

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ► Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2016 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information		
For calendar plan year 2016 or fiscal plan year beginning <u>01/01/2016</u> and ending <u>12/31/2016</u>			
A	This return/report is for:	☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.) ☒ a single-employer plan ☐ a DFE (specify) _____	
B	This return/report is:	☐ the first return/report ☐ the final return/report ☐ an amended return/report ☐ a short plan year return/report (less than 12 months)	
C	If the plan is a collectively-bargained plan, check here. ☐		
D	Check box if filing under:	☒ Form 5558 ☐ automatic extension ☐ the DFVC program ☒ special extension (enter description) <u>HURRICANE EXTENSION - PUERTO RICO</u>	

Part II	Basic Plan Information —enter all requested information		
1a	Name of plan <u>NESTLE PUERTO RICO EMPLOYEE RETIREMENT PLAN</u>	1b	Three-digit plan number (PN) ► <u>001</u>
		1c	Effective date of plan <u>07/01/1990</u>
2a	Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>NESTLE PUERTO RICO, INC.</u> <u>P.O. BOX 364565</u> <u>SAN JUAN, PR 00936-4565</u>	2b	Employer Identification Number (EIN) <u>66-0500550</u>
		2c	Plan Sponsor's telephone number <u>787-788-4300</u>
		2d	Business code (see instructions) <u>311500</u>

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

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

SIGN HERE	Filed with authorized/valid electronic signature.	02/01/2018	ANA DEL ROSARIO
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE
Preparer's name (including firm name, if applicable) and address (include room or suite number)			Preparer's telephone number

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Form 5500 (2016)
v. 160205

3a Plan administrator's name and address ☒ Same as Plan Sponsor	3b Administrator's EIN
	3c Administrator's telephone number
4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN 4c PN
5 Total number of participants at the beginning of the plan year	5 198
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d).	
a(1) Total number of active participants at the beginning of the plan year.....	6a(1) 96
a(2) Total number of active participants at the end of the plan year	6a(2) 82
b Retired or separated participants receiving benefits.....	6b 2
c Other retired or separated participants entitled to future benefits	6c 101
d Subtotal. Add lines 6a(2) , 6b , and 6c	6d 185
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.	6e 2
f Total. Add lines 6d and 6e	6f 187
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	6g 186
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	6h 7
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....	7
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 2E 2F 2G 2T 3C	
b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:	

9a Plan funding arrangement (check all that apply)	9b Plan benefit arrangement (check all that apply)
(1) ☐ Insurance	(1) ☐ Insurance
(2) ☐ Code section 412(e)(3) insurance contracts	(2) ☐ Code section 412(e)(3) insurance contracts
(3) ☒ Trust	(3) ☒ Trust
(4) ☐ General assets of the sponsor	(4) ☐ General assets of the sponsor
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)	
a Pension Schedules	b General Schedules
(1) ☒ R (Retirement Plan Information)	(1) ☒ H (Financial Information)
(2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary	(2) ☐ I (Financial Information – Small Plan)
(3) ☐ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	(3) ☐ 0 A (Insurance Information)
	(4) ☒ C (Service Provider Information)
	(5) ☐ D (DFE/Participating Plan Information)
	(6) ☐ G (Financial Transaction Schedules)

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2016 Form M-1 annual report. If the plan was not required to file the 2016 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2016
		This Form is Open to Public Inspection.

For calendar plan year 2016 or fiscal plan year beginning **01/01/2016** and ending **12/31/2016**

A Name of plan NESTLE PUERTO RICO EMPLOYEE RETIREMENT PLAN	B Three-digit plan number (PN) ▶ 001
C Plan sponsor's name as shown on line 2a of Form 5500 NESTLE PUERTO RICO, INC.	D Employer Identification Number (EIN) 66-0500550

Part I	Service Provider Information (see instructions)
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You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation	
VANGUARD GROUP	100 VANGUARD BLVD. A22 MALVERN, PA 19355

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation	
BENEFIT PLANS ADMIN SERVICES, INC.	16-1503696

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation	
VIRTUS INVESTMENT PARTNERS, INC.	101 MUNSON STREET GREENFIELD, MA 01301

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation	
WELLS FARGO FUNDS	525 MARKET STREET 12TH FLOOR SAN FRANCISCO, CA 94105

