	100.0%

► Nestlé Hourly Retirement

Percentage leaving during the year				
Sub Plan	HRET	CHPP	CPP	Gerber Hourly Plans
Attained Age				
55	1.0%	5.0%	5.0%	0.0%
60	2.0%	5.0%	5.0%	5.0%
62	18.0%	25.0%	25.0%	30.0%
65	50.0%	50.0%	50.0%	100.0%
70	100.0%	100.0%	100.0%	100.0%

► Infant Nutrition and Gerber Life

Percentage leaving during the year

Attained Age	
55	2.0%
62	21.0%
65	100.0%

Benefit commencement date:

Nestlé Pension Plan and Nestlé Hourly Retirement (excludes Gerber Hourly Plans)

- Preretirement death benefit The later of the death of the active participant or the date the participant would have attained age 65
- Deferred vested benefit Age 60. Immediate for NPEP lump sum and 50% immediate for PPEP lump sum.
- Disability benefit Age 65
- Retirement benefit Upon termination of employment

Nestlé Hourly Retirement (Gerber Hourly Plans)

- ▶ Preretirement death benefit Upon death, vesting and eligibility for dependent spouse and estate. Upon participant's early retirement date for surviving spouse
- ▶ Deferred vested benefit Age 65
- ▶ Disability benefit Upon disability and eligibility for benefit
- ▶ Retirement benefit Upon termination of employment and eligibility for benefit

Infant Nutrition and Gerber Life

- ▶ Preretirement death benefit Upon death and eligibility for benefit
- ▶ Deferred vested benefit Upon termination of employment and eligibility for benefit
- ▶ Disability benefit Upon disability and eligibility for benefit
- ▶ Retirement benefit Upon termination of employment and eligibility for benefit

Form of payment

Nestlé Pension Plan (Excludes FPCB)

Married Participants

<u>Participant Group</u>	<u>Termination Benefit</u>				<u>Retirement Benefit</u>			
	<u>Life</u>	<u>Cert & Life</u>	<u>J&S</u>	<u>Lump sum</u>	<u>Life</u>	<u>Cert & Life</u>	<u>J&S</u>	<u>Lump sum</u>
NUSA FAP	10%	0%	20%	70%	0%	0%	20%	80%
NUSA PEP	10%	0%	20%	70%	0%	0%	20%	80%
NPPC FAP	10%	10%	80%	0%	10%	10%	80%	0%
NPPC CAP	10%	10%	80%	0%	10%	10%	80%	0%
NPPC PEP	0%	0%	0%	100%	0%	0%	10%	90%

Single Participants

<u>Participant Group</u>	<u>Termination Benefit</u>				<u>Retirement Benefit</u>			
	<u>Life</u>	<u>Cert & Life</u>	<u>J&S</u>	<u>Lump sum</u>	<u>Life</u>	<u>Cert & Life</u>	<u>J&S</u>	<u>Lump sum</u>
NUSA FAP	30%	0%	0%	70%	20%	0%	0%	80%
NUSA PEP	30%	0%	0%	70%	20%	0%	0%	80%
NPPC FAP	70%	30%	0%	0%	70%	30%	0%	0%
NPPC CAP	70%	30%	0%	0%	70%	30%	0%	0%
NPPC PEP	0%	0%	0%	100%	10%	0%	0%	90%

Nestlé Pension Plan (FPCB) and Nestlé Hourly Retirement (Excludes Gerber Hourly Plans)

Married Participants

50% single life annuity, 50% J&S

Single Participants

100% single life annuity

Nestlé Hourly Retirement (Gerber Hourly Plans)

Life annuity

Infant Nutrition and Gerber Life

Lump sum

Percent married

75% for Gerber Life, 80% all other plans

Spouse age

Wife three years younger than husband.

Covered pay

Average of prior three years' pensionable earnings, increased with one year's salary increase assumption.

Administrative expenses	0.25% of beginning-of-year fair market value of assets for the Nestlé Pension Plan and Nestlé Hourly Retirement Plan, 0.75% for the Nestlé Infant Nutrition Pension Plan, and 1.00% for the Gerber Life Insurance Company Retirement Plan.
At-risk assumptions	For at-risk calculations, all participants eligible to elect benefits during the current and subsequent ten plan years are assumed to commence benefits at the earliest possible date under the plan, but not before the end of the current plan year. In addition, these participants (not just those eligible to begin benefits within the next 11 years) are assumed to elect the most valuable form of benefit.
Timing of benefit payments	Annuity payments are payable monthly at the beginning of the month and lump sum payments are payable on date of decrement.

Methods

Valuation date	First day of plan year
Funding target	Present value of accrued benefits
Target normal cost	Present value of benefits expected to accrue during plan year plus plan-related expenses expected to be paid from plan assets during the year
Actuarial value of assets	Market value of assets, including contributions receivable
Funding policy	Nestlé USA's general funding policy is to make contributions for each plan year in an amount not less than the minimum required contribution under ERISA and to target 100% funded status on a Pension Protection Act (PPA) basis. This will not exceed the maximum tax-deductible contribution. Nestlé may vary its contribution level, if appropriate to its tax and cash position and the funded status.
Benefits not valued	<p>All benefits described in the Plan Provisions section of this report were valued. Towers Watson has reviewed the plan provisions with Nestlé and is not aware of any significant benefits required to be valued that were not.</p> <p>Small benefits with present values up to \$5,000 may be paid in a single lump sum payment. Such lump sums are not explicitly valued as such; rather, such participants' benefits are valued using the benefit choice assumptions described above.</p>
Change in assumptions and methods since prior valuation	<p>The required mortality table used to calculate the funding target and target normal cost was updated to include one additional year of projected mortality improvements.</p> <p>The ASC 960 discount rate was changed from 8.50% to 7.00% to reflect Nestlé's long-term expected rate of return on plan assets.</p>

Nestlé Hourly Retirement Plan

Plan Provisions

The most recent amendment reflected in the following plan provisions was effective in 2013.

