

|                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| <b>Form 5500</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security<br>Administration<br><br>Pension Benefit Guaranty Corporation | <b>Annual Return/Report of Employee Benefit Plan</b><br><br>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).<br><br><p style="text-align: center;">▶ <b>Complete all entries in accordance with the instructions to the Form 5500.</b></p> | OMB Nos. 1210-0110<br>1210-0089<br><br><b>2013</b><br><br><b>This Form is Open to Public Inspection</b> |
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|                                                                                                          |                                                                                                                                                                                                                                           |
|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part I</b>                                                                                            | <b>Annual Report Identification Information</b>                                                                                                                                                                                           |
| 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:                                                                             | <input type="checkbox"/> a multiemployer plan; <input type="checkbox"/> a multiple-employer plan; or<br><input checked="" type="checkbox"/> a single-employer plan; <input type="checkbox"/> a DFE (specify) ____                         |
| B This return/report is:                                                                                 | <input type="checkbox"/> the first return/report; <input type="checkbox"/> the final return/report;<br><input type="checkbox"/> an amended return/report; <input type="checkbox"/> a short plan year return/report (less than 12 months). |
| C If the plan is a collectively-bargained plan, check here. . . . .                                      | <input type="checkbox"/>                                                                                                                                                                                                                  |
| D Check box if filing under:                                                                             | <input checked="" type="checkbox"/> Form 5558; <input type="checkbox"/> automatic extension; <input type="checkbox"/> the DFVC program;<br><input type="checkbox"/> special extension (enter description)                                 |

|                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|------------|-------------------------------------------------------|--|---------------------------------------------------------------------|--|-------------------------------------------------------------|--|-------------------------------------------------------------|--|
| <b>Part II</b>                                                                                                                                                                                                    | <b>Basic Plan Information—enter all requested information</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
| <b>1a</b> Name of plan<br><u>NESTLE PENSION PLAN</u>                                                                                                                                                              | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"><b>1b</b> Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>100</u></td> </tr> <tr> <td colspan="2"><b>1c</b> Effective date of plan<br/><u>01/01/1989</u></td> </tr> <tr> <td colspan="2"><b>2b</b> Employer Identification Number (EIN)<br/><u>95-1572209</u></td> </tr> <tr> <td colspan="2"><b>2c</b> Sponsor's telephone number<br/><u>440-349-5757</u></td> </tr> <tr> <td colspan="2"><b>2d</b> Business code (see instructions)<br/><u>311900</u></td> </tr> </table> | <b>1b</b> Three-digit plan number (PN) ▶ | <u>100</u> | <b>1c</b> Effective date of plan<br><u>01/01/1989</u> |  | <b>2b</b> Employer Identification Number (EIN)<br><u>95-1572209</u> |  | <b>2c</b> Sponsor's telephone number<br><u>440-349-5757</u> |  | <b>2d</b> Business code (see instructions)<br><u>311900</u> |  |
| <b>1b</b> Three-digit plan number (PN) ▶                                                                                                                                                                          | <u>100</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
| <b>1c</b> Effective date of plan<br><u>01/01/1989</u>                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
| <b>2b</b> Employer Identification Number (EIN)<br><u>95-1572209</u>                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
| <b>2c</b> Sponsor's telephone number<br><u>440-349-5757</u>                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
| <b>2d</b> Business code (see instructions)<br><u>311900</u>                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
| <b>2a</b> Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan)<br><br><u>NESTLE USA, INC.</u><br><br><u>30500 BAINBRIDGE RD</u><br><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.

|                                                                                                            |                                                   |            |                                                              |
|------------------------------------------------------------------------------------------------------------|---------------------------------------------------|------------|--------------------------------------------------------------|
| <b>SIGN HERE</b>                                                                                           | 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       |
| <b>SIGN HERE</b>                                                                                           | Filed with authorized/valid electronic signature. | 10/10/2014 | RUSSELL W. NISWANDER                                         |
|                                                                                                            | Signature of employer/plan sponsor                | Date       | Enter name of individual signing as employer or plan sponsor |
| <b>SIGN HERE</b>                                                                                           |                                                   |            |                                                              |
|                                                                                                            | 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)                       |

|                                                                                                                                                                                                                                                                                                                                                                                                                                       |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| <b>3a</b> Plan administrator's name and address <input checked="" type="checkbox"/> Same as Plan Sponsor Name <input type="checkbox"/> Same as Plan Sponsor Address                                                                                                                                                                                                                                                                   |  | <b>3b</b> Administrator's EIN                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |       |
| <b>4</b> 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:<br><b>a</b> Sponsor's name                                                                                                                                                                                                                     |  | <b>3c</b> Administrator's telephone number<br><br><div style="background-color: #cccccc; height: 40px; width: 100%;"></div>                                                                                                                                                                                                                                                                                                                                                                       |       |
| <b>5</b> Total number of participants at the beginning of the plan year                                                                                                                                                                                                                                                                                                                                                               |  | <b>5</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 52790 |
| <b>6</b> Number of participants as of the end of the plan year (welfare plans complete only lines <b>6a</b> , <b>6b</b> , <b>6c</b> , and <b>6d</b> ).                                                                                                                                                                                                                                                                                |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |       |
| <b>a</b> Active participants .....                                                                                                                                                                                                                                                                                                                                                                                                    |  | <b>6a</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 27435 |
| <b>b</b> Retired or separated participants receiving benefits .....                                                                                                                                                                                                                                                                                                                                                                   |  | <b>6b</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 11103 |
| <b>c</b> Other retired or separated participants entitled to future benefits .....                                                                                                                                                                                                                                                                                                                                                    |  | <b>6c</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 11439 |
| <b>d</b> Subtotal. Add lines <b>6a</b> , <b>6b</b> , and <b>6c</b> .....                                                                                                                                                                                                                                                                                                                                                              |  | <b>6d</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 49977 |
| <b>e</b> Deceased participants whose beneficiaries are receiving or are entitled to receive benefits .....                                                                                                                                                                                                                                                                                                                            |  | <b>6e</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 2693  |
| <b>f</b> Total. Add lines <b>6d</b> and <b>6e</b> .....                                                                                                                                                                                                                                                                                                                                                                               |  | <b>6f</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 52670 |
| <b>g</b> Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) .....                                                                                                                                                                                                                                                                                       |  | <b>6g</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |       |
| <b>h</b> Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested .....                                                                                                                                                                                                                                                                                           |  | <b>6h</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 1496  |
| <b>7</b> Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item) .....                                                                                                                                                                                                                                                                                                  |  | <b>7</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |       |
| <b>8a</b> If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:<br>1A 1C                                                                                                                                                                                                                                                                 |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |       |
| <b>b</b> If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:                                                                                                                                                                                                                                                                           |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |       |
| <b>9a</b> Plan funding arrangement (check all that apply)<br>(1) <input type="checkbox"/> Insurance<br>(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts<br>(3) <input checked="" type="checkbox"/> Trust<br>(4) <input type="checkbox"/> General assets of the sponsor                                                                                                                                         |  | <b>9b</b> Plan benefit arrangement (check all that apply)<br>(1) <input type="checkbox"/> Insurance<br>(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts<br>(3) <input checked="" type="checkbox"/> Trust<br>(4) <input type="checkbox"/> General assets of the sponsor                                                                                                                                                                                                     |       |
| <b>10</b> Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)                                                                                                                                                                                                                                                                     |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |       |
| <b>a Pension Schedules</b><br>(1) <input checked="" type="checkbox"/> <b>R</b> (Retirement Plan Information)<br><br>(2) <input type="checkbox"/> <b>MB</b> (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary<br><br>(3) <input checked="" type="checkbox"/> <b>SB</b> (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary |  | <b>b General Schedules</b><br>(1) <input checked="" type="checkbox"/> <b>H</b> (Financial Information)<br>(2) <input type="checkbox"/> <b>I</b> (Financial Information – Small Plan)<br>(3) <input type="checkbox"/> <b>A</b> (Insurance Information)<br>(4) <input type="checkbox"/> <b>C</b> (Service Provider Information)<br>(5) <input checked="" type="checkbox"/> <b>D</b> (DFE/Participating Plan Information)<br>(6) <input type="checkbox"/> <b>G</b> (Financial Transaction Schedules) |       |

|                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                    |                                                                                           |
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| <b>SCHEDULE SB</b><br><b>(Form 5500)</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security Administration<br><br>Pension Benefit Guaranty Corporation | <b>Single-Employer Defined Benefit Plan</b><br><b>Actuarial Information</b><br><br>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).<br><br>▶ <b>File as an attachment to Form 5500 or 5500-SF.</b> | OMB No. 1210-0110<br><br><b>2013</b><br><br><b>This Form is Open to Public Inspection</b> |
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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.

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

|                                                                                                                                                                                                                |                                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| <b>Part I</b>                                                                                                                                                                                                  | <b>Basic Information</b>                    |
| <b>1</b> Enter the valuation date: Month _____ Day _____ Year _____                                                                                                                                            |                                             |
| <b>2</b> Assets:                                                                                                                                                                                               |                                             |
| <b>a</b> Market value .....                                                                                                                                                                                    | <b>2a</b> <u>3307195051</u>                 |
| <b>b</b> Actuarial value .....                                                                                                                                                                                 | <b>2b</b> <u>3307195051</u>                 |
| <b>3</b> Funding target/participant count breakdown:                                                                                                                                                           |                                             |
| <b>a</b> For retired participants and beneficiaries receiving payment.....                                                                                                                                     | <b>3a</b> <u>13440</u> <u>799673264</u>     |
| <b>b</b> For terminated vested participants.....                                                                                                                                                               | <b>3b</b> <u>11567</u> <u>354645033</u>     |
| <b>c</b> For active participants:                                                                                                                                                                              |                                             |
| <b>(1)</b> Non-vested benefits .....                                                                                                                                                                           | <b>3c(1)</b> <u>107800268</u>               |
| <b>(2)</b> Vested benefits .....                                                                                                                                                                               | <b>3c(2)</b> <u>966625548</u>               |
| <b>(3)</b> Total active.....                                                                                                                                                                                   | <b>3c(3)</b> <u>31601</u> <u>1074425816</u> |
| <b>d</b> Total.....                                                                                                                                                                                            | <b>3d</b> <u>56608</u> <u>2228744113</u>    |
| <b>4</b> If the plan is in at-risk status, check the box and complete lines (a) and (b)..... <input type="checkbox"/>                                                                                          |                                             |
| <b>a</b> Funding target disregarding prescribed at-risk assumptions .....                                                                                                                                      | <b>4a</b>                                   |
| <b>b</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..... | <b>4b</b>                                   |
| <b>5</b> Effective interest rate .....                                                                                                                                                                         | <b>5</b> <u>6.24 %</u>                      |
| <b>6</b> Target normal cost .....                                                                                                                                                                              | <b>6</b> <u>109274340</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.

|                                                                                |  |                                        |
|--------------------------------------------------------------------------------|--|----------------------------------------|
| <b>SIGN HERE</b>                                                               |  | <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><br><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) .....                                   | 647559566             | 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) .....                                                                                      | 647559566             | 0                      |
| 10 Interest on line 9 using prior year's actual return of <u>13.72</u> % .....                                                      | 88836681              |                        |
| 11 Prior year's excess contributions to be added to prefunding balance:                                                             |                       |                        |
| a Present value of excess contributions (line 38a from prior year) .....                                                            |                       | 133928791              |
| b Interest on (a) using prior year's effective interest rate of <u>6.94</u> % except as otherwise provided (see instructions) ..... |                       | 9294658                |
| c Total available at beginning of current plan year to add to prefunding balance .....                                              |                       | 143223449              |
| d Portion of (c) to be added to prefunding balance .....                                                                            |                       | 0                      |
| 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) .....                                               | 736396247             | 0                      |

| Part III Funding Percentages                                                                                                                                        |    |          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|----------|
| 14 Funding target attainment percentage .....                                                                                                                       | 14 | 115.34 % |
| 15 Adjusted funding target attainment percentage .....                                                                                                              | 15 | 148.38 % |
| 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 | 147.09 % |
| 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<br>(MM-DD-YYYY)                                                          | (b) Amount paid by<br>employer(s) | (c) Amount paid by<br>employees | (a) Date<br>(MM-DD-YYYY) | (b) Amount paid by<br>employer(s) | (c) Amount paid by<br>employees |
| 02/07/2014                                                                        | 130198000                         |                                 |                          |                                   |                                 |
|                                                                                   |                                   |                                 |                          |                                   |                                 |
|                                                                                   |                                   |                                 |                          |                                   |                                 |
|                                                                                   |                                   |                                 |                          |                                   |                                 |
|                                                                                   |                                   |                                 |                          |                                   |                                 |
|                                                                                   |                                   |                                 |                          |                                   |                                 |
|                                                                                   |                                   |                                 | Totals ►                 | 18(b)                             | 130198000 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                                                                 | 121801162 |
| 20 Quarterly contributions and liquidity shortfalls:                                                                          |                                                                     |           |
| a Did the plan have a "funding shortfall" for the prior year? .....                                                           | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |           |
| b If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner? .....              | <input type="checkbox"/> Yes <input type="checkbox"/> 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**

|                                                                                                                                                                                              |                       |                       |                        |                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|------------------------|-----------------------------------------------------|
| <b>21</b> Discount rate:                                                                                                                                                                     |                       |                       |                        |                                                     |
| <b>a</b> Segment rates:                                                                                                                                                                      | 1st segment:<br>4.94% | 2nd segment:<br>6.15% | 3rd segment:<br>6.76 % | <input type="checkbox"/> N/A, full yield curve used |
| <b>b</b> Applicable month (enter code).....                                                                                                                                                  |                       |                       |                        | <b>21b</b> 0                                        |
| <b>22</b> Weighted average retirement age .....                                                                                                                                              |                       |                       |                        | <b>22</b> 61                                        |
| <b>23</b> Mortality table(s) (see instructions) <input type="checkbox"/> Prescribed - combined <input checked="" type="checkbox"/> Prescribed - separate <input type="checkbox"/> Substitute |                       |                       |                        |                                                     |