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

FEDERATED SERVICES COMPANY

1001 LIBERTY AVENUE
PITTSBURGH, PA 15222-3779

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

FIDELITY INVESTMENT INSTITUTIONAL S

82 DEVONSHIRE STREET
BOSTON, MA 02109-3605

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

FRANKLIN TEMPLETON FUNDS

2000 ALAMEDA DE LAS PULGA
2ND FLOOR
SAN MATEO, CA 94402

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

SUNAMERICA MUTUAL FUNDS

HARBORSIDE FINANCIAL CTR.
3200 PLAZA 5
JERSEY CITY, NJ 07311

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

OPPENHEIMER FUNDS

6803 SOUTH TUCSON WAY
ENGLEWOOD, CO 80112

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

PIMCO

1633 BROADWAY
NEW YORK, NY 10019

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

PRINCIPAL FUNDS DISTRIBUTOR INC.

1100 INVESTMENT BLVD
SUITE 200
EL DORADO HILLS, CA 95762

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

BENEFIT PLANS ADMIN SERVICES, INC.

16-1503696

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
15 63 19 64 60	N/A	2509	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☒ No ☐

(a) Enter name and EIN or address (see instructions)

UBS TRUST COMPANY OF PUERTO RICO

66-0532499

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
21 49 25 52 26 63	N/A	0	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☒ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE H (Form 5500) Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2016
		This Form is Open to Public Inspection

For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016		
A Name of plan NESTLE PUERTO RICO EMPLOYEE RETIREMENT PLAN	B Three-digit plan number (PN) ►	001
C Plan sponsor's name as shown on line 2a of Form 5500 NESTLE PUERTO RICO, INC.		
		D Employer Identification Number (EIN) 66-0500550

Part I	Asset and Liability Statement
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1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....	1b(1)	0	0
(2) Participant contributions	1b(2)	0	0
(3) Other.....	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....	1c(1)	1174648	1243611
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common.....	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property).....	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans.....	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities.....	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	4322305	4588908
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	5496953	5832519

Liabilities

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

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	5496953	5832519
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Part II Income and Expense Statement

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

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	135945	
(B) Participants	2a(1)(B)	323522	
(C) Others (including rollovers)	2a(1)(C)	13977	
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		473444
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	1697	
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		1697
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	239542	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		239542
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(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)		-11058
c Other income.....	2c		3
d Total income. Add all income amounts in column (b) and enter total.....	2d		703628

Expenses**e** Benefit payment and payments to provide benefits:

(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	365553	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		365553
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)	2509	
(3) Investment advisory and management fees.....	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		2509
j Total expenses. Add all expense amounts in column (b) and enter total	2j		368062

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		335566
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan.....	2l(2)		

Part III Accountant's Opinion

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

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

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

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

☒ Yes ☐ No

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

(1) Name: **KPMG, LLP**

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

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

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

Part IV Compliance Questions

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

During the plan year:

a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....

b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)

	Yes	No	Amount
4a		X	
4b		X	

		Yes	No	Amount
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	4c		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)	4d		X	
e Was this plan covered by a fidelity bond?	4e	X		10000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	4g		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	4h		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	4i	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)	4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	4k		X	
l Has the plan failed to provide any benefit when due under the plan?	4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	4n			
o Defined Benefit Plan or Money Purchase Pension Plan Only: Were any distributions made during the plan year to an employee who attained age 62 and had not separated from service?	4o			

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
If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year (See instructions.)

Part V Trust Information

6a Name of trust	6b Trust's EIN
6c Name of trustee or custodian	6d Trustee's or custodian's telephone number

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2016 This Form is Open to Public Inspection.
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For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

A Name of plan <u>NESTLE PUERTO RICO EMPLOYEE RETIREMENT PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>NESTLE PUERTO RICO, INC.</u>	D Employer Identification Number (EIN) <u>66-0500550</u>

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

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>66-0532499</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year	3	

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)
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4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?	☐ Yes	☐ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount)	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?	☐ Yes	☐ No	☐ N/A

Part III	Amendments
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9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☐ No
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Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
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10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Schedule R (Form 5500) 2016
v. 160205