Covered employees	Hourly employees of Nestlé Food Company at covered locations			
Participation date:	<i>Location</i>	<i>Age</i>	<i>Service</i>	<i>Entry Date</i>
	Allentown	0	0	January 1
	Beich	21	0	Immediate
	Burlington	21	0	Immediate
	Crete	0	0	January 1
	Decatur	21	1	Immediate
	Franklin Park	20	0	Immediate; 1 year of service for Local 552; 3 months of service for Local 339
	Freehold	21	0	January 1 or July 1
Type of plan	Dollar per month			

Definitions

Vesting service	One year for each 1,000-hour year of employment after age 18. From date of hire for Crete and Allentown. Pro-rata for more than 500 hours for Freehold
Credited service	One year for each 1,000-hour year of employment. From date of hire for Crete, Allentown, and Franklin Park
Pensionable earnings	Calendar year W-2 compensation, excluding expense reimbursements, and including 401(k) and 125 deferrals

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Accumulated benefit:

Decatur*: 50% of FAE – 75% of Social Security benefit, prorated for less than 30 years of service at NRD, times the ratio of actual credited service to service at NRD

<i>Location</i>	<i>Monthly Benefit** X Credited Service</i>	<i>Minimum Annual Benefit</i>	<i>Effective Date</i>	<i>Maximum Service</i>
Allentown	\$43 for service from 1/1/2012 + \$40 for service from 3/15/2009 to 12/31/2011 + \$36 for service from 1/1/2009 to 3/14/2009 + \$35 for service from 3/15/2004 to 1/1/2009 + \$29 for service from 1/1/2002 to 3/15/2004 + \$28 for service from 12/1/1994 to 12/31/2001 + \$4 for service before 12/1/1994	None	01/01/2012	None
Beich	\$38	\$120	03/06/2011	30 years, if hired after March 10, 1991
Burlington	\$46	\$130	02/15/2015	35 years
Crete	\$35.25 for service after 12/1/94 + \$5.50 for service before 12/1/94	None	02/04/2013	None
Decatur*	\$27	None	07/01/1997	None
Franklin Park	\$36.50	None	11/18/2012	None
Freehold	\$53.75	\$100	08/01/2010	30 years, if hired after August 1, 1989

* If a person in the Decatur location becomes a participant after 7/1/1997, he receives the dollar-per month formula. If he became a participant before 7/1/1997, he receives the better of the dollar-per-month or the pay-related formula.

** Reflects ultimate benefit levels used for the IAS 19 valuation. See Appendix C for more detail.

Eligibility for Benefits

Normal retirement	Most locations	Retirement on or after both attaining age 65 and completing three years of vesting service
	Allentown	Retirement on or after both attaining age 62 and completing three years of vesting service
Early retirement	Most locations	Retirement before NRD and on or after both attaining age 55 and completing ten years of vesting service
	Allentown	Retirement before NRD and on or after both attaining age 50 and completing ten years of vesting service
	Crete	Retirement before NRD and on or after both attaining age 50 and completing ten years of vesting service
	Decatur	Retirement before NRD and on or after both attaining age 55 and completing three years of vesting service
Vested termination		Termination for reasons other than death or retirement after completing three years of vesting service
Disability	Most locations	Permanent and total disability after completing ten years of vesting service
	Franklin Park	Permanent and total disability on or after both attaining age 50 and completing fifteen years of service
Preretirement death benefit	Most locations	Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse on or after completing three years of vesting service
	Allentown	Early retirement date
	Freehold	Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse on or after both attaining age 55 and completing three years of vesting service

Benefits Paid Upon the Following Events

Normal retirement (NRD)		Accrued benefit payable immediately.
Early retirement	Most locations	Accrued benefit reduced 6% for each year of the first five years prior to age 65, and 4% for each additional year
	Allentown	Accrued benefit reduced 5% for each year prior to NRD
	Crete	Accrued benefit reduced 6% for each of the first five years, and 5% for each of the next five years and 4% for each additional year
	Decatur	Accrued benefit reduced 6.667% for each of the first five years prior to age 65, and 3.333% for each additional year
Vested termination		Accrued benefit payable at NRD, or reduced as for early retirement, or actuarially reduced to age 40
Disablement	Most locations	Accrued benefit payable immediately, with additional accrual to age 65 for Crete
	Franklin Park	Accrued benefit payable immediately
Preretirement death	Most locations	Reduced immediate pension payable for the life of the spouse
	Allentown	Reduced pension payable for life of spouse
	Freehold	If married, reduced 100% joint and survivor early retirement benefit if attained age 55 or 100% accrued benefit for all others reduced to be payable at 40.
	Crete (pre-65)	Greater of reduced pension payable for life of spouse and 45% of accrued benefit unreduced
	Crete (post-65)	100% joint and survivor benefit

Other Plan Provisions

Normal form of payment:	Life annuity for single employees; 100% joint and survivor for married employees
Pension increases	None
Plan participants' contributions	None
Maximum on benefits and pay	All benefits and pay for any calendar year may not exceed the maximum limitations for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes become effective. Increases in the dollar limits are assumed for determining pension cost but not for determining contributions.

Optional Forms of Payment

Participant Group	Actuarial Equivalence	Optional Forms
Allentown	<ul style="list-style-type: none"> 8.00% 	1) Single Life Annuity
Stoughton	<ul style="list-style-type: none"> UP-1984 (20% female, 80% male) 	2) 50%, 75% & 100% Joint Survivor Annuity
Weirton (closed)		3) 10 year Certain and Life Annuity, 15 year Certain and Life Annuity (Allentown)
		4) 5 year Certain and Life Annuity, 10 year Certain and Life Annuity (Weirton)
Beechnut	<ul style="list-style-type: none"> 8.50% 1971 GAM 	1) Single Life Annuity
		2) 50%, 75% & 100% Joint Survivor Annuity
		3) 5 year Certain and Life Annuity, 10 year Certain and Life Annuity
Bloomington	<ul style="list-style-type: none"> 6.00% 	1) Single Life Annuity
Burlington	<ul style="list-style-type: none"> 1979 Buck (80% male set back 1 year, 20% female set back 2 years) 	2) 50% & 100% Joint Survivor Annuity
Cains (closed)*		3) Any option with 5 year Certain and Life Annuity (if 55/10, Fulton & Granite City)
Freehold (If not 60/10)		
Fulton (closed)		
Granite City (closed)*		
New Milford (closed)*		
Ripon (closed)*		
Sunbury (closed)*		

* Not programmed in dbConnect Pension Calculator.

Optional Forms of Payment (cont.)

Participant Group	Actuarial Equivalence	Optional Forms
Carnation #1	<ul style="list-style-type: none"> 8.00% 1994 GAR 	1) Single Life Annuity 2) 50% & 100% Joint Survivor Annuity
Crete	<ul style="list-style-type: none"> 8.00% 	1) Single Life Annuity
b) Married participants	<ul style="list-style-type: none"> UP-1984 (20% female, 80% male) of table of factors if better 	2) 50% & 100% Joint Survivor Annuity
c) Unmarried participants		3) 10 year Certain and Life Annuity, 15 year Certain and Life Annuity 4) 20% Joint & Spousal Annuity (only if married, no reduction)
Decatur (closed)	<ul style="list-style-type: none"> 8.00% TSA-IV projected to 1965 with Scale C 	1) Single Life Annuity 2) 50%, 75% & 100% Joint Survivor Annuity 3) 10 year Certain and Life Annuity
Drumstick (married participants only) (closed)*	<ul style="list-style-type: none"> Table of factors 	1) Single Life Annuity 2) 50% & 100% Joint Survivor Annuity 3) 3 year Certain and Life Annuity, 10 year Certain and Life Annuity
Franklin Park	<ul style="list-style-type: none"> 10.50% UP-1984 (20% female, 80% male) 	1) Single Life Annuity 2) 50% & 100% Joint Survivor Annuity

* Not programmed in dbConnect Pension Calculator.