**Part VI Miscellaneous Items**

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

**Part VII Reconciliation of Unpaid Minimum Required Contributions For Prior Years**

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

**Part VIII Minimum Required Contribution For Current Year**

| <b>31</b> Target normal cost and excess assets (see instructions):                                                                                                                   |                                                                                                                                                                                                                                                                                                                              |                   |                    |  |                     |             |                                                      |   |   |                                                |   |   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------|--|---------------------|-------------|------------------------------------------------------|---|---|------------------------------------------------|---|---|
| <b>a</b> Target normal cost (line 6).....                                                                                                                                            | <b>31a</b>                                                                                                                                                                                                                                                                                                                   | 109274340         |                    |  |                     |             |                                                      |   |   |                                                |   |   |
| <b>b</b> Excess assets, if applicable, but not greater than line 31a .....                                                                                                           | <b>31b</b>                                                                                                                                                                                                                                                                                                                   | 109274340         |                    |  |                     |             |                                                      |   |   |                                                |   |   |
| <b>32</b> Amortization installments:                                                                                                                                                 | <table border="1"> <thead> <tr> <th></th> <th>Outstanding Balance</th> <th>Installment</th> </tr> </thead> <tbody> <tr> <td><b>a</b> Net shortfall amortization installment.....</td> <td>0</td> <td>0</td> </tr> <tr> <td><b>b</b> Waiver amortization installment .....</td> <td>0</td> <td>0</td> </tr> </tbody> </table> |                   |                    |  | Outstanding Balance | Installment | <b>a</b> Net shortfall amortization installment..... | 0 | 0 | <b>b</b> Waiver amortization installment ..... | 0 | 0 |
|                                                                                                                                                                                      | Outstanding Balance                                                                                                                                                                                                                                                                                                          | Installment       |                    |  |                     |             |                                                      |   |   |                                                |   |   |
| <b>a</b> Net shortfall amortization installment.....                                                                                                                                 | 0                                                                                                                                                                                                                                                                                                                            | 0                 |                    |  |                     |             |                                                      |   |   |                                                |   |   |
| <b>b</b> Waiver amortization installment .....                                                                                                                                       | 0                                                                                                                                                                                                                                                                                                                            | 0                 |                    |  |                     |             |                                                      |   |   |                                                |   |   |
| <b>33</b> 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 ..... | <b>33</b>                                                                                                                                                                                                                                                                                                                    |                   |                    |  |                     |             |                                                      |   |   |                                                |   |   |
| <b>34</b> Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33)...                                                            | <b>34</b>                                                                                                                                                                                                                                                                                                                    | 0                 |                    |  |                     |             |                                                      |   |   |                                                |   |   |
|                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                              | Carryover balance | Prefunding balance |  |                     |             |                                                      |   |   |                                                |   |   |
| <b>35</b> Balances elected for use to offset funding requirement.....                                                                                                                | 0                                                                                                                                                                                                                                                                                                                            | 0                 | 0                  |  |                     |             |                                                      |   |   |                                                |   |   |
| <b>36</b> Additional cash requirement (line 34 minus line 35).....                                                                                                                   | <b>36</b>                                                                                                                                                                                                                                                                                                                    | 0                 |                    |  |                     |             |                                                      |   |   |                                                |   |   |
| <b>37</b> Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c).....                                                   | <b>37</b>                                                                                                                                                                                                                                                                                                                    | 121801162         |                    |  |                     |             |                                                      |   |   |                                                |   |   |
| <b>38</b> Present value of excess contributions for current year (see instructions)                                                                                                  |                                                                                                                                                                                                                                                                                                                              |                   |                    |  |                     |             |                                                      |   |   |                                                |   |   |
| <b>a</b> Total (excess, if any, of line 37 over line 36) .....                                                                                                                       | <b>38a</b>                                                                                                                                                                                                                                                                                                                   | 121801162         |                    |  |                     |             |                                                      |   |   |                                                |   |   |
| <b>b</b> Portion included in line 38a attributable to use of prefunding and funding standard carryover balances .....                                                                | <b>38b</b>                                                                                                                                                                                                                                                                                                                   | 0                 |                    |  |                     |             |                                                      |   |   |                                                |   |   |
| <b>39</b> Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37) .....                                                                      | <b>39</b>                                                                                                                                                                                                                                                                                                                    | 0                 |                    |  |                     |             |                                                      |   |   |                                                |   |   |
| <b>40</b> Unpaid minimum required contributions for all years .....                                                                                                                  | <b>40</b>                                                                                                                                                                                                                                                                                                                    | 0                 |                    |  |                     |             |                                                      |   |   |                                                |   |   |

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

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



**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:**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:**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:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
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103-12 IE at end of year (see instructions)**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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103-12 IE at end of year (see instructions)**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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103-12 IE at end of year (see instructions)**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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103-12 IE at end of year (see instructions)**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:**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:**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)

**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  
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

|                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                              |                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| <b>SCHEDULE H</b><br><b>(Form 5500)</b><br><br><small>Department of the Treasury<br/>Internal Revenue Service</small><br><br><small>Department of Labor<br/>Employee Benefits Security Administration</small><br><br><small>Pension Benefit Guaranty Corporation</small> | <b>Financial Information</b><br><br>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).<br><br><b>▶ File as an attachment to Form 5500.</b> | <small>OMB No. 1210-0110</small><br><br><b>2013</b><br><br><b>This Form is Open to Public Inspection</b> |
| For calendar plan year 2013 or fiscal plan year beginning <u>01/01/2013</u> and ending <u>12/31/2013</u>                                                                                                                                                                 |                                                                                                                                                                                                                                                                              |                                                                                                          |
| <b>A</b> Name of plan<br><u>NESTLE PENSION PLAN</u>                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                              | <b>B</b> Three-digit plan number (PN) <span style="float: right;"><u>100</u></span>                      |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br><u>NESTLE USA, INC.</u>                                                                                                                                                                                 |                                                                                                                                                                                                                                                                              | <b>D</b> Employer Identification Number (EIN)<br><br><u>95-1572209</u>                                   |

| Part I                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Asset and Liability Statement                                                               |                 | (a) Beginning of Year | (b) End of Year |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-----------------|-----------------------|-----------------|
| <b>1</b> 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. <b>Round off amounts to the nearest dollar.</b> 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. |                                                                                             |                 |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Assets</b>                                                                               |                 |                       |                 |
| <b>a</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Total noninterest-bearing cash .....                                                        | <b>1a</b>       |                       |                 |
| <b>b</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Receivables (less allowance for doubtful accounts):                                         |                 |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (1) Employer contributions .....                                                            | <b>1b(1)</b>    | 143989000             | 130198000       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (2) Participant contributions .....                                                         | <b>1b(2)</b>    |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (3) Other .....                                                                             | <b>1b(3)</b>    |                       |                 |
| <b>c</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | General investments:                                                                        |                 |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (1) Interest-bearing cash (include money market accounts & certificates of deposit) .....   | <b>1c(1)</b>    |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (2) U.S. Government securities .....                                                        | <b>1c(2)</b>    |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (3) Corporate debt instruments (other than employer securities):                            |                 |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (A) Preferred .....                                                                         | <b>1c(3)(A)</b> |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (B) All other .....                                                                         | <b>1c(3)(B)</b> |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (4) Corporate stocks (other than employer securities):                                      |                 |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (A) Preferred .....                                                                         | <b>1c(4)(A)</b> |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (B) Common .....                                                                            | <b>1c(4)(B)</b> |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (5) Partnership/joint venture interests .....                                               | <b>1c(5)</b>    |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (6) Real estate (other than employer real property) .....                                   | <b>1c(6)</b>    |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (7) Loans (other than to participants) .....                                                | <b>1c(7)</b>    |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (8) Participant loans .....                                                                 | <b>1c(8)</b>    |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (9) Value of interest in common/collective trusts .....                                     | <b>1c(9)</b>    |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (10) Value of interest in pooled separate accounts .....                                    | <b>1c(10)</b>   |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (11) Value of interest in master trust investment accounts .....                            | <b>1c(11)</b>   | 3163971602            | 3285266544      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (12) Value of interest in 103-12 investment entities .....                                  | <b>1c(12)</b>   |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (13) Value of interest in registered investment companies (e.g., mutual funds) .....        | <b>1c(13)</b>   |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (14) Value of funds held in insurance company general account (unallocated contracts) ..... | <b>1c(14)</b>   |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (15) Other .....                                                                            | <b>1c(15)</b>   |                       |                 |

| <b>1d</b> Employer-related investments:                              |              | (a) Beginning of Year | (b) End of Year |
|----------------------------------------------------------------------|--------------|-----------------------|-----------------|
| (1) Employer securities .....                                        | <b>1d(1)</b> |                       |                 |
| (2) Employer real property .....                                     | <b>1d(2)</b> |                       |                 |
| <b>e</b> Buildings and other property used in plan operation .....   | <b>1e</b>    |                       |                 |
| <b>f</b> Total assets (add all amounts in lines 1a through 1e) ..... | <b>1f</b>    | 3307960602            | 3415464544      |

**Liabilities**

|                                                                           |           |   |   |
|---------------------------------------------------------------------------|-----------|---|---|
| <b>g</b> Benefit claims payable .....                                     | <b>1g</b> |   |   |
| <b>h</b> Operating payables .....                                         | <b>1h</b> |   |   |
| <b>i</b> Acquisition indebtedness .....                                   | <b>1i</b> |   |   |
| <b>j</b> Other liabilities .....                                          | <b>1j</b> |   |   |
| <b>k</b> Total liabilities (add all amounts in lines 1g through 1j) ..... | <b>1k</b> | 0 | 0 |

**Net Assets**

|                                                           |           |            |            |
|-----------------------------------------------------------|-----------|------------|------------|
| <b>l</b> Net assets (subtract line 1k from line 1f) ..... | <b>1l</b> | 3307960602 | 3415464544 |
|-----------------------------------------------------------|-----------|------------|------------|