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

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

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

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

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

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

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

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

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

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

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

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

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

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

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

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

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

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

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

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

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

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

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

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

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

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

14	Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:		
	a The current year	14a	
	b The plan year immediately preceding the current plan year	14b	
	c The second preceding plan year	14c	
15	Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:		
	a The corresponding number for the plan year immediately preceding the current plan year	15a	
	b The corresponding number for the second preceding plan year	15b	
16	Information with respect to any employers who withdrew from the plan during the preceding plan year:		
	a Enter the number of employers who withdrew during the preceding plan year	16a	
	b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	
17	If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐		

Part VI	Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans
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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: <u>0.0</u> % Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%	
	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): _____	

Part VII	IRS Compliance Questions
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20a Is the plan a 401(k) plan? If "No," skip b	☐ Yes ☐ No
20b How did the plan satisfy the nondiscrimination requirements for employee deferrals under section 401(k)(3) for the plan year? Check all that apply:	☐ Design-based safe harbor ☐ "Prior year" ADP test ☐ "Current year" ADP test ☐ N/A
21a What testing method was used to satisfy the coverage requirements under section 410(b) for the plan year? Check all that apply:	☐ Ratio percentage test ☐ Average benefit test ☐ N/A
21b Did the plan satisfy the coverage and nondiscrimination requirements of sections 410(b) and 401(a)(4) for the plan year by combining this plan with any other plan under the permissive aggregation rules?	☐ Yes ☐ No
22a If the plan is a master and prototype plan (M&P) or volume submitter plan that received a favorable IRS opinion letter or advisory letter, enter the date of the letter / / and the serial number .	
22b If the plan is an individually-designed plan that received a favorable determination letter from the IRS, enter the date of the most recent determination letter / / .	



NESTLE PUERTO RICO INC. EMPLOYEE RETIREMENT PLAN
(Formerly known as Nestle Puerto Rico 1165(e) Employee Savings Plan)

Plan Sponsor EIN-66-0500550

Financial Statements and Supplemental Schedule

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)



KPMG LLP
American International Plaza
Suite 1100
250 Muñoz Rivera Avenue
San Juan, PR 00918-1819

Independent Auditors' Report

The Savings Plan Committee
Nestle Puerto Rico, Inc. Employee Savings Plan

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Nestle Puerto Rico, Inc. Employee Retirement Plan (formerly known as Nestle Puerto Rico 1165(e) Employee Savings Plan) (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2016 and 2015, and the related statement of changes in net assets available for benefits for the year ended December 31, 2016, 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 accounting principles generally accepted in the United States of America; 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 audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter 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 3 and 4, which was certified by Hand Benefits & Trust Company, the custodian 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 custodian holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the custodian as of December 31, 2016 and 2015, and for the year ended December 31, 2016, that the information provided to the plan administrator by the custodian 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.



Other Matter

The supplemental schedule H, Line 4i – Schedule of Assets (held at year-end) as of December 31, 2016 is required by the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on this supplemental schedule.

Report on Form and Content in Compliance With DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, is 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.

KPMG LLP

San Juan, Puerto Rico
January 31, 2018

Stamp No. E304052 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.

NESTLE PUERTO RICO INC. EMPLOYEE RETIREMENT PLAN
(Formerly known as Nestle Puerto Rico 1165(e) Employee Savings Plan)

Statements of Net Assets Available for Benefits

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Investments in mutual funds (notes 3 and 4)	\$ <u>5,832,519</u>	<u>5,496,953</u>
Net assets available for benefits	\$ <u><u>5,832,519</u></u>	<u><u>5,496,953</u></u>

See accompanying notes to financial statements.

NESTLE PUERTO RICO INC. EMPLOYEE RETIREMENT PLAN
(Formerly known as Nestle Puerto Rico 1165(e) Employee Savings Plan)

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2016

Additions:

Investment income (loss) (notes 3 and 4):

Interest and dividends	\$ 241,242
Net depreciation in fair value of investments	<u>(11,058)</u>
Total investment income	<u>230,184</u>

Contributions:

Participants	337,499
Employer	<u>135,945</u>
Total contributions	<u>473,444</u>
Total additions	<u>703,628</u>

Deductions from net assets attributed to:

Benefits paid to participants	365,553
Administrative expenses	<u>2,509</u>
Total deductions	<u>368,062</u>

Net increase in net assets available for benefits	335,566
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Net assets available for benefits, beginning of year	<u>5,496,953</u>
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Net assets available for benefits, end of year	<u><u>\$ 5,832,519</u></u>
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See accompanying notes to financial statements.