Optional Forms of Payment (cont.)

Participant Group	Actuarial Equivalence	Optional Forms
Freehold Participants who are at least 60/10	<ul style="list-style-type: none"> 6.00% 1979 Buck (80% male set back 1 year, 20% female set back 2 years) 	<ol style="list-style-type: none"> 1) Single Life Annuity 2) 50% & 100% Joint Survivor Annuity 3) Lump Sum
Salinas (closed)*	<ul style="list-style-type: none"> 6.00% 1979 Buck (80% male set back 1 year, 20% female set back 2 years); Table for pop-up 	<ol style="list-style-type: none"> 1) Single Life Annuity 2) 50% & 100% Joint Survivor Annuity 3) 50% & 100% Joint Survivor Annuity with pop-up
Stouffer Hourly	<ul style="list-style-type: none"> 8.00% 1971 TPF&C Forecast set back 3 years 	<ol style="list-style-type: none"> 1) Single Life Annuity 2) 50%, 75% & 100% Joint Survivor Annuity 3) 10 year Certain and Life Annuity

Future Plan Changes

Ultimate benefit levels were recognized in determining pension cost. Ultimate benefit levels negotiated on or before December 31, 2012 were recognized in determining plan accounting liabilities. Benefit increases negotiated on or before January 1, 2013, and effective during 2013 were recognized in determining contribution requirements.

Changes in Benefits Valued Since Prior Year

The ultimate benefit level for Franklin Park increased from \$35.00 to \$36.50.

Nestlé Hourly Retirement Plan (Formerly Nestlé USA Hourly Pension Plan)

Plan Provisions

Effective January 1, 2013, this plan merged into the Nestlé Hourly Retirement Plan.

The most recent amendment reflected in the following plan provisions was effective in 2012.

Covered employees	Nonunion hourly employees
Participation date	Completion of one year of service
Type of plan	Dollar per month

Definitions

Vesting service	One year for each 1,000-hour year of employment
Credited service	One year for each 2,000-hour year of employment; partial credit for partial years
Accumulated benefit:	Benefit level x credited service. See Appendix C for locations and benefit levels.

Eligibility for Benefits

Normal retirement	Retirement on or after attaining age 65
Early retirement	Retirement before NRD and on or after both attaining age 55 and completing three years of vesting service
Postponed retirement	Retirement after both attaining age 65
Vested termination	Termination for reasons other than death or retirement after completing three years of vesting service
Disability	Permanent and total disability after completing five years of vesting service
Preretirement death benefit	Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse on or after completing three years of vesting service

Benefits Paid Upon the Following Events

Normal retirement (NRD)	Accrued benefit payable immediately
Early retirement	Accrued benefit reduced 6.67% for each of the first five years prior to age 65, and 3.33% for each additional year
Postponed retirement	Accrued benefit payable immediately
Vested termination	Accrued benefit payable unreduced at age 65, reduced 6.67% for each of the first five years prior to age 65, and 3.33% for each additional year.

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Disablement	Accrued benefit payable immediately
Preretirement death	If married, reduced 100% early retirement benefit if attained age 55 or 100% accrued benefit for all others reduced to be payable at age 55

Other Plan Provisions

Normal form of payment	Life annuity for single participants; 100% joint and survivor for married participants
Pension increases	None
Plan participants' contributions	None
Maximum on benefits and pay	All benefits and pay for any calendar year may not exceed the maximum limitations for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes become effective. Increases in the dollar limits are assumed for determining pension cost but not for determining contributions.

Optional Forms of Payment

Participant Group	Actuarial Equivalence	Optional Forms
All Locations	<ul style="list-style-type: none">• 8.00%• 1994 GAR	<ol style="list-style-type: none">1) Single Life Annuity2) 50% & 100% Joint Survivor Annuity

Future Plan Changes

No future plan changes were recognized in determining pension cost, plan accounting liabilities, or minimum and maximum contributions.

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since the prior year.

Nestlé Hourly Retirement Plan (Formerly Nestlé USA Pension Plan)

Plan Provisions

Effective January 1, 2013, this plan merged into the Nestlé Hourly Retirement Plan.

The most recent amendment reflected in the following plan provisions was effective in 2013.

Covered employees	Union employees of the covered locations
Participation date	Date of hire
Type of plan	Dollar per month

Definitions

Vesting service	One year for each 1,000-hour calendar year of employment
Credited service	One year for each 1,600-hour calendar year of employment at Morton, St. Joseph (Packers), and Fort Dodge; 1,800 hours at the other locations
Accumulated benefit:	Benefit level x credited service. See Appendix C for locations and benefit levels.

Eligibility for Benefits

Normal retirement	Retirement after attaining age 65
Early retirement	Retirement before NRD and on or after both attaining age 55 and completing three years of vesting service
Postponed retirement	Retirement after attaining age 65
Vested termination	Termination for reasons other than death or retirement after completing three years of vesting service
Disability	Permanent and total disability after completing five years of vesting service
Preretirement death benefit	Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse on or after completing three years of vesting service

Benefits Paid Upon the Following Events

Normal retirement (NRD)	Accrued benefit payable immediately
Early retirement	Accrued benefit reduced 6.67% for each of the first five years prior to age 65, and 3.33% for each additional year
Postponed retirement	Accrued benefit payable immediately
Vested termination	Accrued benefit payable unreduced at 65, reduced 6.67% for each of the first five years prior to age 65, and

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	3.33% for each additional year
Disablement	Accrued benefit payable immediately
Preretirement death	If married, reduced 100% early retirement benefit if attained age 55 or 100% accrued benefit for all others reduced to be payable at age 55

Other Plan Provisions

Normal form of payment	Life annuity for single participants; 100% joint and survivor for married participants
Pension increases	None
Plan participants' contributions	None
Maximum on benefits and pay	All benefits and pay for any calendar year may not exceed the maximum limitations for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes become effective. Increases in the dollar limits are assumed for determining pension cost but not for determining contributions.