**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 |
|------------------------------------------------------------------------------------------------------------|-----------------|------------|-----------|
| <b>a Contributions:</b>                                                                                    |                 |            |           |
| (1) Received or receivable in cash from: <b>(A)</b> Employers .....                                        | <b>2a(1)(A)</b> | 130198000  |           |
| <b>(B)</b> Participants .....                                                                              | <b>2a(1)(B)</b> |            |           |
| <b>(C)</b> Others (including rollovers) .....                                                              | <b>2a(1)(C)</b> | 5021115    |           |
| (2) Noncash contributions .....                                                                            | <b>2a(2)</b>    |            |           |
| (3) Total contributions. Add lines <b>2a(1)(A)</b> , <b>(B)</b> , <b>(C)</b> , and line <b>2a(2)</b> ..... | <b>2a(3)</b>    |            | 135219115 |
| <b>b Earnings on investments:</b>                                                                          |                 |            |           |
| (1) Interest:                                                                                              |                 |            |           |
| <b>(A)</b> Interest-bearing cash (including money market accounts and certificates of deposit) .....       | <b>2b(1)(A)</b> |            |           |
| <b>(B)</b> U.S. Government securities .....                                                                | <b>2b(1)(B)</b> |            |           |
| <b>(C)</b> Corporate debt instruments .....                                                                | <b>2b(1)(C)</b> |            |           |
| <b>(D)</b> Loans (other than to participants) .....                                                        | <b>2b(1)(D)</b> |            |           |
| <b>(E)</b> Participant loans .....                                                                         | <b>2b(1)(E)</b> |            |           |
| <b>(F)</b> Other .....                                                                                     | <b>2b(1)(F)</b> |            |           |
| (G) Total interest. Add lines <b>2b(1)(A)</b> through <b>(F)</b> .....                                     | <b>2b(1)(G)</b> |            | 0         |
| (2) Dividends: <b>(A)</b> Preferred stock .....                                                            | <b>2b(2)(A)</b> |            |           |
| <b>(B)</b> Common stock .....                                                                              | <b>2b(2)(B)</b> |            |           |
| <b>(C)</b> Registered investment company shares (e.g. mutual funds) .....                                  | <b>2b(2)(C)</b> |            |           |
| (D) Total dividends. Add lines <b>2b(2)(A)</b> , <b>(B)</b> , and <b>(C)</b> .....                         | <b>2b(2)(D)</b> |            | 0         |
| (3) Rents .....                                                                                            | <b>2b(3)</b>    |            |           |
| (4) Net gain (loss) on sale of assets: <b>(A)</b> Aggregate proceeds .....                                 | <b>2b(4)(A)</b> |            |           |
| <b>(B)</b> Aggregate carrying amount (see instructions) .....                                              | <b>2b(4)(B)</b> |            |           |
| <b>(C)</b> Subtract line <b>2b(4)(B)</b> from line <b>2b(4)(A)</b> and enter result .....                  | <b>2b(4)(C)</b> |            | 0         |
| (5) Unrealized appreciation (depreciation) of assets: <b>(A)</b> Real estate .....                         | <b>2b(5)(A)</b> |            |           |
| <b>(B)</b> Other .....                                                                                     | <b>2b(5)(B)</b> |            |           |
| (C) Total unrealized appreciation of assets. Add lines <b>2b(5)(A)</b> and <b>(B)</b> .....                | <b>2b(5)(C)</b> |            | 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)  |            | 201566274 |
| (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 <b>income</b> amounts in column (b) and enter total.....               | 2d     |            | 336785389 |

**Expenses**

|                                                                                     |       |           |           |
|-------------------------------------------------------------------------------------|-------|-----------|-----------|
| e Benefit payment and payments to provide benefits:                                 |       |           |           |
| (1) Directly to participants or beneficiaries, including direct rollovers.....      | 2e(1) | 220782463 |           |
| (2) To insurance carriers for the provision of benefits.....                        | 2e(2) |           |           |
| (3) Other.....                                                                      | 2e(3) | 5021115   |           |
| (4) Total benefit payments. Add lines 2e(1) through (3).....                        | 2e(4) |           | 225803578 |
| 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) | 13400855  |           |
| (5) Total administrative expenses. Add lines 2i(1) through (4).....                 | 2i(5) |           | 13400855  |
| j Total expenses. Add all <b>expense</b> amounts in column (b) and enter total..... | 2j    |           | 239204433 |

**Net Income and Reconciliation**

|                                                         |       |  |          |
|---------------------------------------------------------|-------|--|----------|
| k Net income (loss). Subtract line 2j from line 2d..... | 2k    |  | 97580956 |
| l Transfers of assets:                                  |       |  |          |
| (1) To this plan.....                                   | 2l(1) |  | 9922986  |
| (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   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|----------|
| <b>c</b> 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  |          |
| <b>d</b> 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  |          |
| <b>e</b> Was this plan covered by a fidelity bond? .....                                                                                                                                                                      | X   |    | 20000000 |
| <b>f</b> Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty? .....                                                                                       |     | X  |          |
| <b>g</b> 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  |          |
| <b>h</b> 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  |          |
| <b>i</b> Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.) .....                                                                |     | X  |          |
| <b>j</b> 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  |          |
| <b>k</b> Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC? .....                                                           |     | X  |          |
| <b>l</b> Has the plan failed to provide any benefit when due under the plan? .....                                                                                                                                            |     | X  |          |
| <b>m</b> If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.) .....                                                                                                  |     |    |          |
| <b>n</b> 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)

|                         |                       |
|-------------------------|-----------------------|
| <b>6a</b> Name of trust | <b>6b</b> Trust's EIN |
|                         |                       |

|                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                            |                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| <b>SCHEDULE R</b><br><b>(Form 5500)</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security Administration<br><br>Pension Benefit Guaranty Corporation | <b>Retirement Plan Information</b><br><br>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).<br><br>▶ <b>File as an attachment to Form 5500.</b> | OMB No. 1210-0110<br><br><b>2013</b><br><br><b>This Form is Open to Public Inspection.</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|

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

|                                                                                          |                                                                    |
|------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| <b>A</b> Name of plan<br><u>NESTLE PENSION PLAN</u>                                      | <b>B</b> Three-digit plan number (PN) ▶<br><u>100</u>              |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br><u>NESTLE USA, INC.</u> | <b>D</b> Employer Identification Number (EIN)<br><u>95-1572209</u> |

|               |                      |
|---------------|----------------------|
| <b>Part I</b> | <b>Distributions</b> |
|---------------|----------------------|

All references to distributions relate only to payments of benefits during the plan year.

|                                                                                                                                                                                                                                                                    |          |             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-------------|
| <b>1</b> Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....                                                                                                                              | <b>1</b> | <u>0</u>    |
| <b>2</b> 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):<br><br>EIN(s): <u>36-3046063</u> |          |             |
| <b>Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.</b>                                                                                                                                                                                            |          |             |
| <b>3</b> Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....                                                                                                                                    | <b>3</b> | <u>2036</u> |

|                |                                                                                                                                                                              |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part II</b> | <b>Funding Information</b> (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) |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                                                                                                                                                                                                           |                              |                                        |                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----------------------------------------|-----------------------------------------|
| <b>4</b> Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....                                                                                                                                                                                                                                                       | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | <input type="checkbox"/> N/A            |
| <b>If the plan is a defined benefit plan, go to line 8.</b>                                                                                                                                                                                                                                                                                                               |                              |                                        |                                         |
| <b>5</b> 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. <b>Date:</b> Month _____ Day _____ Year _____<br><b>If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.</b> |                              |                                        |                                         |
| <b>6 a</b> Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived).....                                                                                                                                                                                                                             | <b>6a</b>                    |                                        |                                         |
| <b>b</b> Enter the amount contributed by the employer to the plan for this plan year.....                                                                                                                                                                                                                                                                                 | <b>6b</b>                    |                                        |                                         |
| <b>c</b> 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) .....                                                                                                                                                                                                                          | <b>6c</b>                    |                                        |                                         |
| <b>If you completed line 6c, skip lines 8 and 9.</b>                                                                                                                                                                                                                                                                                                                      |                              |                                        |                                         |
| <b>7</b> Will the minimum funding amount reported on line 6c be met by the funding deadline?.....                                                                                                                                                                                                                                                                         | <input type="checkbox"/> Yes | <input type="checkbox"/> No            | <input type="checkbox"/> N/A            |
| <b>8</b> 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?.....                                                                                                | <input type="checkbox"/> Yes | <input type="checkbox"/> No            | <input checked="" type="checkbox"/> N/A |

|                 |                   |
|-----------------|-------------------|
| <b>Part III</b> | <b>Amendments</b> |
|-----------------|-------------------|

|                                                                                                                                                                                                                            |                                              |                                   |                               |                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|-----------------------------------|-------------------------------|-----------------------------|
| <b>9</b> 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..... | <input checked="" type="checkbox"/> Increase | <input type="checkbox"/> Decrease | <input type="checkbox"/> Both | <input type="checkbox"/> No |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|-----------------------------------|-------------------------------|-----------------------------|

|                |                                                                                                                                                   |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part IV</b> | <b>ESOPs</b> (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. |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                             |                              |                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|
| <b>10</b> Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? .....                                                     | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>11 a</b> Does the ESOP hold any preferred stock? .....                                                                                                                                   | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>b</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.)..... | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>12</b> Does the ESOP hold any stock that is not readily tradable on an established securities market? .....                                                                              | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

**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:

|                                                                          |            |  |
|--------------------------------------------------------------------------|------------|--|
| <b>a</b> The current year .....                                          | <b>14a</b> |  |
| <b>b</b> The plan year immediately preceding the current plan year ..... | <b>14b</b> |  |
| <b>c</b> The second preceding plan year .....                            | <b>14c</b> |  |

- 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:

|                                                                                                       |            |  |
|-------------------------------------------------------------------------------------------------------|------------|--|
| <b>a</b> The corresponding number for the plan year immediately preceding the current plan year ..... | <b>15a</b> |  |
| <b>b</b> The corresponding number for the second preceding plan year .....                            | <b>15b</b> |  |

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

|                                                                                                                                                                        |            |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--|
| <b>a</b> Enter the number of employers who withdrew during the preceding plan year .....                                                                               | <b>16a</b> |  |
| <b>b</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 ..... | <b>16b</b> |  |

- 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 PENSION PLAN**

Financial Statements

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

## NESTLÉ PENSION PLAN

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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 Pension Plan:

### **Report on the Financial Statements**

We were engaged to audit the accompanying financial statements of the Nestlé Pension 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 PENSION 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 | \$ <u>3,285,266,544</u>        | <u>3,163,971,602</u>        |
| Net assets available for benefits                | \$ <u><u>3,285,266,544</u></u> | <u><u>3,163,971,602</u></u> |

See accompanying notes to financial statements.

# NESTLÉ PENSION 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>201,566,274</u>          |
| Total investment income                                            | <u>201,566,274</u>             |
| Contributions:                                                     |                                |
| Employer contributions                                             | 143,989,000                    |
| Reimbursement from group annuity contract (note 2(e))              | <u>5,021,115</u>               |
| Total contributions                                                | <u>149,010,115</u>             |
| Deductions:                                                        |                                |
| Benefits paid to participants                                      | 220,782,463                    |
| Benefits paid on behalf of group annuity contract (note 2(e))      | 5,021,115                      |
| Investment and administrative expenses                             | <u>13,400,855</u>              |
| Total deductions                                                   | <u>239,204,433</u>             |
| Transfer from other Plan (note 1(a))                               | <u>9,922,986</u>               |
| Net increase                                                       | 121,294,942                    |
| Net assets available for benefits:                                 |                                |
| Beginning of year                                                  | <u>3,163,971,602</u>           |
| End of year                                                        | \$ <u><u>3,285,266,544</u></u> |

See accompanying notes to financial statements.

# NESTLÉ PENSION 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                         | \$ 759,394,338          | 750,345,599          |
| Other participants                                                | <u>1,187,736,097</u>    | <u>1,243,265,553</u> |
|                                                                   | 1,947,130,435           | 1,993,611,152        |
| Nonvested benefits                                                | <u>81,115,534</u>       | <u>90,215,854</u>    |
| Total actuarial present value of accumulated plan benefits        | <u>\$ 2,028,245,969</u> | <u>2,083,827,006</u> |

See accompanying notes to financial statements.

# NESTLÉ PENSION 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 | \$ 2,083,827,006        |
| Increase (decrease) during the year attributable to:                      |                         |
| Benefits accumulated and actuarial gains (losses)                         | 161,383,132             |
| Interest due to decrease in the discount rate                             | 138,271,198             |
| Benefits paid                                                             | (220,782,463)           |
| Assumption changes (note 2(c))                                            | (139,296,113)           |
| Change in plan provisions                                                 | 13,106                  |
| Transfer from other Plan (note 1(a))                                      | <u>4,830,103</u>        |
| Actuarial present value of accumulated plan benefits at end of year       | <u>\$ 2,028,245,969</u> |

See accompanying notes to financial statements.

## NESTLÉ PENSION PLAN

### Notes to Financial Statements

December 31, 2013 and 2012

#### (1) Description of the Plan

The following description of the Nestlé Pension 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 salaried and certain hourly employees of Nestlé USA, Inc. and participating affiliated companies (Company) as defined under the Plan Document. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Effective December 31, 2013, the Plan assets and related accumulated benefit obligation of the Gerber Life Retirement Plan were merged into the Plan. None of the Plan's provisions were materially changed as a result of the merger.

Effective December 31, 2012, the Plan assets and related accumulated benefit obligation of the Cash Balance Plan were merged into the Plan. None of the Plan's provisions were materially changed as a result of the merger.