NESTLE PUERTO RICO INC. EMPLOYEE RETIREMENT PLAN
(Formerly known as Nestle Puerto Rico 1165(e) Employee Savings Plan)

Notes to Financial Statements

December 31, 2016 and 2015

(1) Description of the Plan

The following description of Nestle Puerto Rico, Inc. Employee Retirement Plan (the Plan; formerly known as Nestle Puerto Rico 1165(e) Employee Savings Plan) (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

(a) General

The Plan is a defined-contribution plan covering substantially all employees of Nestle Puerto Rico, Inc. (the Company).

The Plan was established in July 1990, and has been amended thereafter, to provide a convenient way for employees to accumulate capital and to encourage employees to continue their careers with the Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Employees may elect to become participants in the Plan after meeting the eligibility requirements set forth in the Plan document.

(b) Administration

The Plan is administered by a Savings Plan Committee appointed by the Company and has UBS Financial Services Incorporated of Puerto Rico as trustee (the Trustee).

The Plan requires that participants select the investment funds into which their accounts are invested. The participants were able to select from 15 investment funds for the years ended December 31, 2016 and 2015.

(c) Contributions

The Plan provides for before-tax contributions by participants and for matching contributions by the Company based on percentages of participant contributions. The maximum allowable pretax contributions permitted by the Puerto Rico Internal Revenue Code of 2011 amounts to \$18,000 for the periods ended December 31, 2016 and 2015. The Company makes matching contributions to the Plan equal to 60% of the participants' contributions up to a maximum of 6% of the participants' compensation.

(d) Participant Account Balances and Vesting

Participant contributions are credited to accounts established for each participant and, along with related investment gains and losses, are fully vested and nonforfeitable. Contributions made by the Company, which are credited to a participant's matching account, and related investment gains and losses become vested based upon the participant's years of service with the Company. Each participant's account is charged with an allocation of administrative expenses.

NESTLE PUERTO RICO INC. EMPLOYEE RETIREMENT PLAN
(Formerly known as Nestle Puerto Rico 1165(e) Employee Savings Plan)

Notes to Financial Statements

December 31, 2016 and 2015

Participants become vested in the Company's contributions, in accordance with the following schedule:

<u>Years of service</u>	<u>Vested percentage</u>
Less than 1	—%
1	—
2	20
3	40
4	60
5	80
6 or more	100

Forfeitures represent the nonvested portion of the Company's matching contributions plus earnings thereon, which are not distributable to participants who terminate employment before they are 100% vested. The amounts forfeited from a participant may be used to reduce the Plan's administrative expense or to reduce the employer matching contributions. At December 31, 2016 and 2015, the Plan's forfeited account balances totaled \$31,011 and \$30,443, respectively. No forfeited amounts were used to reduce the Plan's administrative expenses or employer matching contributions during 2016 or 2015.

(e) Payment of Benefits

On termination of service due to death, disability, retirement, or termination of employment a participant may elect to receive either a lump sum amount equal to the value of the participant's vested interest in his/her account, or annual installments over a period of years certain not to exceed the lifetime of the participant or his/her beneficiary. The Plan also provides for certain withdrawals during employment. Participant contributions may be withdrawn upon the attainment of age 59^{1/2} or, in the case of hardship, subject to limitations in the plan agreement. Withdrawal of rollover amounts and Company's contributions are also provided for, subject to, limitations set forth in the Plan.

(f) Administrative Expenses

Expenses of administering the Plan are funded by either the Company or the Plan, as agreed-upon in the Plan document, subject to limitations under ERISA.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual method of accounting, in accordance with U.S. general accepted accounting principles (GAAP).

(b) Recent Accounting Pronouncements

In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-12, (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient. ASU 2015-12 (1) requires defined contribution plans to use contract value as the only measure for fully benefit-responsive investment

NESTLE PUERTO RICO INC. EMPLOYEE RETIREMENT PLAN
(Formerly known as Nestle Puerto Rico 1165(e) Employee Savings Plan)

Notes to Financial Statements

December 31, 2016 and 2015

contracts, (2) simplifies certain investment disclosure requirements for employee benefit plans, and (3) provides employee benefit plans with a measurement-date practical expedient on a month-end date that is nearest to the fiscal year end, when the fiscal year end does not coincide with a month-end. The simplified investment disclosure in Part II eliminates the following disclosures previously required: (a) disaggregation of investments by nature, risks and characteristics; (b) individual investments that represent five percent or more of net assets available for benefits; and (c) net appreciation or depreciation of investments by general type. ASU 2015-12 is effective for fiscal years beginning after December 15, 2015 and early adoption is permitted. Part I and II are required to be applied retrospectively and Part III is required to be applied prospectively.