Optional Forms of Payment

Participant Group	Actuarial Equivalence	Optional Forms
All Locations	<ul style="list-style-type: none">• 8.00%• 1994 GAR	<ol style="list-style-type: none">1) Single Life Annuity2) 50% & 100% Joint Survivor Annuity

Future Plan Changes

Ultimate benefit levels were recognized in determining pension cost. Ultimate benefit levels negotiated on or before December 31, 2012 were recognized in determining plan accounting liabilities. Benefit increases negotiated on or before January 1, 2013, and effective during 2013 were recognized in determining contribution requirements.

Changes in Benefits Valued Since Prior Year

The ultimate benefit level for Eau Claire increased from \$33.00 to \$36.00.

Nestlé Hourly Retirement Plan (Formerly Sacramento Can Pension Plan)

Plan Provisions

Effective January 1, 2013, this plan merged into the Nestlé Hourly Retirement Plan.

The most recent amendment reflected in the following plan provisions was effective on January 1, 1994.

Covered employees	Union employees at Sacramento Can manufacturing plant; there are currently no active employees covered
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Type of plan	Dollar per month
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Definitions

Credited service	From date of hire
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Accumulated benefit:	Benefit level, varying by job class, times credited service
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Eligibility for Benefits

Normal retirement	Retirement after both attaining age 65 and completing three years of vesting service
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Early retirement	Retirement before NRD and on or after both attaining age 60 and completing ten years of vesting service
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Postponed retirement	Retirement after attaining age 65
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Vested termination	Termination for reasons other than death or retirement after completing three years of vesting service
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Preretirement death benefit	Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse on or after completing three years of vesting service
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Benefits Paid Upon the Following Events

Normal retirement (NRD)	Accrued benefit payable immediately
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Early retirement	Accrued benefit reduced 6.0% for each prior to age 62
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Postponed retirement	Accrued benefit payable immediately
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Vested termination	Accrued benefit payable unreduced at age 65, or reduced for each year prior to age 62, if attained age 60 and 10 years of service
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Preretirement death	If married, reduced 100% joint and survivor early retirement benefit if attained age 60 or 100% accrued benefit for all others reduced to be payable at 60.
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Other Plan Provisions

Normal form of payment	Life annuity
Pension Increases	None
Plan participants' contributions	None
Maximum on benefits and pay	All benefits and pay for any calendar year may not exceed the maximum limitations for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes become effective. Increases in the dollar limits are assumed for determining pension cost but not for determining contributions.

Optional Forms of Payment

Participant Group	Actuarial Equivalence	Optional Forms
Sacramento Can	Conversion factors varying by age of the retiree and the spouse	a) Single Life Annuity
	<i>Sample 1: Retiree and Spouse both at age 60</i>	b) 50% & 100% Joint and Survivor Annuity
	50% J&S Annuity 0.8500	
	100% J&S Annuity 0.7391	
	<i>Sample 2: Retiree and spouse both at age 65</i>	
	50% J&S Annuity 0.8340	
	100% J&S Annuity 0.7153	

Future Plan Changes

No future plan changes were recognized in determining pension cost, plan accounting liabilities, or in determining minimum and maximum contributions.

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since the prior year.

Nestlé Hourly Retirement Plan (Formerly Gerber Fort Smith Hourly Pension Plan)

Plan Provisions

Effective January 1, 2013, this plan merged into the Nestlé Hourly Retirement Plan.

The most recent amendment reflected in the following plan provisions was effective in 2013.

Covered employees	Hourly paid employees on Ft. Smith, Arkansas hourly factory payroll
Participation date	Age 20 ½ and six months of service or upon attainment of age 40, if earlier.
Type of plan	Dollar per month plan

Definitions

Vesting service	The number of completed full plan years of employment with the Company or any Affiliate in which the employee works 1,000 hours.
Credited service	One full year for each year with at least 1,000 hours of service.
Accumulated benefit:	<p>Monthly benefit is the largest of (a) and (b) below:</p> <p>(a) The sum of (1) and (2) below:</p> <p>(1) The accrued benefits as of December 31, 1989, based on participation service, final average compensation, and the primary Social Security benefit as of December 31, 1989.</p> <p>(2) For participation service after December 31, 1989 (maximum 40 years less pre-1989 credited service up to 33 1/3 years), the monthly benefit accrual in a given year is the applicable Dollar Accrual based on total years of participation.</p> <p>(b) For all participation service up to 40 years, the monthly benefit accrual in a given year is the applicable Dollar Accrual Factor.</p>

Nestlé USA, Inc. — Nestlé Hourly Retirement Plan
EIN: 95-1572209 PN: 006
2013 Schedule SB, Part V – Summary of Plan Provisions

The applicable Dollar Accrual Factor under (a) and (b) depends on the years of participation as shown below:

<u>Accrual Period</u>	<u>Dollar Accrual Factor Applicable to Years of Participation</u>		
	<u>Level One</u>	<u>Level Two</u>	<u>Level Three</u>
	<u>First 10 Years</u>	<u>Years 11-20</u>	<u>Years Beyond 20</u>
Before 2004	\$23.50	\$27.50	\$30.50
2004	\$25.50	\$29.50	\$32.50
2005	\$27.50	\$31.50	\$34.50
2006	\$29.50	\$33.50	\$36.50
2010	\$31.50	\$35.50	\$38.50
2013 and After	\$35.50	\$39.50	\$42.50

Eligibility for Benefits

Normal retirement	Retirement on or after both attaining age 65 and completing five years of vesting service
Early retirement	Retirement before NRD and on or after both attaining age 57 and completing five years of vesting service
Postponed retirement	Retirement after both attaining age 65 and completing five years of vesting service
Vested termination	Termination for reasons other than death or retirement after completing five years of vesting service
Disability	Permanent and total disability on or after both attaining age 50 and completing fifteen years of vesting service
Preretirement death benefit	Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse on or after completing five years of vesting service

Benefits Paid Upon the Following Events

Normal retirement (NRD)	Accrued benefit payable immediately
Early retirement	Monthly pension benefit determined as of early retirement date, reduced $\frac{1}{2}$ of 1% for each month by which the early retirement date precedes 62. Unreduced for employees retiring after attaining age 60 with 40 years of uninterrupted service
Postponed retirement	Accrued benefit payable immediately
Vested termination	Accrued benefit determined as of termination date, actuarially reduced for commencement of payments prior to NRD
Disablement	Accrued benefit determined as of disability retirement date reduced by certain other benefits by or at the expense of the company
Preretirement death	50% of the projected accrued benefit as of participant's normal retirement date is payable immediately to the dependent spouse until the death or remarriage of the dependent spouse. If not eligible for a dependent spouse benefit, a 50% surviving spouse benefit (100% if eligible for early retirement) is payable on the participant's early retirement age date. If neither a dependent nor surviving spouse benefit is payable, the lump sum balance as of the time of death is payable.