##### (b) Pension Benefits

Employees of covered Company locations are eligible to participate in the Plan on January 1 in the year following the date of hire. These participating employees are eligible to receive benefits under the Plan Document as follows:

###### Traditional Benefit

Participants hired prior to May 1, 2003, who chose to remain on the Traditional formula during the pension choice period, with three (five prior to January 1, 2008) or more years of vesting service are entitled to pension benefits beginning at normal retirement age of 65. The normal retirement benefit is determined based upon years of credited service, as defined, and the average of the participant's highest three consecutive years of pensionable earnings during the ten-year period prior to retirement (average annual compensation). The Plan permits retirement as early as age 55, but with a reduced benefit. The normal form of benefit payment is the Life Annuity Form for participants who are not married on the benefit commencement date and the Spouse's Annuity Form for participants who are married on the benefit commencement date. Subject to certain restrictions of the Plan, participants may elect to receive the value of their benefits as a life annuity, a lump-sum distribution, a ten-year certain annuity, or a joint-and-survivor annuity. Additionally, certain Nestlé Purina employees may be covered under an alternative final average pay formula or a career average pay formula subject to different normal and optional forms of payment as described in Supplement R and Supplement S of the Plan Document, respectively.

###### Account Benefit

All participants hired after May 1, 2003, and participants hired prior to May 1, 2003 who chose the Account formula during the pension choice period, with three (five prior to January 1, 2008) or more years of vesting service are entitled to pension benefits upon termination of employment.

## NESTLÉ PENSION PLAN

### Notes to Financial Statements

December 31, 2013 and 2012

Participants earn an annual percentage based on the sum of the participant's age and years of vesting service (or points) for each year of credited service in the Plan. Upon termination, the annual percentages are added together to determine the final pension percentage. The final pension percentage is multiplied by the average of the participant's highest five consecutive years of pensionable earnings during the most recent ten-year period. The normal form of payment is the Life Annuity Form for participants who are not married on the benefit commencement date and the Spouse's Annuity Form for participants who are married on the benefit commencement date. Subject to certain restrictions of the Plan, participants may elect to receive the value of their benefit as a lump-sum distribution, a life annuity, or a joint-and-survivor annuity. Additionally, certain Nestlé Purina employees may be covered under an alternative account benefit formula subject to different normal and optional forms of payment as described in Supplement R of the Plan Document.

#### **(c) *Death and Disability Benefits***

##### **Traditional Benefit**

If an active participant dies after completing three years of vesting service, a death benefit may be paid to the participant's qualified surviving spouse. The amount of the benefit paid to the surviving spouse is computed with reference to the early retirement factors of the Plan for payments beginning after age 55. Participants who meet the Plan's disability eligibility requirements may continue accruals under the Plan.

##### **Account Benefit**

If an active participant dies, the participant's designated beneficiary will receive the value of the benefit. If the beneficiary is a spouse, the spouse may elect to receive the account benefit as either a lump sum or a life annuity. If the beneficiary is not a spouse, the account benefit is paid as a lump sum. Participants who meet the Plan's disability eligibility requirements may continue accruals under the Plan.

#### **(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*.

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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 that are attributable under the Plan's provisions 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 credited service and the average of either the highest three or five years of pensionable earnings, as defined, (i.e., total compensation, including bonuses and overtime) during the last ten calendar years ending on the date as of which the benefit information is presented (the valuation date). Benefits payable under all circumstances – retirement, death, disability, and termination of employment – are included to the extent they are deemed attributable to employee service rendered to the valuation date.

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.

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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.

A portion of Plan benefits is payable by Metropolitan Life Insurance Company (MetLife) as a result of the Company's purchase of annuity contracts for certain former participants in the contributory Carnation Employees Retirement Plan Number Two. The remaining portion of Plan benefits are payable by the Plan and are included in the present value of accumulated plan benefits. Certain Plan benefits were commenced, and continue to be paid, by MetLife, with the Company reimbursing MetLife for any portion of said benefits that were not guaranteed by the employee contributions. Conversely, certain Plan benefits are commenced, and continue to be paid, by the trustee, with MetLife reimbursing the Company for any portion of said benefits that were previously purchased by the employee contributions.

**(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.

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,

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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 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.

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Counterparty risk for swaps and forwards, that are not 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. Contributions made for the Plan year ended December 31, 2013 were \$143,989,000 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 current 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

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### **Notes to Financial Statements**

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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 79% 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.

#### **(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

# **NESTLÉ PENSION PLAN**

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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 79% at December 31, 2013 and 2012. 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*                           | <u>472,299,733</u>      | <u>510,875,270</u>   |
| 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                                         | <u>40,387,140</u>       | <u>46,522,989</u>    |
| 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    | \$ 3,285,266,544        | 3,163,971,602        |

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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      | \$ 201,566,274        |

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## Notes to Financial Statements

December 31, 2013 and 2012

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<br>derivatives<br>Fair value | Liability<br>derivatives<br>Fair value | Asset<br>derivatives<br>Fair value | Liability<br>derivatives<br>Fair value |
| Derivatives not accounted for<br>as hedging instruments<br>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<br>gain (loss) | Amount of<br>other income<br>(expense) |
| Derivatives not accounted for<br>as hedging instruments<br>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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## Notes to Financial Statements

December 31, 2013 and 2012

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

| Asset description                                                      | Gross<br>recognized<br>assets      | Gross<br>amounts<br>offset | Net amounts<br>presented | Amounts not offset       |                            | Net exposure |
|------------------------------------------------------------------------|------------------------------------|----------------------------|--------------------------|--------------------------|----------------------------|--------------|
|                                                                        |                                    |                            |                          | Financial<br>instruments | Net collateral<br>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<br>subject to a Master<br>Netting Agreement<br>(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<br>subject to a<br>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<br>recognized<br>liabilities | Gross<br>amounts<br>offset | Net amounts<br>presented | Amounts not offset       |                            | Net exposure |
|                                                                        |                                    |                            |                          | Financial<br>instruments | Net collateral<br>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<br>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<br>subject to a<br>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.

# NESTLÉ PENSION PLAN

## Notes to Financial Statements

December 31, 2013 and 2012

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

| Asset description                         | Gross<br>recognized<br>assets      | Gross<br>amounts<br>offset | Net amounts<br>presented | Amounts not offset       |                            | Net exposure |
|-------------------------------------------|------------------------------------|----------------------------|--------------------------|--------------------------|----------------------------|--------------|
|                                           |                                    |                            |                          | Financial<br>instruments | Net collateral<br>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<br>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<br>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<br>recognized<br>liabilities | Gross<br>amounts<br>offset | Net amounts<br>presented | Amounts not offset       |                            | Net exposure |
|                                           |                                    |                            |                          | Financial<br>instruments | Net collateral<br>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<br>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<br>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                        | —                                  | —                          | —                        | —                        | —                          | —            |

## NESTLÉ PENSION PLAN

### Notes to Financial Statements

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.

# NESTLÉ PENSION PLAN

## Notes to Financial Statements

December 31, 2013 and 2012

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 PENSION 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 PENSION PLAN

### Notes to Financial Statements

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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 PENSION PLAN

### Notes to Financial Statements

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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 PENSION 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,<br>2012    | Gross<br>purchases<br>and issuances | Gross<br>sales and<br>settlements | Unrealized<br>gains (losses) | Realized<br>gains (losses) | December 31,<br>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,<br>2011    | Transfers<br>January 1,<br>2012* | Gross<br>purchases<br>and issuances | Gross<br>sales and<br>settlements | Unrealized<br>gains (losses) | Realized<br>gains (losses) | December 31,<br>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<br>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 July 9, 2003 that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). In accordance with IRS procedures, in December 2009, the Company adopted an amended and restated Plan document effective January 1, 2009. The Company submitted a determination letter ruling request with the IRS in January 2010 for the amended and restated Plan document with regard to the Economic Growth and Tax Reconciliation Act of 2001 (EGTRA) and other items identified on the 2008 Cumulative List of Changes in Plan Qualification Requirements in IRS Notice 2008-108. The IRS has not yet issued a ruling on the request through the date of this report, and the Plan has been amended since the

## NESTLÉ PENSION PLAN

### Notes to Financial Statements

December 31, 2013 and 2012

most recent determination letter filing; however, the Plan Administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

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 \$130,198,000 and \$143,989,000 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 \$143,989,000 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 | \$ 3,285,266,544        | 3,163,971,602        |
| Add contributions received for current plan year               | <u>130,198,000</u>      | <u>143,989,000</u>   |
| Net assets available for benefits per Form 5500                | <u>\$ 3,415,464,544</u> | <u>3,307,960,602</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 | \$ 143,989,000        |
| Add contributions received for current plan year    | 130,198,000           |
| Less contributions received for prior plan year     | <u>(143,989,000)</u>  |
| Employer contributions per Form 5500                | <u>\$ 130,198,000</u> |

## **NESTLÉ PENSION PLAN**

### Notes to Financial Statements

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#### **(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 Pension Plan**

**EIN: 95-1572209 PN: 100**

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

| <b>Plan Name</b>          | <b>CASH<br/>BALANCE<br/>RETIREMENT<br/>PLAN</b> | <b>NESTLE<br/>PENSION<br/>PLAN</b> |
|---------------------------|-------------------------------------------------|------------------------------------|
| <b>Employer ID Number</b> | 95-1572209                                      | 95-1572209                         |
| <b>Plan Number</b>        | 010                                             | 100                                |
| <b>Funding Percentage</b> | 115.4%                                          | 115.5%                             |

## **Schedule SB - Statement by Enrolled Actuary**

|                          |                     |
|--------------------------|---------------------|
| <b>Plan Sponsor</b>      | Nestlé USA, Inc.    |
| <b>EIN/PN</b>            | 95-1572209/100      |
| <b>Plan Name</b>         | Nestlé Pension Plan |
| <b>Valuation Date</b>    | January 1, 2013     |
| <b>Enrolled Actuary</b>  | Thad Summersett     |
| <b>Enrollment Number</b> | 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<br>Traditional<br>Salaried | NPPC<br>Traditional<br>Salaried | NUSA<br>Traditional<br>Hourly | NPPC<br>Traditional<br>Hourly |       | NUSA PEP<br>Salaried |       | NPPC PEP<br>Salaried |       | NUSA PEP<br>Hourly |       |
|----------------------------------|---------------------------------|---------------------------------|-------------------------------|-------------------------------|-------|----------------------|-------|----------------------|-------|--------------------|-------|
| Years of Service<br>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<br>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<br>Traditional<br>Salaried | NPPC<br>Traditional<br>Salaried | NUSA<br>Traditional<br>Hourly | NPPC<br>Traditional<br>Hourly | NUSA PEP<br>Salaried | NPPC PEP<br>Salaried | NUSA PEP<br>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 &amp; Life</u> | <u>J&amp;S</u> | <u>Lump sum</u> | <u>Life</u>               | <u>Cert &amp; Life</u> | <u>J&amp;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 &amp; Life</u> | <u>J&amp;S</u> | <u>Lump sum</u> | <u>Life</u>               | <u>Cert &amp; Life</u> | <u>J&amp;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>                                                                                                                                                                         |

## Summary of Plan Provisions

### Nestlé Pension Plan (Nestlé USA employees and NPPC salaried employees hired after 2002)

#### Plan Provisions

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

|                    |                                                                                                                                          |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Covered employees  | Salaried employees and certain nonunion hourly employees of Nestlé USA, and salaried employees of Nestlé Purina PetCare hired after 2002 |
| Participation date | January 1, following date of hire                                                                                                        |
| Type of plan       | Three-year average earnings or pension equity                                                                                            |

#### Definitions

|                             |                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Vesting service             | From date of hire; for HandHeld Foods Group, from 9/12/2002                                                                                                                                                                                                                                                                                                                                              |
| Credited service            | From date of hire; for Beech-Nut, frozen as of 11/3/89; for Franklin Park, Bakersfield Hourly and Carnation, from 1/1/92; for Sunmark, from 6/1/88; for Alpo, from 12/31/94; for Stoughton, from 9/28/95; for HandHeld Foods Group, from 9/12/2002; for Joseph's Pasta, from 12/1/2006; for Nutrition, from 1/1/2010; for Pizza, from 3/1/2010; for Dreyer's, from 1/1/2011; for Pfizer, from 12/1/2012. |
| Pensionable earnings        | Total compensation, including bonuses and overtime                                                                                                                                                                                                                                                                                                                                                       |
| Covered compensation        | Average of Social Security wage bases over the 35 years prior to the year of termination                                                                                                                                                                                                                                                                                                                 |
| Average annual compensation | For pension equity highest of five consecutive calendar years out of the last ten years, divided by five. For three year average, highest three consecutive calendar years out of the last ten years, divided by three.                                                                                                                                                                                  |

Accumulated benefit:

Covered employees have the pension equity formula, unless they chose to retain the final average earnings formula as of 5/1/2003. Frozen minimum FAE benefit as of 5/1/2003 applies to pension equity participants.