Management adopted the Part II provision of ASU 2015-12 as of December 31, 2016 and has applied the ASU retrospectively for all periods presented. Parts I and III of ASU 2015-12 are not applicable to the Plan.

(c) Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Plan's management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

(d) Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Quoted market prices are used to value mutual fund investments.

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

(e) Fair Value Measurements

The Plan follows the provisions of Accounting Standards Codification (ASC) Topic (820), Fair Value Measurement, for fair value measurement of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (note 4).

(f) Payment of Benefits

Benefits are recorded when paid.

(g) Risk and Uncertainties

Participants may direct investment of their account balances to various types of investment securities. These investment securities are exposed to various risks, such as interest rate, market, and credit

NESTLE PUERTO RICO INC. EMPLOYEE RETIREMENT PLAN
(Formerly known as Nestle Puerto Rico 1165(e) Employee Savings Plan)

Notes to Financial Statements

December 31, 2016 and 2015

risks. 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 that such change could materially affect the amounts reported in the statements of net assets available for benefits.

(3) Information Certified by the Custodian

The plan administrator has elected the method of compliance permitted by 29 CFR 2520. 103-8 of the U.S. Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

Accordingly, Hand Benefits & Trust Company, the custodian of the Plan, has certified to the completeness and accuracy of all investment activity reflected on the accompanying statements of net assets available for benefits as of December 31, 2016 and 2015, and the related investment activity reflected in the statement of changes in net assets available for benefits for the year ended December 31, 2016, this note and that reflected in note 4.

The following table presents the fair values of investments in mutual funds, as of December 31, 2016 and 2015, all of which are participant directed:

	2016		2015	
	Number of shares	Value	Number of shares	Value
Federated Prime Govt. Obligations	1,243,611	\$ 1,243,611	1,174,648	\$ 1,174,648
Fidelity U.S. Bond Index Fund	91,785	1,055,527	89,167	1,024,528
Franklin Conserv Allocation R	11,344	155,297	5,264	70,272
Franklin Growth Allocation R	2,397	41,268	1,792	30,105
Franklin Moderate Allocation R	1,330	19,713	1,296	18,709
Oppenheimer Devl Mkts	188	6,026	693	20,787
Pimco Total Return	3,433	34,435	3,155	31,766
Templeton Global Bond A	1,822	21,874	1,898	21,978
Sunamerica Focused Div Strat A	56,064	964,304	55,846	859,471
Virtus Foreign Opportunities A	20,998	564,221	20,866	591,976
Virtus Small Cap Core A	3,471	254,564	10,060	209,342
Principal Mid Cap A	14,388	318,123	13,948	286,770
Vanguard Long-Term Treasury	2,209	25,930	1,607	19,590
Vanguard Wellington	3,471	234,147	3,086	196,069
Wells Fargo Growth I	23,129	893,479	20,455	940,942
Total Mutual Funds		<u>\$ 5,832,519</u>		<u>\$ 5,496,953</u>

During 2016, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated by \$11,058. Additionally, interest and dividend income amounting to \$241,242 were recognized.

NESTLE PUERTO RICO INC. EMPLOYEE RETIREMENT PLAN
(Formerly known as Nestle Puerto Rico 1165(e) Employee Savings Plan)

Notes to Financial Statements

December 31, 2016 and 2015

(4) Fair Value Measurements

The Plan utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Plan determines fair value based on assumptions that market participants would use in pricing an asset or a liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date
- Level 2: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability
- Level 3: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables present the Plan's assets measured at fair value on a recurring basis at December 31, 2016 and 2015 as follows:

Assets at fair value as of December 31, 2016				
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 5,832,519	—	—	5,832,519
Total investments at fair value	\$ 5,832,519	—	—	5,832,519

Assets at fair value as of December 31, 2015				
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 5,496,953	—	—	5,496,953
Total investments at fair value	\$ 5,496,953	—	—	5,496,953

There were no transfers into and out of Level 1 fair value measurements during the periods ended December 31, 2016 and 2015.