Other Plan Provisions

Forms of payment

Normal form

Life annuity

Optional forms

100%, 75%, and 50% contingent annuitant; level income; lump sum if the employee was a participant before 1/1/1982

Pension increases

None

Plan participants' contributions

None

Maximum on benefits and pay

All benefits and pay for any calendar year may not exceed the maximum limitations for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes become effective. Increases in the dollar limits are assumed for determining pension cost but not for determining contributions.

Optional Form Conversion Factors

<u>Form of Payment</u>	<u>Conversion Factors</u>	<u>Sample Rates</u>
Level Income Options to Age 62 (life Annuity Normal form)	The conversion factors are determined using an actuarial equivalent basis using 5.0% interest and the 1971 Group Annuity Mortality table blended 70% male / 20% female. Multiply the expected PIA at age 62 by the conversion factor to get the benefit decrease after age 62. The benefit before age 62 (payable until receipt of PIA) equals this decreased benefits plus PIA (payments are at beginning of month).	Age 55: 0.4378 Age 60: 0.1602
100% Contingent Annuitant	80% of the amount otherwise payable to the Participant as a sole annuitant, provided the age of the Participant and the designated contingent annuitant are the same. If the ages of the participant and the designated contingent annuitant are not the same, the 80% factor shall be increased by 1.0% up to a maximum of 100% for each full year that the birth date of the designated contingent annuitant precedes the birth date of the participant, or decreased by 1.0% for each full year that the birth date of the Participant precedes the birth date of the designated contingent annuitant.	Participant Age 60 and Spouse Age 60: 80.00% Participant Age 65 and Spouse Age 60: 75.00%
75% Contingent Annuitant	85% of the amount otherwise payable to the Participant as a sole annuitant, provided the age of the Participant and the designated contingent annuitant are the same. If the ages of the participant and the designated contingent annuitant are not the same, the 85% factor shall be increased by 0.85% up to a maximum of 100% for each full year that the birth date of the designated contingent annuitant precedes the birth date of the participant, or decreased by 0.85% for each full year that the birth date of the Participant precedes the birth date of the designated contingent annuitant.	Participant Age 60 and Spouse Age 60: 85.00% Participant Age 65 and Spouse Age 60: 80.75%
50% Contingent Annuitant	90% of the amount otherwise payable to the Participant as a sole annuitant, provided the age of the Participant and the designated contingent annuitant are not the same. If the ages of the participant and the designated contingent annuitant are the same, the 90% factor shall be increased by 0.7% up to a maximum of 100% for each full year that the birth date of the designated contingent annuitant precedes the birth date of the participant, or decreased by 0.7% for each full year that the birth date of the Participant precedes the birth date of the designated contingent annuitant.	Participant Age 60 and Spouse Age 60: 90.00% Participant Age 65 and Spouse Age 60: 86.50%

Future Plan Changes

Ultimate benefit levels were recognized in determining pension cost. Ultimate benefit levels negotiated on or before December 31, 2012 were recognized in determining plan accounting liabilities. Benefit increases negotiated on or before January 1, 2013, and effective during 2013 were recognized in determining contribution requirements.

Changes in Benefits Valued Since Prior Year

The ultimate benefit level for Fort Smith increased from \$31.50 to \$35.50 for the first ten years of participation service, from \$35.50 to \$39.50 for the next ten years of participation service, and from \$38.50 to \$42.50 for participation service beyond 20 years.

Nestlé Hourly Retirement Plan (Formerly Gerber Fremont Hourly Pension Plan)

Plan Provisions

Effective January 1, 2013, this plan merged into the Nestlé Hourly Retirement Plan.

The most recent amendment reflected in the following plan provisions was effective in 2012.

Covered Employees	Hourly paid employees on Fremont, Michigan hourly factory payroll.
Participation Date	Age 20 ½ and six months of service or upon attainment of age 40, if earlier.
Type of plan:	Dollar per month plan

Definitions

Vesting service	The number of completed full plan years of employment with the Company or any Affiliate in which the employee works 1,000 hours.
Credited service	One full year for each year with at least 1,000 hours of service
Pensionable earnings	Total compensation including section 125 and 401(k) contributions but excluding deferred compensation.
Accumulated benefit:	<p>Monthly benefit is the largest of (a) and (b) below:</p> <p>(a) The sum of (1), (2), (3) and (4) below:</p> <p>(1) The accrued benefits as of December 31, 1988, based on participation service, final average compensation, and the primary Social Security benefit as of December 31, 1988.</p> <p>(2) For participation service after December 31, 1988 and before April 5, 2003 (maximum 40 years less pre-1989 credit service up to 33 1/3 years), the monthly benefit accrual in a given year is the applicable Dollar Accrual based on total years of participation.</p> <p>(3) \$50 for each year of participation service after April 4, 2003 and before April 1, 2012.</p> <p>(4) \$56 for each year of participation service after April 1, 2012.</p> <p>(b) The sum of (1), (2) and (3) below:</p> <p>(1) For all participant service credited prior to April 5, 2003, up to 40 years, the monthly benefit accrual in a given year is the applicable Dollar Accrual Factor.</p> <p>(2) \$50 for each year of participation service after April 4, 2003 and before April 1, 2012.</p> <p>(3) \$56 for each year of participation service after April 1, 2012.</p>

The applicable Dollar Accrual Factor under (a) and (b) depends on termination date and years of participation as shown below:

Termination of Employment <u>On or After</u>	<u>Dollar Accrual Factor Applicable to Years of Participation</u>		
	<u>Level One First 10 Years</u>	<u>Level Two Years 11-20</u>	<u>Level Three Years Beyond 20</u>
1/1/89	\$21.00	\$25.00	\$28.00
4/1/91	\$21.50	\$25.50	\$28.50
4/1/92	\$22.00	\$26.00	\$29.00
4/1/93	\$22.50	\$26.50	\$30.00
5/1/94	\$23.00	\$27.00	\$30.50
5/1/95	\$23.50	\$27.50	\$31.00
5/1/96	\$24.00	\$28.00	\$31.50
4/1/97	\$25.00	\$29.00	\$32.50
4/1/98	\$25.50	\$29.50	\$33.00
4/1/99	\$26.00	\$30.00	\$33.50

Eligibility for Benefits

Normal retirement	Retirement after both attaining age 65 and completing five years of vesting service
Early retirement	Retirement before NRD and on or after both attaining age 57 and completing five years of vesting service
Postponed retirement	Retirement after both attaining age 65 and completing five years of vesting service
Vested termination	Termination for reasons other than death or retirement after completing five years of vesting service
Disability	Permanent and total disability on or after both attaining age 50 and completing fifteen years of vesting service
Preretirement death benefit	Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse on or after completing five years of vesting service

Benefits Paid Upon the Following Events

Normal retirement (NRD)	Accrued benefit payable immediately
Early retirement	Monthly pension benefit determined as of early retirement date, reduced $\frac{1}{2}$ of 1% for each month by which the early retirement date precedes age 62. Unreduced for employee retiring after attaining age 60 with 30 years of uninterrupted service
Postponed retirement	Accrued benefit payable immediately
Vested termination	Accrued benefit determined as of termination date, actuarially reduced for commencement of payments prior to NRD
Disablement	Accrued benefit determined as of disability retirement date reduced by certain other benefits by or at the expense of the company
Preretirement death	50% of the projected accrued benefit as of participant's normal retirement date is payable immediately to the dependent spouse until the death or remarriage of the dependent spouse. If not eligible for a dependent spouse benefit, a 50% surviving spouse benefit (100% if eligible for early retirement) is payable on the participant's early retirement age date. If neither a dependent nor surviving spouse benefit is payable, the lump sum balance as of the time of death is payable.