Pension equity: Lump sum equal to the sum of basic percentages, as shown below, for each year of credited service x FAE + 3.5% of FAE in excess of covered compensation x credited service.

| Age + Points<br>Service | Basic % |
|-------------------------|---------|
| <40                     | 4.0%    |
| 40 – 49                 | 5.0%    |
| 50 – 59                 | 6.0%    |
| 60 – 69                 | 8.0%    |
| 70 – 79                 | 10.0%   |
| 80 – 89                 | 12.0%   |
| > 89                    | 15.0%   |

Final average earnings (FAE): .9% of FAE x credited service limited to 35 years + .5% of FAE in excess of covered compensation x credited service limited to 35 years; for employees who were participants on 1/1/89, an additional .3% of FAE x credited service on 1/1/89 limited to 35 years; for former Carnation employees, add the final average pay accrued benefit as of 12/31/91 x the ratio of FAE at termination to FAE on 12/31/91

### 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 ten 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 three 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        | FAE accrued benefit reduced 3.0% for each year prior to age 62; pension equity benefit payable immediately                                  |
| Postponed retirement    | Accrued benefit payable immediately.                                                                                                        |
| Vested termination      | FAE accrued benefit payable unreduced at age 65, or reduced 6.0% for each year prior to age 65; pension equity benefit payable immediately. |

|                     |                                                                                                                                                                                                                                                                               |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Disablement         | Accrued benefit payable at actual retirement, with service credited during disability, and based upon pensionable earnings at date of disability.                                                                                                                             |
| Preretirement death | If married, reduced 100% joint & survivor early retirement FAE benefit if attained age 55 or 100% joint and survivor early retirement FAE benefit for all others reduced to be payable at age at death. The pension equity benefit is payable immediately to any beneficiary. |

### Other Plan Provisions

|                                  |                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Forms of payment                 |                                                                                                                                                                                                                                                                                                                                                            |
| Normal form                      | Life annuity for single participants; 100% joint and survivor for married participants                                                                                                                                                                                                                                                                     |
| Optional forms                   | 50% or 100% joint and survivor annuity; 10 year certain and life (if hired before 5/1/2003); lump sum                                                                                                                                                                                                                                                      |
| 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                                                                                                                                                                        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nestlé Traditional benefit<br><u>Eligible for early retirement factors</u><br>No grandfathered prior plan benefits, <b>OR</b> with the following prior plans (but only if Nestlé benefit wins):<br>Beechnut<br>Hills Bros.<br>NFC post-1988 terminations<br>Carnation #2 post-1991 terminations<br>Clintec                                                                                                                             | <ul style="list-style-type: none"> <li>8.00%</li> <li>1971 TPF&amp;C Forecast set back 3 years</li> </ul> | 1) Single Life Annuity<br>2) 50%, 75%* & 100% Joint Survivor Annuity<br>3) 10 year Certain and Life Annuity<br>4) Lump Sum<br>5) 5 year Certain and Life Annuity for Hills Bros. only |
| Nestlé Traditional benefit<br><u>Deferred vested commencements with deferred vested factors</u><br>No grandfathered prior plan benefits, <b>OR</b> with the following prior plans (but only if Nestlé benefit wins):<br>Beechnut<br>Hills Bros.<br>NFC post-1988 terminations<br>Carnation #2 post-1991 terminations <b>OR</b> post-55 commencement of excess/ residual piece for the following prior plans:<br>Clintec<br>Hills Bros. | <ul style="list-style-type: none"> <li>8.00%</li> <li>1971 TPF&amp;C Forecast set back 3 years</li> </ul> | 1) Single Life Annuity<br>2) 50%, 75%* & 100% Joint Survivor Annuity<br>3) 10 year Certain and Life Annuity<br>4) Lump Sum                                                            |

\* The 75% Joint Survivor Annuity is only available to participants who terminated prior to May 1, 2003.

## Optional Forms of Payment (cont.)

| Participant Group                                                                                                            | Actuarial Equivalence                                                     | Optional Forms                                                                                                                                                                                                                      |
|------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Carnation Plan #2                                                                                                            | <ul style="list-style-type: none"> <li>Formula-based</li> </ul>           | <ol style="list-style-type: none"> <li>1) Single Life Annuity</li> <li>2) 50%, 75% &amp; 100% Joint Survivor Annuity</li> <li>3) 10 year Certain and Life Annuity (post-1991 only)</li> <li>4) Lump Sum (post-1991 only)</li> </ol> |
| a) Terminations before 12/31/1985<br>b) Pre-1992 terminations after 12/30/1985<br>c) Post-1991 terminations & Carnation wins |                                                                           |                                                                                                                                                                                                                                     |
| Nestlé Traditional benefit / Clintec** & <u>Clintec benefit wins</u>                                                         | <ul style="list-style-type: none"> <li>7.00%</li> <li>1983 GAM</li> </ul> | <ol style="list-style-type: none"> <li>1) Single Life Annuity</li> <li>2) 50%, 75%* &amp; 100% Joint Survivor Annuity</li> <li>3) 10 year Certain and Life Annuity</li> <li>4) Lump Sum if &lt; \$10,000</li> </ol>                 |
| a) Lump sum available<br>b) No lump sum available                                                                            |                                                                           |                                                                                                                                                                                                                                     |

**Nestlé Traditional benefit / prior plans Deferred vested commencements**

- Beechnut prior plan wins
- Hills Bros. pre-55 commencement of “Hills portion” only
- Hills Bros. post-55 commencement & prior plan wins
- NFC post-1988 terminations pre-55 commencements of “NFC portion” only
- NFC post-1988 terminations, post-55 commencements of NUSA excess/residual piece
- NFC post-11/30/1989 terminations, post-55 commencements of entire benefit & prior plan wins
- NFC terminations between 1/1/1989 & 11/30/1989, post-55 commencements of entire benefit

- Beech-Nut factors (for b1)
- 8.00%, 1971 TPF&C Forecast set back 3 years (except Hills factors for 5 year Certain and Life Annuity) (for h)
- 8.00%, 1971 TPF&C Forecast set back 3 years (for n)

- 1) Single Life Annuity
- 2) 50%, 75%\* & 100% Joint Survivor Annuity
- 3) 10 year Certain and Life Annuity
- 4) 5 year Certain and Life Annuity for Hills Bros. only
- 5) Lump Sum (except b, n2, & n4)

### Optional Forms of Payment (cont.)

| Participant Group                                                                                                                                                                                  | Actuarial Equivalence                                                                                                                  | Optional Forms                                                                                                                                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| Prior NFC participants who terminated before 1/1/1989 (married participants only)                                                                                                                  | <ul style="list-style-type: none"> <li>• 6.00%</li> <li>• 1979 Buck (80% male set back 1 year, 20% female set back 3 years)</li> </ul> | <ol style="list-style-type: none"> <li>1) Single Life Annuity</li> <li>2) 50% &amp; 100% Joint Survivor Annuity</li> </ol>                      |
| Nestlé Account Benefit                                                                                                                                                                             | <ul style="list-style-type: none"> <li>• Applicable interest rates and mortality</li> </ul>                                            | <ol style="list-style-type: none"> <li>1) Single Life Annuity</li> <li>2) 50% &amp; 100% Joint Survivor Annuity</li> <li>3) Lump Sum</li> </ol> |
| No grandfathered prior plan benefits (i.e., participants hired on or after January 1, 2003) OR with grandfathered Nestlé Traditional Benefit or prior plans and Account Benefit wins for all forms |                                                                                                                                        |                                                                                                                                                 |

\* The 75% Joint Survivor Annuity is only available to participants who terminated prior to May 1, 2003.

|                                                                                                   |                                                           |                                              |
|---------------------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------|
| Nestlé Account Benefit                                                                            | • Applicable interest rates and mortality (for a)         | 1) Single Life Annuity                       |
| With grandfathered Nestlé Traditional Benefit <b>OR</b> other grandfathered prior plan benefits   | • 8.00%, 1971 TPF&C Forecast set back 3 years (for b & c) | 2) 50% & 100% Joint Survivor Annuity         |
| a) Winning for at least one (but not all) optional forms                                          |                                                           | 3) 10 year Certain and Life Annuity          |
| b) NUSA winning for all optional forms eligible for early retirement factors                      |                                                           | 4) Lump Sum                                  |
| c) NUSA winning for all optional forms deferred vested commencements with deferred vested factors |                                                           | 5) 75% Joint Survivor Annuity (b and c only) |

### 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

Six employees were automatically vested upon a facility closing in San Antonio.

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

**Nestlé Pension Plan (NPPC salaried employees hired prior to 2003 and NPPC hourly employees)**

### Plan Provisions

The most recent amendment reflected in the following plan provisions was effective in 2010.

|                    |                                                                                                                   |
|--------------------|-------------------------------------------------------------------------------------------------------------------|
| Covered employees  | Salaried employees hired prior to 2003 and hourly employees of Nestlé Purina PetCare                              |
| Participation date | January 1 following date of hire                                                                                  |
| Type of plan       | Five-year average earnings or pension equity for salaried employees; career average earnings for hourly employees |

### Definitions

|                      |                                                                                           |
|----------------------|-------------------------------------------------------------------------------------------|
| Vesting service      | From date of hire                                                                         |
| Credited service     | From date of hire                                                                         |
| Pensionable earnings | Total compensation, including bonuses and overtime                                        |
| Covered compensation | Average of Social Security wage bases over the 35 years prior to the year of termination. |

Accumulated benefit:

Salaried employees have the pension equity formula, unless they chose the final average earnings formula as of 1/1/99. Hourly employees have the career average earnings formula. Some participants have the supplemental cash balance benefit.

Final average earnings (FAE):  $1.545\% \text{ of FAE} \times \text{credited service limited to 40 years} - 51.5\% \text{ of Social Security benefit} \times \text{credited service} \div \text{the greater of projected credited service at NRD or 30 years}$ .

Pension equity: Sum of basic percentages, the greater of the two percentages shown below, for each year of credited service  $\times$  FAE +  $3.5\% \text{ of FAE in excess of covered compensation} \times \text{credited service}$ , converted to a five-year certain and life annuity.

| <b>Years of<br/>Credited Service</b> | <b>Purina<br/>Basic %</b> | <b>Age + Points<br/>Service</b> | <b>Nestlé Basic %*</b> |
|--------------------------------------|---------------------------|---------------------------------|------------------------|
| 0 – 5                                | 4.0%                      | < 40                            | 4.0%                   |
| 6-10                                 | 5.0%                      | 40 – 49                         | 5.0%                   |
| 11-15                                | 6.5%                      | 50 – 59                         | 6.0%                   |
| 16-20                                | 8.0%                      | 60 – 69                         | 8.0%                   |
| >20                                  | 10.0%                     | 70 – 79                         | 10.0%                  |
|                                      |                           | 80 – 89                         | 12.0%                  |
|                                      |                           | > 89                            | 15.0%                  |

\*Applies only to 2003 and later.

Career average earnings (CAE):  $1.75\% \text{ of earnings for each year after 1998} + 1.25\% \text{ of earnings for each year after 1988 and before 1999} + 1.0\% \text{ of FAE as of 12/31/1988} \times \text{credited service as of 12/31/1988}$ .

Cash balance benefit: Cash balance as of 12/31/2002, plus interest credits, converted to a five-year certain and life annuity. Interest credits are based on 30-year Treasury rates.