NESTLE PUERTO RICO INC. EMPLOYEE RETIREMENT PLAN
(Formerly known as Nestle Puerto Rico 1165(e) Employee Savings Plan)

Notes to Financial Statements

December 31, 2016 and 2015

(5) Related-Party Transactions

UBS, Hand Benefits & Trust Company, Benefit Plans Administrative Services Inc, or its affiliates provide trustee, custodial, investment management, and record-keeping services to the Plan and, accordingly, are considered parties in interest.

Certain administrative expenses of the Plan are paid and absorbed by the Company. Such expenses include accounting, legal, investment management, trust and record-keeping fees, and other fees of administering the Plan. Administrative expenses paid and absorbed by the Company amounted to approximately \$20,132 and \$23,600 for the years ended December 31, 2016 and 2015, respectively.

(6) Plan Termination

Although the Company has not expressed any intent to do so, it has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants would become 100% vested in their employer contributions.

(7) Tax Status

On January 31, 2011, Act No. 1 of *Puerto Rico Internal Revenue Code* (2011 PR Code) was signed into law, which adopts new rules for qualified plans in Puerto Rico. The qualified plan provisions of the 2011 PR Code are generally effective with respect to taxable years beginning after December 31, 2010. Among the most important changes in the 2011 PR Code affecting the Plan are the following (a) increase in limitation of deferred contributions by participants; (b) new definitions of highly compensated employee (HCE) and nonhighly compensated employee (NHCE); (c) the new definitions of HCE and NHCE will apply for purposes of the coverage test and general nondiscrimination test of all qualified plans in Puerto Rico; (d) limitation on annual contributions for defined-contribution plans; (e) limit on annual compensation of a participant; and (f) statutory requirement for proof of exemption. The Puerto Rico Department of the Treasury has determined and informed the Plan's trustee under a letter dated January 11, 2013 that the prototype plan is designed in accordance with the applicable sections of the 2011 PR Code. However, as per the 2011 PR Code, a separate determination letter is required for any sponsor that adopts the prototype plan. The Puerto Rico Treasury Department has determined and informed the Plan's third-party administrator UBS Trust Company of PR, by a determination letter dated January 10, 2017, relating to the aforementioned amendments adopted by the Plan indicating that the Plan and related trust are designed in accordance with the Internal Revenue Code.

U.S. generally accepted accounting principles require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. 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 it is no longer subject to income tax examinations for years prior to 2011.

NESTLE PUERTO RICO INC. EMPLOYEE RETIREMENT PLAN
(Formerly known as Nestle Puerto Rico 1165(e) Employee Savings Plan)

Notes to Financial Statements

December 31, 2016 and 2015

(8) Concentration of Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. 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 that such changes could materially affect a participant's account balances and the amounts reported in the Plan's statements of net assets available for benefits and changes therein.

(9) Prohibited Transactions

In accordance with the U.S. Department of Labor's Rules and Regulations Section 2510.3-102, the Sponsor is required to segregate participants' contributions from its general assets as soon as practical, when amounts are contributed by participants or withheld from their wages for a defined-contribution benefit plan such as the Plan. For the year ended on December 31, 2016 and 2015 all participants' contributions remittances were performed timely.

(10) Subsequent Events

The Plan has evaluated subsequent events from the date of the statements of net assets available for benefits through January 31, 2018, the date at which the financial statements were available to be issued.

During November 2017, the Governor of Puerto Rico has issued Executive Order 2017-067 and Treasury Department Administrative Determination 17-29 to provide temporary tax relief or special tax treatment on certain transactions, in an effort to help the Puerto Rico economy in its recovery from the devastation caused by Hurricane María. These executive orders, provides special rules to allow for flexibility and special tax treatment on "Eligible Distributions", as defined, from Individual Retirement Accounts ("IRA's") and qualified retirement plans, so that individual residents can access these funds. Plan Administrators, sponsors and financial institutions issuing "Eligible Distributions" are subject to various requirements regarding documentation of the "Eligible Distribution", income tax withholding and reporting with the Treasury Department. In addition, many of the provisions will require amending plan documents. Since these executive orders are optional, the Plan Sponsor and Investment Committee decided not to implement them.