Other Plan Provisions

Forms of payment

Normal form

Life annuity

Optional forms

100%, 75%, and 50% contingent annuitant; level income option; lump Sum if the employee was a participant before 1/1/1982

Pension increases

None

Plan participants' contributions

None

Maximum on benefits and pay

All benefits and pay for any calendar year may not exceed the maximum limitations for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes become effective. Increases in the dollar limits are assumed for determining pension cost but not for determining contributions.

Optional Form Conversion Factors

<u>Form of Payment</u>	<u>Conversion Factors</u>	<u>Sample Rates</u>
Level Income Options to Age 62 (life Annuity Normal form)	The conversion factors are determined using an actuarial equivalent basis using 5.0% interest and the 1971 Group Annuity Mortality table blended 70% male / 20% female. Multiply the expected PIA at age 62 by the conversion factor to get the benefit decrease after age 62. The benefit before age 62 (payable until receipt of PIA) equals this decreased benefits plus PIA (payments are at beginning of month).	Age 55: 0.4378 Age 60: 0.1602
100% Contingent Annuitant	80% of the amount otherwise payable to the Participant as a sole annuitant, provided the age of the Participant and the designated contingent annuitant are the same. If the ages of the participant and the designated contingent annuitant are not the same, the 80% factor shall be increased by 1.0% up to a maximum of 100% for each full year that the birth date of the designated contingent annuitant precedes the birth date of the participant, or decreased by 1.0% for each full year that the birth date of the Participant precedes the birth date of the designated contingent annuitant.	Participant Age 60 and Spouse Age 60: 80.00% Participant Age 65 and Spouse Age 60: 75.00%
75% Contingent Annuitant	85% of the amount otherwise payable to the Participant as a sole annuitant, provided the age of the Participant and the designated contingent annuitant are the same. If the ages of the participant and the designated contingent annuitant are not the same, the 85% factor shall be increased by 0.85% up to a maximum of 100% for each full year that the birth date of the designated contingent annuitant precedes the birth date of the participant, or decreased by 0.85% for each full year that the birth date of the Participant precedes the birth date of the designated contingent annuitant.	Participant Age 60 and Spouse Age 60: 85.00% Participant Age 65 and Spouse Age 60: 80.75%
50% Contingent Annuitant	90% of the amount otherwise payable to the Participant as a sole annuitant, provided the age of the Participant and the designated contingent annuitant are not the same. If the ages of the participant and the designated contingent annuitant are the same, the 90% factor shall be increased by 0.7% up to a maximum of 100% for each full year that the birth date of the designated contingent annuitant precedes the birth date of the participant, or decreased by 0.7% for each full year that the birth date of the Participant precedes the birth date of the designated contingent	Participant Age 60 and Spouse Age 60: 90.00% Participant Age 65 and Spouse Age 60: 86.50%

Future Plan Changes

No future plan changes were recognized in determining pension cost, plan accounting liabilities, or minimum and maximum contributions.

Changes in Benefits Valued Since Prior Year

There have been no changed in benefits valued since the prior year.

Nestlé Hourly Retirement Plan (Formerly Gerber Reedsburg Hourly Pension Plan)

Plan Provisions

Effective January 1, 2013, this plan merged into the Nestlé Hourly Retirement Plan.

The most recent amendment reflected in the following plan provisions was effective in 2009.

Covered employees	Hourly paid employees on Reedsburg hourly payroll and Asheville, North Carolina hourly factory payroll.
Participation date	Age 21 and one-year of service or upon attainment of age 40, if earlier. Closed to new entrants effective December 31, 2006.
Type of plan	Frozen dollar per month

Definitions

Vesting service	The number of completed full plan years of employment with the Company or any Affiliate in which the employee works 1,000 hours. Automatic vesting was granted December 31, 2008.
Credited service	One full year for each year with at least 1,000 hours of service.
Pensionable earnings	Total compensation including section 125 and 401(k) contributions but excluding deferred compensation.
Accumulated benefit:	<p>Monthly Benefit is the largest of (a) and (b) below:</p> <p>(a) The sum of (1) and (2) below:</p> <p>(1) The applicable benefit rate multiplied by years of participation completed after January 1, 1969 up to a maximum of 30 years.</p> <p>(2) \$21.50 multiplied by years of participation completed after February 28, 2003.</p> <p>(b) \$1.50 multiplied by years of participation completed prior to January 1, 1969, but not exceeding 30 years less the number of years of service after that date.</p> <p>For Hanksraft Motors only, the benefit rate in (a) above is \$19.00</p> <p>For Baby care participants only, the benefit rate in (a) above is \$19.50</p>

Eligibility for Benefits

Normal retirement	Retirement after both attaining age 65 and completing five years of vesting service
Early retirement	Retirement before NRD and on or after both attaining age 60 and completing five years of vesting service
Postponed retirement	Retirement after both attaining age 65 and completing five years of vesting service
Vested termination	Termination for reasons other than death or retirement after completing five years of vesting service
Disability	Permanent and total disability on or after attaining age 50 and completing fifteen years of vesting service
Preretirement death benefit	Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse on or after completing five years of vesting service

Benefits Paid Upon the Following Events

Normal retirement (NRD)	Accrued benefit payable immediately
Early retirement	Monthly pension benefit determined as of early retirement date, reduced $\frac{1}{2}$ of 1% for each month by which the early retirement date precedes age 65.
Postponed retirement	Accrued benefit payable immediately
Vested termination	Accrued benefit determined as of termination date, actuarially reduced for commencement of payments prior to NRD
Disablement	Accrued benefits determined as of disability retirement date, reduced by certain other benefits provided by or at the expense of the company
Preretirement death	Payable on the participant's early retirement age date to the surviving spouse as if the participant had elected a 50% survivorship annuity option. If neither a dependent nor surviving spouse benefit is payable, the lump sum balance as of the time of death is payable.