## 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 two 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 three 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 FAE or CAE benefit reduced 5.0% for each year prior to age 62; pension equity or cash balance benefit payable immediately                                                                                                                                                                                     |
| Postponed retirement    | Accrued benefit payable immediately.                                                                                                                                                                                                                                                                                  |
| Vested termination      | Accrued FAE or CAE benefit payable unreduced at age 65 or reduced 5.0% for each year prior to age 65; pension equity benefit or cash balance payable immediately                                                                                                                                                      |
| Disablement             | Accrued benefit payable at NRD with service credited during disability, and based upon pensionable earnings at date of disability. 15-year service requirement for CAE participants                                                                                                                                   |
| Preretirement death     | If married, reduced 100% joint & survivor early retirement benefit if attained age 55 or 100% joint and survivor early retirement benefit for all others reduced to be payable at age at death. For pension equity and cash balance account, lump sum payment of the pension equity benefit and cash balance account. |

## Other Plan Provisions

### Forms of payment

|                                  |                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Normal form                      | Five-year certain and life for single participants; 100% joint and survivor for married participants                                                                                                                                                                                                                                                       |
| Optional forms                   | 50% or 100% joint and survivor annuity; 10 year certain and life annuity; life annuity; lump sum for pension equity only                                                                                                                                                                                                                                   |
| 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                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| NPPC Traditional Benefit OR<br>Career Average Pay Benefit                                                                                                                                                                                                     | <ul style="list-style-type: none"> <li>Formula-based</li> </ul> | <ol style="list-style-type: none"> <li>1) Single Life Annuity</li> <li>2) 50% &amp; 100% Joint Survivor Annuity with pop-up</li> <li>3) 10 year Certain and Life Annuity</li> <li>4) Level income / any other form</li> </ol>                                                       |
| a) Eligible for early retirement<br>b) Deferred vested commencements                                                                                                                                                                                          |                                                                 |                                                                                                                                                                                                                                                                                     |
| NPPC Account Benefit OR<br>NPPC PPMA Cash Balance                                                                                                                                                                                                             | <ul style="list-style-type: none"> <li>Formula-based</li> </ul> | <ol style="list-style-type: none"> <li>1) Single Life Annuity</li> <li>2) 50% &amp; 100% Joint Survivor Annuity with pop-up</li> <li>3) 5 year Certain and Life Annuity, 10 year Certain and Life Annuity</li> <li>4) Level income / any other form</li> <li>5) Lump Sum</li> </ol> |
| a) Eligible for early retirement level income option; under age 62<br>b) Eligible for deferred vested level income option; under age 62<br>c) Eligible for early retirement; age 62 and older<br>d) Eligible for deferred vested retirement; age 62 and older |                                                                 |                                                                                                                                                                                                                                                                                     |

### 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 Pension Plan (Formerly Franklin Park Cash Balance)**

### **Plan Provisions**

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

The most recent amendment reflected in the following plan provisions was effective on December 18, 1994.

|                   |                                     |
|-------------------|-------------------------------------|
| Covered employees | Salaried employees at Franklin Park |
| Type of plan      | Cash balance                        |

### **Definitions**

|                      |                                                                                                                            |
|----------------------|----------------------------------------------------------------------------------------------------------------------------|
| Membership service   | From date of hire                                                                                                          |
| Credited service     | From date of hire                                                                                                          |
| Credited balance     | Credited balance as of December 31, 1991, plus interest credits                                                            |
| Accumulated benefit: | Credit balance increased with interest at PBGC deferred rate to NRD, converted to a life annuity using PBGC immediate rate |

### **Eligibility for Benefits**

|                             |                                                                                                                                                                          |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Normal retirement           | Retirement after both attaining age 65 and completing three years of vesting service                                                                                     |
| Early retirement            | Retirement before NRD and on or after both attaining age 50 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                                                                   |
| 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 or credited balance divided by 8.2                                                           |
| Early retirement        | Accrued benefit actuarially reduced or credited balance divided by a factor varying by age (from 8.2 at age 55 to 9.0 at age 50) |
| Postponed retirement    | Accrued benefit payable immediately                                                                                              |
| Vested termination      | Accrued benefit payable unreduced at age 65, actuarially reduced for early commencement                                          |

Preretirement death If married, credit balance divided by PBGC factor at date of death or credit balance as a lump sum for all others.

### 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                                                                                                       |
|----------------------------|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| Franklin Park Cash Balance | <ul style="list-style-type: none"> <li>8.00%</li> <li>1971 TPF&amp;C Forecast set back 3 years</li> </ul> | 1) Single Life Annuity<br>2) 50% & 100% Joint Survivor Annuity<br>3) 10 year Certain and Life Annuity<br>4) Lump Sum |

### 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 USA, Inc. — Nestlé Pension Plan

EIN: 95-1572209

Plan Number: 100

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

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Effective December 31, 2012, the Cash Balance Retirement Plan (EIN 95-5172209; PN 010) merged into the Nestlé Pension Plan (100).

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

|                                                |                      |
|------------------------------------------------|----------------------|
| 2012 Nestlé Pension Plan – line 13             | \$646,675,091        |
| 2012 Cash Balance Retirement Plan – line 13    | 884,475              |
| <b>2013 Nestlé Pension Plan (100) – line 7</b> | <b>\$647,559,566</b> |

**Description of Weighted Average Retirement Age**

Retirement rates vary by participant groups. The weighted average age across all participant groups is 61.

| Groups             | Count  | Weight  | Avg Age | W*A   |
|--------------------|--------|---------|---------|-------|
| NUSA Trad Salaried | 1517   | 4.80%   | 61      | 2.93  |
| NPPC Trad Salaried | 620    | 1.96%   | 62      | 1.22  |
| NUSA Trad Hourly   | 926    | 2.93%   | 61      | 1.79  |
| NPPC Trad Hourly   | 2,205  | 6.98%   | 61      | 4.26  |
| NUSA PEP Salaried  | 18,421 | 58.29%  | 61      | 35.56 |
| NPPC PEP Salaried  | 3,288  | 10.40%  | 61      | 6.35  |
| NUSA PEP Hourly    | 4,624  | 14.63%  | 61      | 8.93  |
|                    | 31,601 | 100.00% |         | 61    |

Participant Group: NUSA Traditional Salaried

### Description of Weighted Average Retirement Age

| Age | Retirement<br>Rate | 1.00 -<br>Retirement<br>Rate | Probability of<br>Remaining<br>Active | Percentage<br>Retiring<br>at Age | Age Times<br>Percentage<br>Retiring |
|-----|--------------------|------------------------------|---------------------------------------|----------------------------------|-------------------------------------|
| 55  | 7.50%              | 92.50%                       | 92.50%                                | 7.50%                            | 4.13                                |
| 56  | 7.50%              | 92.50%                       | 85.56%                                | 6.94%                            | 3.89                                |
| 57  | 8.50%              | 91.50%                       | 78.29%                                | 7.27%                            | 4.15                                |
| 58  | 9.50%              | 90.50%                       | 70.85%                                | 7.44%                            | 4.31                                |
| 59  | 12.50%             | 87.50%                       | 62.00%                                | 8.86%                            | 5.23                                |
| 60  | 16.50%             | 83.50%                       | 51.77%                                | 10.23%                           | 6.14                                |
| 61  | 16.50%             | 83.50%                       | 43.22%                                | 8.54%                            | 5.21                                |
| 62  | 27.50%             | 72.50%                       | 31.34%                                | 11.89%                           | 7.37                                |
| 63  | 25.00%             | 75.00%                       | 23.50%                                | 7.83%                            | 4.94                                |
| 64  | 20.00%             | 80.00%                       | 18.80%                                | 4.70%                            | 3.01                                |
| 65  | 50.00%             | 50.00%                       | 9.40%                                 | 9.40%                            | 6.11                                |
| 66  | 50.00%             | 50.00%                       | 4.70%                                 | 4.70%                            | 3.10                                |
| 67  | 50.00%             | 50.00%                       | 2.35%                                 | 2.35%                            | 1.57                                |
| 68  | 50.00%             | 50.00%                       | 1.18%                                 | 1.18%                            | 0.80                                |
| 69  | 50.00%             | 50.00%                       | 0.59%                                 | 0.59%                            | 0.41                                |
| 70  | 100.00%            | 0.00%                        | 0.00%                                 | 0.59%                            | 0.41                                |
|     |                    |                              |                                       | 100.00%                          |                                     |

Average Retirement Age: 61

Participant Group: NPPC Traditional Salaried

**Description of Weighted Average Retirement Age**

| <u>Age</u> | <u>Retirement<br/>Rate</u> | <u>1.00 -<br/>Retirement<br/>Rate</u> | <u>Probability of<br/>Remaining<br/>Active</u> | <u>Percentage<br/>Retiring<br/>at Age</u> | <u>Age Times<br/>Percentage<br/>Retiring</u> |
|------------|----------------------------|---------------------------------------|------------------------------------------------|-------------------------------------------|----------------------------------------------|
| 55         | 5.00%                      | 95.00%                                | 95.00%                                         | 5.00%                                     | 2.75                                         |
| 56         | 3.50%                      | 96.50%                                | 91.68%                                         | 3.33%                                     | 1.86                                         |
| 57         | 4.50%                      | 95.50%                                | 87.55%                                         | 4.13%                                     | 2.35                                         |
| 58         | 6.00%                      | 94.00%                                | 82.30%                                         | 5.25%                                     | 3.05                                         |
| 59         | 7.50%                      | 92.50%                                | 76.12%                                         | 6.17%                                     | 3.64                                         |
| 60         | 11.50%                     | 88.50%                                | 67.37%                                         | 8.75%                                     | 5.25                                         |
| 61         | 11.50%                     | 88.50%                                | 59.62%                                         | 7.75%                                     | 4.73                                         |
| 62         | 22.50%                     | 77.50%                                | 46.21%                                         | 13.42%                                    | 8.32                                         |
| 63         | 20.00%                     | 80.00%                                | 36.97%                                         | 9.24%                                     | 5.82                                         |
| 64         | 20.00%                     | 80.00%                                | 29.57%                                         | 7.39%                                     | 4.73                                         |
| 65         | 50.00%                     | 50.00%                                | 14.79%                                         | 14.79%                                    | 9.61                                         |
| 66         | 50.00%                     | 50.00%                                | 7.39%                                          | 7.39%                                     | 4.88                                         |
| 67         | 50.00%                     | 50.00%                                | 3.70%                                          | 3.70%                                     | 2.48                                         |
| 68         | 50.00%                     | 50.00%                                | 1.85%                                          | 1.85%                                     | 1.26                                         |
| 69         | 50.00%                     | 50.00%                                | 0.92%                                          | 0.92%                                     | 0.64                                         |
| 70         | 100.00%                    | 0.00%                                 | 0.00%                                          | 0.92%                                     | 0.65                                         |
|            |                            |                                       |                                                | <u>100.00%</u>                            |                                              |

Average Retirement Age: 62

Participant Group: NUSA Traditional Hourly

**Description of Weighted Average Retirement Age**

| <u>Age</u> | <u>Retirement<br/>Rate</u> | <u>1.00 -<br/>Retirement<br/>Rate</u> | <u>Probability of<br/>Remaining<br/>Active</u> | <u>Percentage<br/>Retiring<br/>at Age</u> | <u>Age Times<br/>Percentage<br/>Retiring</u> |
|------------|----------------------------|---------------------------------------|------------------------------------------------|-------------------------------------------|----------------------------------------------|
| 55         | 7.50%                      | 92.50%                                | 92.50%                                         | 7.50%                                     | 4.13                                         |
| 56         | 7.50%                      | 92.50%                                | 85.56%                                         | 6.94%                                     | 3.89                                         |
| 57         | 8.50%                      | 91.50%                                | 78.29%                                         | 7.27%                                     | 4.15                                         |
| 58         | 8.50%                      | 91.50%                                | 71.64%                                         | 6.65%                                     | 3.86                                         |
| 59         | 10.00%                     | 90.00%                                | 64.47%                                         | 7.16%                                     | 4.23                                         |
| 60         | 16.50%                     | 83.50%                                | 53.83%                                         | 10.64%                                    | 6.38                                         |
| 61         | 16.50%                     | 83.50%                                | 44.95%                                         | 8.88%                                     | 5.42                                         |
| 62         | 32.50%                     | 67.50%                                | 30.34%                                         | 14.61%                                    | 9.06                                         |
| 63         | 25.00%                     | 75.00%                                | 22.76%                                         | 7.59%                                     | 4.78                                         |
| 64         | 22.50%                     | 77.50%                                | 17.64%                                         | 5.12%                                     | 3.28                                         |
| 65         | 50.00%                     | 50.00%                                | 8.82%                                          | 8.82%                                     | 5.73                                         |
| 66         | 50.00%                     | 50.00%                                | 4.41%                                          | 4.41%                                     | 2.91                                         |
| 67         | 50.00%                     | 50.00%                                | 2.20%                                          | 2.20%                                     | 1.48                                         |
| 68         | 50.00%                     | 50.00%                                | 1.10%                                          | 1.10%                                     | 0.75                                         |
| 69         | 50.00%                     | 50.00%                                | 0.55%                                          | 0.55%                                     | 0.38                                         |
| 70         | 100.00%                    | 0.00%                                 | 0.00%                                          | 0.55%                                     | 0.39                                         |
|            |                            |                                       |                                                | <u>100.00%</u>                            |                                              |

Average Retirement Age: 61

Participant Group: NPPC Traditional Hourly

**Description of Weighted Average Retirement Age**

| <u>Age</u> | <u>Retirement<br/>Rate</u> | <u>1.00 -<br/>Retirement<br/>Rate</u> | <u>Probability of<br/>Remaining<br/>Active</u> | <u>Percentage<br/>Retiring<br/>at Age</u> | <u>Age Times<br/>Percentage<br/>Retiring</u> |
|------------|----------------------------|---------------------------------------|------------------------------------------------|-------------------------------------------|----------------------------------------------|
| 55         | 7.50%                      | 92.50%                                | 92.50%                                         | 7.50%                                     | 4.13                                         |
| 56         | 5.00%                      | 95.00%                                | 87.88%                                         | 4.63%                                     | 2.59                                         |
| 57         | 6.00%                      | 94.00%                                | 82.60%                                         | 5.27%                                     | 3.01                                         |
| 58         | 6.00%                      | 94.00%                                | 77.65%                                         | 4.96%                                     | 2.87                                         |
| 59         | 10.00%                     | 90.00%                                | 69.88%                                         | 7.76%                                     | 4.58                                         |
| 60         | 16.50%                     | 83.50%                                | 58.35%                                         | 11.53%                                    | 6.92                                         |
| 61         | 16.50%                     | 83.50%                                | 48.72%                                         | 9.63%                                     | 5.87                                         |
| 62         | 30.00%                     | 70.00%                                | 34.11%                                         | 14.62%                                    | 9.06                                         |
| 63         | 30.00%                     | 70.00%                                | 23.87%                                         | 10.23%                                    | 6.45                                         |
| 64         | 25.00%                     | 75.00%                                | 17.91%                                         | 5.97%                                     | 3.82                                         |
| 65         | 50.00%                     | 50.00%                                | 8.95%                                          | 8.95%                                     | 5.82                                         |
| 66         | 50.00%                     | 50.00%                                | 4.48%                                          | 4.48%                                     | 2.95                                         |
| 67         | 50.00%                     | 50.00%                                | 2.24%                                          | 2.24%                                     | 1.50                                         |
| 68         | 50.00%                     | 50.00%                                | 1.12%                                          | 1.12%                                     | 0.76                                         |
| 69         | 50.00%                     | 50.00%                                | 0.56%                                          | 0.56%                                     | 0.39                                         |
| 70         | 100.00%                    | 0.00%                                 | 0.00%                                          | 0.56%                                     | 0.39                                         |
|            |                            |                                       |                                                | <u>100.00%</u>                            |                                              |

Average Retirement Age: 61

Participant Group: NUSA PEP Salaried

### Description of Weighted Average Retirement Age

| Age | Retirement<br>Rate | 1.00 -<br>Retirement<br>Rate | Probability of<br>Remaining<br>Active | Percentage<br>Retiring<br>at Age | Age Times<br>Percentage<br>Retiring |
|-----|--------------------|------------------------------|---------------------------------------|----------------------------------|-------------------------------------|
| 55  | 7.50%              | 92.50%                       | 92.50%                                | 7.50%                            | 4.13                                |
| 56  | 10.00%             | 90.00%                       | 83.25%                                | 9.25%                            | 5.18                                |
| 57  | 8.50%              | 91.50%                       | 76.17%                                | 7.08%                            | 4.03                                |
| 58  | 11.00%             | 89.00%                       | 67.79%                                | 8.38%                            | 4.86                                |
| 59  | 10.00%             | 90.00%                       | 61.02%                                | 6.78%                            | 4.00                                |
| 60  | 16.50%             | 83.50%                       | 50.95%                                | 10.07%                           | 6.04                                |
| 61  | 19.00%             | 81.00%                       | 41.27%                                | 9.68%                            | 5.90                                |
| 62  | 27.50%             | 72.50%                       | 29.92%                                | 11.35%                           | 7.04                                |
| 63  | 20.00%             | 80.00%                       | 23.94%                                | 5.98%                            | 3.77                                |
| 64  | 22.50%             | 77.50%                       | 18.55%                                | 5.39%                            | 3.45                                |
| 65  | 50.00%             | 50.00%                       | 9.27%                                 | 9.27%                            | 6.03                                |
| 66  | 50.00%             | 50.00%                       | 4.64%                                 | 4.64%                            | 3.06                                |
| 67  | 50.00%             | 50.00%                       | 2.32%                                 | 2.32%                            | 1.55                                |
| 68  | 50.00%             | 50.00%                       | 1.16%                                 | 1.16%                            | 0.79                                |
| 69  | 50.00%             | 50.00%                       | 0.58%                                 | 0.58%                            | 0.40                                |
| 70  | 100.00%            | 0.00%                        | 0.00%                                 | 0.58%                            | 0.41                                |
|     |                    |                              |                                       | 100.00%                          |                                     |

Average Retirement Age: 61

Participant Group: NPPC PEP Salaried

### Description of Weighted Average Retirement Age

| <u>Age</u> | <u>Retirement<br/>Rate</u> | <u>1.00 -<br/>Retirement<br/>Rate</u> | <u>Probability of<br/>Remaining<br/>Active</u> | <u>Percentage<br/>Retiring<br/>at Age</u> | <u>Age Times<br/>Percentage<br/>Retiring</u> |
|------------|----------------------------|---------------------------------------|------------------------------------------------|-------------------------------------------|----------------------------------------------|
| 55         | 7.50%                      | 92.50%                                | 92.50%                                         | 7.50%                                     | 4.13                                         |
| 56         | 6.50%                      | 93.50%                                | 86.49%                                         | 6.01%                                     | 3.37                                         |
| 57         | 7.50%                      | 92.50%                                | 80.00%                                         | 6.49%                                     | 3.70                                         |
| 58         | 6.00%                      | 94.00%                                | 75.20%                                         | 4.80%                                     | 2.78                                         |
| 59         | 7.50%                      | 92.50%                                | 69.56%                                         | 5.64%                                     | 3.33                                         |
| 60         | 11.50%                     | 88.50%                                | 61.56%                                         | 8.00%                                     | 4.80                                         |
| 61         | 9.00%                      | 91.00%                                | 56.02%                                         | 5.54%                                     | 3.38                                         |
| 62         | 27.50%                     | 72.50%                                | 40.62%                                         | 15.41%                                    | 9.55                                         |
| 63         | 22.50%                     | 77.50%                                | 31.48%                                         | 9.14%                                     | 5.76                                         |
| 64         | 20.00%                     | 80.00%                                | 25.18%                                         | 6.30%                                     | 4.03                                         |
| 65         | 50.00%                     | 50.00%                                | 12.59%                                         | 12.59%                                    | 8.18                                         |
| 66         | 50.00%                     | 50.00%                                | 6.30%                                          | 6.30%                                     | 4.15                                         |
| 67         | 50.00%                     | 50.00%                                | 3.15%                                          | 3.15%                                     | 2.11                                         |
| 68         | 50.00%                     | 50.00%                                | 1.57%                                          | 1.57%                                     | 1.07                                         |
| 69         | 50.00%                     | 50.00%                                | 0.79%                                          | 0.79%                                     | 0.54                                         |
| 70         | 100.00%                    | 0.00%                                 | 0.00%                                          | 0.79%                                     | 0.55                                         |
|            |                            |                                       |                                                | 100.00%                                   |                                              |

Average Retirement Age: 61

Participant Group: NUSA PEP Hourly

### Description of Weighted Average Retirement Age

| <u>Age</u> | <u>Retirement<br/>Rate</u> | <u>1.00 -<br/>Retirement<br/>Rate</u> | <u>Probability of<br/>Remaining<br/>Active</u> | <u>Percentage<br/>Retiring<br/>at Age</u> | <u>Age Times<br/>Percentage<br/>Retiring</u> |
|------------|----------------------------|---------------------------------------|------------------------------------------------|-------------------------------------------|----------------------------------------------|
| 55         | 7.50%                      | 92.50%                                | 92.50%                                         | 7.50%                                     | 4.13                                         |
| 56         | 6.50%                      | 93.50%                                | 86.49%                                         | 6.01%                                     | 3.37                                         |
| 57         | 7.50%                      | 92.50%                                | 80.00%                                         | 6.49%                                     | 3.70                                         |
| 58         | 6.00%                      | 94.00%                                | 75.20%                                         | 4.80%                                     | 2.78                                         |
| 59         | 10.00%                     | 90.00%                                | 67.68%                                         | 7.52%                                     | 4.44                                         |
| 60         | 11.50%                     | 88.50%                                | 59.90%                                         | 7.78%                                     | 4.67                                         |
| 61         | 9.00%                      | 91.00%                                | 54.51%                                         | 5.39%                                     | 3.29                                         |
| 62         | 25.00%                     | 75.00%                                | 40.88%                                         | 13.63%                                    | 8.45                                         |
| 63         | 20.00%                     | 80.00%                                | 32.70%                                         | 8.18%                                     | 5.15                                         |
| 64         | 17.50%                     | 82.50%                                | 26.98%                                         | 5.72%                                     | 3.66                                         |
| 65         | 50.00%                     | 50.00%                                | 13.49%                                         | 13.49%                                    | 8.77                                         |
| 66         | 50.00%                     | 50.00%                                | 6.75%                                          | 6.75%                                     | 4.45                                         |
| 67         | 50.00%                     | 50.00%                                | 3.37%                                          | 3.37%                                     | 2.26                                         |
| 68         | 50.00%                     | 50.00%                                | 1.69%                                          | 1.69%                                     | 1.15                                         |
| 69         | 50.00%                     | 50.00%                                | 0.84%                                          | 0.84%                                     | 0.58                                         |
| 70         | 100.00%                    | 0.00%                                 | 0.00%                                          | 0.84%                                     | 0.59                                         |
|            |                            |                                       |                                                | 100.00%                                   |                                              |

Average Retirement Age: 61

2013 Schedule SB, line 26 - Schedule of Active Participant Data  
Name of Sponsor / Plan: Nestlé USA, Inc. – Nestlé Pension Plan  
EIN / PIN: 95-1572209 / 100

| Attained Age | Years of Credited Service |        |        |          |          |          |          |          |          |         |
|--------------|---------------------------|--------|--------|----------|----------|----------|----------|----------|----------|---------|
|              | 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                    | 748    | 863    | 28       |          |          |          |          |          |         |
|              | Average Earnings          | 34066  | 41842  | 35237    |          |          |          |          |          |         |
|              | Average Acct Bal          | 604    | 3044   | 6843     |          |          |          |          |          |         |
| 25 to 29     | Number                    | 674    | 2184   | 508      | 11       |          |          |          |          |         |
|              | Average Earnings          | 41903  | 51126  | 57900    |          |          |          |          |          |         |
|              | Average Acct Bal          | 827    | 4863   | 12459    |          |          |          |          |          |         |
| 30 to 34     | Number                    | 517    | 2296   | 738      | 251      | 8        |          |          |          |         |
|              | Average Earnings          | 48356  | 59099  | 67564    | 65093    |          |          |          |          |         |
|              | Average Acct Bal          | 975    | 5953   | 19194    | 28569    |          |          |          |          |         |
| 35 to 39     | Number                    | 424    | 2184   | 735      | 508      | 121      | 1        |          |          |         |
|              | Average Earnings          | 52192  | 64227  | 73977    | 74337    | 72834    |          |          |          |         |
|              | Average Acct Bal          | 1017   | 7016   | 24429    | 39744    | 55531    |          |          |          |         |
| 40 to 44     | Number                    | 407    | 2290   | 648      | 610      | 241      | 111      | 9        |          |         |
|              | Average Earnings          | 61688  | 69199  | 72568    | 79329    | 104941   | 92409    |          |          |         |
|              | Average Acct Bal          | 1338   | 9035   | 23275    | 45961    | 91643    | 101360   |          |          |         |
| 45 to 49     | Number                    | 361    | 2211   | 623      | 618      | 320      | 269      | 179      | 13       |         |
|              | Average Earnings          | 66840  | 71390  | 70793    | 78929    | 99153    | 118602   | 86389    |          |         |
|              | Average Acct Bal          | 1396   | 10092  | 26011    | 43970    | 82750    | 136521   | 89858    |          |         |
| 50 to 54     | Number                    | 244    | 2036   | 496      | 558      | 318      | 286      | 350      | 257      | 35      |
|              | Average Earnings          | 58783  | 71078  | 67116    | 75373    | 98137    | 106267   | 113099   | 85064    | 66544   |
|              | Average Acct Bal          | 1579   | 11187  | 26515    | 41412    | 73334    | 82327    | 97268    | 61452    | 48647   |
| 55 to 59     | Number                    | 133    | 1226   | 363      | 457      | 290      | 248      | 248      | 326      | 187     |
|              | Average Earnings          | 65073  | 71077  | 68198    | 67163    | 87092    | 99690    | 96655    | 96094    | 88738   |
|              | Average Acct Bal          | 1440   | 12023  | 32593    | 31206    | 61249    | 53361    | 45643    | 57660    | 62879   |
| 60 to 64     | Number                    | 48     | 502    | 162      | 192      | 131      | 110      | 108      | 119      | 91      |
|              | Average Earnings          | 67919  | 65169  | 57274    | 65242    | 80783    | 91672    | 92561    | 92593    | 116076  |
|              | Average Acct Bal          | 1836   | 13663  | 34083    | 33380    | 32883    | 26842    | 39157    | 52232    | 50172   |
| 65 to 69     | Number                    | 13     | 71     | 33       | 51       | 23       | 14       | 13       | 13       | 15      |
|              | Average Earnings          |        | 57177  | 59250    | 64175    | 106734   |          |          |          |         |
|              | Average Acct Bal          |        | 12799  | 34243    | 29556    | 24797    |          |          |          |         |
| 70 & up      | Number                    | 2      | 21     | 7        | 9        |          | 5        | 6        | 3        | 1       |
|              | Average Earnings          |        | 56737  |          |          |          |          |          |          |         |
|              | Average Acct Bal          |        | 15204  |          |          |          |          |          |          |         |