Other Plan Provisions

Forms of payment

Normal form

Life annuity

Optional forms

100%, 75%, and 50% contingent annuitant; level income; lump sum for deferred vested benefits prior to age 60

Pension increases

None

Plan participants' contributions

None

Maximum on benefits and pay

All benefits and pay for any calendar year may not exceed the maximum limitations for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes become effective. Increases in the dollar limits are assumed for determining pension cost but not for determining contributions.

Optional Form Conversion Factors

<u>Form of Payment</u>	<u>Conversion Factors</u>	<u>Sample Rates</u>
Level Income Options to Age 62 (life Annuity Normal form)	The conversion factors are determined using an actuarial equivalent basis using 5.0% interest and the 1971 Group Annuity Mortality table blended 80% male / 20% female. Multiply the expected PIA at age 62 by the conversion factor to get the benefit decrease after age 62. The benefit before age 62 (payable until receipt of PIA) equals this decreased benefits plus PIA (payments are at beginning of month).	Age 55: 0.4378 Age 60: 0.1602
100% Contingent Annuitant	75% of the amount otherwise payable to the Participant as a sole annuitant, provided the age of the Participant and the designated contingent annuitant are the same. If the ages of the participant and the designated contingent annuitant are not the same, the 75% factor shall be increased by 1.0% up to a maximum of 100% for each full year that the birth date of the designated contingent annuitant precedes the birth date of the participant, or decreased by 1.0% for each full year that the birth date of the Participant precedes the birth date of the designated contingent annuitant.	Participant Age 60 and Spouse Age 60: 75.00% Participant Age 65 and Spouse Age 60: 70.00%
75% Contingent Annuitant	80% of the amount otherwise payable to the Participant as a sole annuitant, provided the age of the Participant and the designated contingent annuitant are the same. If the ages of the participant and the designated contingent annuitant are not the same, the 80% factor shall be increased by 1.0% up to a maximum of 100% for each full year that the birth date of the designated contingent annuitant precedes the birth date of the participant, or decreased by 1.0% for each full year that the birth date of the Participant precedes the birth date of the designated contingent annuitant.	Participant Age 60 and Spouse Age 60: 80.00% Participant Age 65 and Spouse Age 60: 75.00%
50% Contingent Annuitant	85% of the amount otherwise payable to the Participant as a sole annuitant, provided the age of the Participant and the designated contingent annuitant are not the same. If the ages of the participant and the designated contingent annuitant are the same, the 85% factor shall be increased by 1.0% up to a maximum of 100% for each full year that the birth date of the designated contingent annuitant precedes the birth date of the participant, or decreased by 1.0% for each full year that the birth date of the Participant precedes the birth date of the designated contingent annuitant.	Participant Age 60 and Spouse Age 60: 85.00% Participant Age 65 and Spouse Age 60: 80.00%

Future Plan Changes

No future plan changes were recognized in determining pension cost, plan liabilities, or minimum and maximum contributions.

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since the prior year.

Appendix B: Benefit Levels for Valuations

Ultimate benefit levels were recognized in determining pension cost. Ultimate benefit levels negotiated on or before December 31, 2012 were recognized in determining plan accounting liabilities. Benefit increases negotiated on or before January 1, 2013, and effective during 2013 were recognized in determining contribution requirements.

	IAS 19		ASC 960		PPA	
	Benefit Level	Effective Date	Benefit Level	Effective Date	Benefit Level	Effective Date
Nestlé Hourly Retirement Plan						
• Allentown*	43.00	1/1/2012	43.00	1/1/2012	43.00	1/1/2012
• Beich	38.00	3/6/2011	38.00	3/6/2011	38.00	3/6/2011
• Burlington	46.00	2/15/2015	46.00	2/15/2015	44.00	2/15/2013
• Crete*	35.25	2/4/2013	35.25	2/4/2013	35.25	2/4/2013
• Decatur	27.00	7/1/1997	27.00	7/1/1997	27.00	7/1/1997
• Franklin Park	36.50	11/18/2012	35.00	11/15/2009	35.00	11/15/2009
• Freehold	53.75	8/1/2010	53.75	8/1/2010	53.75	8/1/2010
Nestlé USA Hourly Pension Plan						
• Distribution	35.00	6/1/2007	35.00	6/1/2007	35.00	6/1/2007
• Transportation	30.00	6/1/2007	30.00	6/1/2007	30.00	6/1/2007
• Morton (nonunion)	30.00	1/1/2008	30.00	1/1/2008	30.00	1/1/2008
• Danville	30.00	1/1/2012	30.00	1/1/2012	30.00	1/1/2012
Nestlé USA Pension Plan						
• Eau Claire	36.00	6/2/2013	33.00	6/3/2012	33.00	6/3/2012
• Fort Dodge	40.00	3/30/2014	40.00	3/30/2014	39.50	3/31/2013
• Gateway	33.00	11/4/2012	33.00	11/4/2012	33.00	11/4/2012
• Morton (Union)	41.00	4/1/2016	41.00	4/1/2016	38.00	4/1/2013
• St. Joseph (Packers)	10.00	12/6/2004	10.00	12/6/2004	10.00	12/6/2004
• St. Joseph (Lower Lakes)	30.50	6/1/2003	30.50	6/1/2003	30.50	6/1/2003

* See Appendix B for detail.

2013 Schedule SB, line 26 - Schedule of Active Participant Data
Name of Sponsor / Plan: Nestlé USA, Inc. – Nestlé Hourly Retirement Plan
EIN / PIN: 95-1572209 / 006

		----- Years of Credited Service -----									
Attained Age		Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up
<25	Number	53	48	4							
25 to 29	Number	63	153	63	1						
30 to 34	Number	48	133	133	38	1					
35 to 39	Number	34	122	99	104	25					
40 to 44	Number	40	150	112	119	50	42				
45 to 49	Number	39	140	142	136	105	118	69	1		
50 to 54	Number	33	143	134	129	121	137	167	49		
55 to 59	Number	23	111	115	98	184	98	79	99	58	2
60 to 64	Number	6	45	52	65	98	67	46	42	53	35
65 to 69	Number	1	9	11	5	20	10	15	8	5	13
70 & up	Number	2	4	2	3					1	5

Average Age = 48.17

Average Service = 13.01

Nestlé USA, Inc. — Nestlé Hourly Retirement Plan

EIN: 95-1572209 PN: 006

2013 Schedule SB, Line 7 –Explanation of Discrepancy in Prior Year Funding Standard Carryover Balance or Prefunding Balance

Effective December 31, 2012, the Nestlé USA Pension Plan (EIN 95-5172209; PN 042), Nestlé USA Hourly Pension Plan (047), Sacramento Can Pension Plan (050), Gerber-Fort Smith Hourly Pension Plan (111), Gerber-Fremont Hourly Pension Plan (112), and Gerber-Reedsburg Hourly Pension Plan (113) merged into the Nestlé Hourly Retirement Plan (006).