Average Age = 43.07

Average Service = 7.04

Note: For the purpose of this Schedule of Active Participant Data, "Average Acct Bal" includes both pension equity lump sum amounts and cash balance accounts

|                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                    |                                                                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| <b>SCHEDULE SB</b><br><b>(Form 5500)</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security Administration<br><br>Pension Benefit Guaranty Corporation | <b>Single-Employer Defined Benefit Plan</b><br><b>Actuarial Information</b><br><br>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).<br><br>▶ <b>File as an attachment to Form 5500 or 5500-SF.</b> | OMB No. 1210-0110<br><br><b>2013</b><br><br><b>This Form is Open to Public Inspection</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|

|                                                                                                                                           |                                                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| For calendar plan year 2013 or fiscal plan year beginning 01/01/2013 and ending 12/31/2013                                                |                                                                                                                                                         |
| ▶ <b>Round off amounts to nearest dollar.</b>                                                                                             |                                                                                                                                                         |
| ▶ <b>Caution:</b> A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.            |                                                                                                                                                         |
| <b>A</b> Name of plan<br><br>Nestle Pension Plan                                                                                          | <b>B</b> Three-digit plan number (PN) ▶ 100                                                                                                             |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF<br><br>Nestle USA, Inc.                                          | <b>D</b> Employer Identification Number (EIN)<br><br>95-1572209                                                                                         |
| <b>E</b> Type of plan: <input checked="" type="checkbox"/> Single <input type="checkbox"/> Multiple-A <input type="checkbox"/> Multiple-B | <b>F</b> Prior year plan size: <input type="checkbox"/> 100 or fewer <input type="checkbox"/> 101-500 <input checked="" type="checkbox"/> More than 500 |

|                                                                                                                                                                                                                |  |                            |                      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----------------------------|----------------------|
| <b>Part I Basic Information</b>                                                                                                                                                                                |  |                            |                      |
| <b>1</b> Enter the valuation date: Month 1 Day 1 Year 2013                                                                                                                                                     |  |                            |                      |
| <b>2</b> Assets:                                                                                                                                                                                               |  |                            |                      |
| <b>a</b> Market value .....                                                                                                                                                                                    |  | <b>2a</b>                  | 3,307,195,051        |
| <b>b</b> Actuarial value .....                                                                                                                                                                                 |  | <b>2b</b>                  | 3,307,195,051        |
| <b>3</b> Funding target/participant count breakdown:                                                                                                                                                           |  |                            |                      |
|                                                                                                                                                                                                                |  | (1) Number of participants | (2) Funding Target   |
| <b>a</b> For retired participants and beneficiaries receiving payment.....                                                                                                                                     |  | <b>3a</b>                  | 13,440 799,673,264   |
| <b>b</b> For terminated vested participants.....                                                                                                                                                               |  | <b>3b</b>                  | 11,567 354,645,033   |
| <b>c</b> For active participants:                                                                                                                                                                              |  |                            |                      |
| (1) Non-vested benefits .....                                                                                                                                                                                  |  | <b>3c(1)</b>               | 107,800,268          |
| (2) Vested benefits .....                                                                                                                                                                                      |  | <b>3c(2)</b>               | 966,625,548          |
| (3) Total active.....                                                                                                                                                                                          |  | <b>3c(3)</b>               | 31,601 1,074,425,816 |
| <b>d</b> Total.....                                                                                                                                                                                            |  | <b>3d</b>                  | 56,608 2,228,744,113 |
| <b>4</b> If the plan is in at-risk status, check the box and complete lines (a) and (b)..... <input type="checkbox"/>                                                                                          |  |                            |                      |
| <b>a</b> Funding target disregarding prescribed at-risk assumptions .....                                                                                                                                      |  | <b>4a</b>                  |                      |
| <b>b</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..... |  | <b>4b</b>                  |                      |
| <b>5</b> Effective interest rate .....                                                                                                                                                                         |  | <b>5</b>                   | 6.24 %               |
| <b>6</b> Target normal cost .....                                                                                                                                                                              |  | <b>6</b>                   | 109,274,340          |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| <b>Statement by Enrolled Actuary</b><br>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. |                                        |
| <b>SIGN HERE</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>09/29/2014</b>                      |
| Thad Summerset <sup>TWS</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Date                                   |
| Signature of actuary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 14-07261                               |
| Thad Summerset                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Most recent enrollment number          |
| Type or print name of actuary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | (310) 551-5716                         |
| Towers Watson Pennsylvania Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Telephone number (including area code) |
| Firm name                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                        |
| 1925 Century Park East, Suite 1500                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                        |
| Los Angeles CA 90067-2790                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                        |
| 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 <input type="checkbox"/> |
| <b>For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.</b>                                                                      |
| <b>Schedule SB (Form 5500) 2013 v. 130118</b>                                                                                                                                          |

| <b>Part II</b> |                                                                                                                                            | <b>Beginning of Year Carryover and Prefunding Balances</b> |                        |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|------------------------|
|                |                                                                                                                                            | (a) Carryover balance                                      | (b) Prefunding balance |
| <b>7</b>       | Balance at beginning of prior year after applicable adjustments (line 13 from prior year) .....                                            | 647,559,566                                                | 0                      |
| <b>8</b>       | Portion elected for use to offset prior year's funding requirement (line 35 from prior year) .....                                         | 0                                                          | 0                      |
| <b>9</b>       | Amount remaining (line 7 minus line 8) .....                                                                                               | 647,559,566                                                | 0                      |
| <b>10</b>      | Interest on line 9 using prior year's actual return of <u>13.72</u> % .....                                                                | 88,836,681                                                 |                        |
| <b>11</b>      | Prior year's excess contributions to be added to prefunding balance:                                                                       |                                                            |                        |
|                | <b>a</b> Present value of excess contributions (line 38a from prior year) .....                                                            |                                                            | 133,928,791            |
|                | <b>b</b> Interest on (a) using prior year's effective interest rate of <u>6.94</u> % except as otherwise provided (see instructions) ..... |                                                            | 9,294,658              |
|                | <b>c</b> Total available at beginning of current plan year to add to prefunding balance .....                                              |                                                            | 143,223,449            |
|                | <b>d</b> Portion of (c) to be added to prefunding balance .....                                                                            |                                                            | 0                      |
| <b>12</b>      | Other reductions in balances due to elections or deemed elections .....                                                                    | 0                                                          | 0                      |
| <b>13</b>      | Balance at beginning of current year (line 9 + line 10 + line 11d – line 12) .....                                                         | 736,396,247                                                | 0                      |

| <b>Part III</b> |                                                                                                                                                                  | <b>Funding Percentages</b> |          |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------|
|                 |                                                                                                                                                                  | <b>14</b>                  | 115.34 % |
| <b>14</b>       | Funding target attainment percentage .....                                                                                                                       |                            |          |
| <b>15</b>       | Adjusted funding target attainment percentage .....                                                                                                              | <b>15</b>                  | 148.38 % |
| <b>16</b>       | Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement ..... | <b>16</b>                  | 147.09 % |
| <b>17</b>       | If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage .....                                        | <b>17</b>                  | %        |

| <b>Part IV</b>                                                                           |                                   | <b>Contributions and Liquidity Shortfalls</b> |                          |                                   |                                 |
|------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------------|--------------------------|-----------------------------------|---------------------------------|
| <b>18</b> Contributions made to the plan for the plan year by employer(s) and employees: |                                   |                                               |                          |                                   |                                 |
| (a) Date<br>(MM-DD-YYYY)                                                                 | (b) Amount paid by<br>employer(s) | (c) Amount paid by<br>employees               | (a) Date<br>(MM-DD-YYYY) | (b) Amount paid by<br>employer(s) | (c) Amount paid by<br>employees |
| 02/07/2014                                                                               | 130,198,000                       |                                               |                          |                                   |                                 |
|                                                                                          |                                   |                                               |                          |                                   |                                 |
|                                                                                          |                                   |                                               |                          |                                   |                                 |
|                                                                                          |                                   |                                               |                          |                                   |                                 |
|                                                                                          |                                   |                                               |                          |                                   |                                 |
|                                                                                          |                                   |                                               |                          |                                   |                                 |
| <b>Totals ►</b>                                                                          |                                   |                                               | <b>18(b)</b>             | 130,198,000                       | <b>18(c)</b> 0                  |

**19** Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:

|                                                                                                                         |            |             |
|-------------------------------------------------------------------------------------------------------------------------|------------|-------------|
| <b>a</b> Contributions allocated toward unpaid minimum required contributions from prior years .....                    | <b>19a</b> | 0           |
| <b>b</b> Contributions made to avoid restrictions adjusted to valuation date .....                                      | <b>19b</b> | 0           |
| <b>c</b> Contributions allocated toward minimum required contribution for current year adjusted to valuation date ..... | <b>19c</b> | 121,801,162 |

**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**

|                                                                                                                                                                                              |                        |                        |                        |                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|------------------------|-----------------------------------------------------|
| <b>21</b> Discount rate:                                                                                                                                                                     |                        |                        |                        |                                                     |
| <b>a</b> Segment rates:                                                                                                                                                                      | 1st segment:<br>4.94 % | 2nd segment:<br>6.15 % | 3rd segment:<br>6.76 % | <input type="checkbox"/> N/A, full yield curve used |
| <b>b</b> Applicable month (enter code).....                                                                                                                                                  |                        |                        |                        | <b>21b</b> 0                                        |
| <b>22</b> Weighted average retirement age .....                                                                                                                                              |                        |                        |                        | <b>22</b> 61                                        |
| <b>23</b> Mortality table(s) (see instructions) <input type="checkbox"/> Prescribed - combined <input checked="" type="checkbox"/> Prescribed - separate <input type="checkbox"/> Substitute |                        |                        |                        |                                                     |

**Part VI Miscellaneous Items**

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

**Part VII Reconciliation of Unpaid Minimum Required Contributions For Prior Years**

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

**Part VIII Minimum Required Contribution For Current Year**

|                                                                                                                                                                                      |                     |                    |               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------|---------------|
| <b>31</b> Target normal cost and excess assets (see instructions):                                                                                                                   |                     |                    |               |
| <b>a</b> Target normal cost (line 6).....                                                                                                                                            | <b>31a</b>          | 109,274,340        |               |
| <b>b</b> Excess assets, if applicable, but not greater than line 31a .....                                                                                                           | <b>31b</b>          | 109,274,340        |               |
| <b>32</b> Amortization installments:                                                                                                                                                 |                     |                    |               |
| <b>a</b> Net shortfall amortization installment.....                                                                                                                                 | Outstanding Balance | Installment        |               |
| <b>b</b> Waiver amortization installment .....                                                                                                                                       | 0                   | 0                  |               |
| <b>33</b> 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 ..... | <b>33</b>           |                    |               |
| <b>34</b> Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33) ..                                                            | <b>34</b>           | 0                  |               |
|                                                                                                                                                                                      | Carryover balance   | Prefunding balance | Total balance |
| <b>35</b> Balances elected for use to offset funding requirement.....                                                                                                                | 0                   | 0                  | 0             |
| <b>36</b> Additional cash requirement (line 34 minus line 35).....                                                                                                                   | <b>36</b>           | 0                  |               |
| <b>37</b> Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c).....                                                   | <b>37</b>           | 121,801,162        |               |
| <b>38</b> Present value of excess contributions for current year (see instructions)                                                                                                  |                     |                    |               |
| <b>a</b> Total (excess, if any, of line 37 over line 36) .....                                                                                                                       | <b>38a</b>          | 121,801,162        |               |
| <b>b</b> Portion included in line 38a attributable to use of prefunding and funding standard carryover balances .....                                                                | <b>38b</b>          | 0                  |               |
| <b>39</b> Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37) .....                                                                      | <b>39</b>           | 0                  |               |
| <b>40</b> Unpaid minimum required contributions for all years .....                                                                                                                  | <b>40</b>           | 0                  |               |

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

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

|                            |                     |
|----------------------------|---------------------|
| <b>Plan Name</b>           | Nestle Pension Plan |
| <b>Plan Sponsor's Name</b> | Nestle USA, Inc.    |

[illegible]