Due to the plan mergers, the carryover balance reported on line 7(a) of the 2013 Schedule SB for the Nestlé Hourly Retirement Plan is the sum of the entries from line 13 from the 2012 Schedules SB for all pre-merger plans, determined as follows:

2012 Nestlé Hourly Retirement Plan – line 13	\$ 66,412,235
2012 Nestlé USA Pension Plan – line 13	6,281,326
2012 Nestlé USA Hourly Pension Plan – line 13	3,254,360
2012 Sacramento Can Pension Plan – line 13	893,155
2012 Gerber-Fort Smith Hourly Pension Plan – line 13	367,365
2012 Gerber-Fremont Hourly Pension Plan – line 13	5,201,412
2012 Gerber-Reedsburg Hourly Pension Plan – line 13	3,754,713
2013 Nestlé Hourly Retirement Plan (006) – line 7	\$86,164,566

**SCHEDULE SB
(Form 5500)**Department of the Treasury
Internal Revenue ServiceDepartment of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

**Single-Employer Defined Benefit Plan
Actuarial Information**

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code).

► **File as an attachment to Form 5500 or 5500-SF.**

OMB No. 1210-0110

2013**This Form is Open to Public
Inspection**

For calendar plan year 2013 or fiscal plan year beginning 01/01/2013 and ending 12/31/2013

► **Round off amounts to nearest dollar.**► **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.**A** Name of plan

Nestle Hourly Retirement Plan

B Three-digit

plan number (PN) ►

006

C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF

Nestle USA, Inc.

D Employer Identification Number (EIN)

95-1572209

E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B**F** Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500**Part I Basic Information****1** Enter the valuation date: Month 1 Day 1 Year 2013**2** Assets:**a** Market value **2a** 597,090,310**b** Actuarial value **2b** 597,090,310**3** Funding target/participant count breakdown:**(1) Number of participants****(2) Funding Target****a** For retired participants and beneficiaries receiving payment **3a** 5,441 187,890,620**b** For terminated vested participants **3b** 3,652 63,261,137**c** For active participants:**(1)** Non-vested benefits **3c(1)** 8,895,912**(2)** Vested benefits **3c(2)** 146,908,516**(3)** Total active **3c(3)** 4,788 155,804,428**d** Total **3d** 13,881 406,956,185**4** If the plan is in at-risk status, check the box and complete lines (a) and (b). ☐**a** Funding target disregarding prescribed at-risk assumptions **4a****b** Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor **4b****5** Effective interest rate **5** 6.35 %**6** Target normal cost **6** 10,418,289**Statement by Enrolled Actuary**

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

**SIGN
HERE***Thad Summersett* ^{TWS}

Signature of actuary

Thad Summersett

Type or print name of actuary

Towers Watson Pennsylvania Inc.

Firm name

1925 Century Park East, Suite 1500

Los Angeles

CA 90067-2790

Address of the firm

09/29/2014

Date

14-07261

Most recent enrollment number

(310) 551-5716

Telephone number (including area code)

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐**For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.****Schedule SB (Form 5500) 2013
v. 130118**

Part II Beginning of Year Carryover and Prefunding Balances		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	86,164,566	0
8	Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	0
9	Amount remaining (line 7 minus line 8)	86,164,566	0
10	Interest on line 9 using prior year's actual return of <u>13.58</u> %	11,698,080	
11	Prior year's excess contributions to be added to prefunding balance:		
a	Present value of excess contributions (line 38a from prior year)		15,545,880
b	Interest on (a) using prior year's effective interest rate of <u>6.96</u> % except as otherwise provided (see instructions)		1,081,993
c	Total available at beginning of current plan year to add to prefunding balance		16,627,873
d	Portion of (c) to be added to prefunding balance		
12	Other reductions in balances due to elections or deemed elections	0	0
13	Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	97,862,646	0

Part III Funding Percentages			
14	Funding target attainment percentage	14	122.67 %
15	Adjusted funding target attainment percentage	15	146.72 %
16	Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	147.36 %
17	If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV Contributions and Liquidity Shortfalls					
18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
02/07/2014	14,058,000				
Totals ▶			18(b)	14,058,000	18(c) 0

19	Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:	
a	Contributions allocated toward unpaid minimum required contributions from prior years	19a 0
b	Contributions made to avoid restrictions adjusted to valuation date	19b 0
c	Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c 13,136,379
20	Quarterly contributions and liquidity shortfalls:	
a	Did the plan have a "funding shortfall" for the prior year?	☐ Yes ☒ No
b	If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner?	☐ Yes ☐ No
c	If line 20a is "Yes," see instructions and complete the following table as applicable:	
Liquidity shortfall as of end of quarter of this plan year		
(1) 1st	(2) 2nd	(3) 3rd

Part V Assumptions Used to Determine Funding Target and Target Normal Cost

21 Discount rate:				
a Segment rates:	1st segment: 4.94 %	2nd segment: 6.15 %	3rd segment: 6.76 %	☐ N/A, full yield curve used
b Applicable month (enter code).....				21b 0
22 Weighted average retirement age				22 63
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous Items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.	☒ Yes ☐ No
27 If the plan is subject to alternative funding rules, enter applicable code and see instructions regarding attachment	27

Part VII Reconciliation of Unpaid Minimum Required Contributions For Prior Years

28 Unpaid minimum required contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a).....	29	0
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII Minimum Required Contribution For Current Year

31 Target normal cost and excess assets (see instructions):			
a Target normal cost (line 6).....	31a	10,418,289	
b Excess assets, if applicable, but not greater than line 31a	31b	10,418,289	
32 Amortization installments:	Outstanding Balance Installment		
a Net shortfall amortization installment.....			
b Waiver amortization installment			
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33		
34 Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33) ..	34	0	
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement.....	0	0	0
36 Additional cash requirement (line 34 minus line 35).....	36	0	
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c).....	37	13,136,379	
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)	38a	13,136,379	
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	0	
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)	39	0	
40 Unpaid minimum required contributions for all years	40	0	

Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)

41 If an election was made to use PRA 2010 funding relief for this plan:			
a Schedule elected	☐ 2 plus 7 years ☐ 15 years		
b Eligible plan year(s) for which the election in line 41a was made	☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011		
42 Amount of acceleration adjustment	42		
43 Excess installment acceleration amount to be carried over to future plan years	43		