Schedule 1

NESTLE PUERTO RICO INC. EMPLOYEE RETIREMENT PLAN
(Formerly known as Nestle Puerto Rico 1165(e) Employee Savings Plan)

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)

December 31, 2016

(a)	(b) Identity of issuer, borrower, lessor, or similar party	(c) Description of investments	(d) Cost	(e) Current value
		Mutual Funds:		
*	UBS Trust Company of Puerto Rico	Federated Govt. Obligations, \$1,243,611 and 1,243,611 shares	N/A	\$ 1,243,611
*	UBS Trust Company of Puerto Rico	Fidelity U.S. Bond Index Fund, \$1,046,094 and 91,785 shares	N/A	1,055,527
*	UBS Trust Company of Puerto Rico	Franklin Conserv Allocation R, \$157,145 and 11,344 shares	N/A	155,297
*	UBS Trust Company of Puerto Rico	Franklin Growth Allocation R, \$41,370 and 2,397 shares	N/A	41,268
*	UBS Trust Company of Puerto Rico	Franklin Moderate Allocation R, \$20,430 and 1,330 shares	N/A	19,713
*	UBS Trust Company of Puerto Rico	Oppenheimer Dev'l Mkts, \$6,261 and 188 shares	N/A	6,026
*	UBS Trust Company of Puerto Rico	Pimco Total Return, \$37,118 and 3,433 shares	N/A	34,435
*	UBS Trust Company of Puerto Rico	Templeton Global Bond A, \$22,516 and 1,822 shares	N/A	21,874
*	UBS Trust Company of Puerto Rico	Sunamerica Focused Div Strat A, \$935,735 and 56,064 shares	N/A	964,304
*	UBS Trust Company of Puerto Rico	Virtus Foreign Opportunities A, \$575,455 and 20,998 shares	N/A	564,221
*	UBS Trust Company of Puerto Rico	Virtus Small Cap Core A, \$255,362 and 3,471 shares	N/A	254,564
*	UBS Trust Company of Puerto Rico	Principal Mid Cap A, \$282,392 and 14,388 shares	N/A	318,123
*	UBS Trust Company of Puerto Rico	Vanguard Long-Term Treasury, \$29,293 and 2,209 shares	N/A	25,930
*	UBS Trust Company of Puerto Rico	Vanguard Wellington, \$232,710 and 3,471 shares	N/A	234,147
*	UBS Trust Company of Puerto Rico	Wells Fargo Growth I, \$1,064,442 and 23,129 shares	N/A	893,479
			—	\$ 5,832,519

* Represents a party in interest to the Plan

N/A: Not applicable. Cost omitted for participant-directed investments.

Note: The data included above is based upon information that has been certified as complete and accurate by Hand Benefits & Trust Company, the custodian of the Plan, as permitted by 29 CFR 2520.103-8 of the U.S. Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

See accompanying independent auditors' report.

Schedule H, Line 4i
Schedule of Assets (Held At End of Year)

Name of Plan:

► Nestle Puerto Rico Employee Retirement Plan

Employer Identification Number: ► 66-0500550

For plan year (beginning/ending): ► 1/1/2016-12/31/2016 Plan number: ► 001

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(d) Cost	(e) Current value
	Federated Government Obligations Fund Institutional Service Shares	Money Market		1,243,611
	Federated Prime Obligations Fund Institutional Service Shares	Money Market		-
	Fidelity Spartan U.S. Bond Index Fund Investor Class	Mutual Fund		1,055,527
	Franklin Templeton Conservative Allocation Fund Class R	Mutual Fund		155,297
	Franklin Templeton Growth Allocation Fund Class R	Mutual Fund		41,268
	Franklin Templeton Moderate Allocation Fund Class R	Mutual Fund		19,713
	Oppenheimer Developing Markets Fund Class Y	Mutual Fund		6,026
	PIMCO Total Return Fund Class R	Mutual Fund		34,435
	Principal MidCap Fund Class A	Mutual Fund		318,123
	SunAmerica Focused Dividend Strategy Portfolio Class A	Mutual Fund		964,304
	Templeton Global Bond Fund Class A	Mutual Fund		21,874
	Vanguard Long-Term Treasury Fund Advisor Shares	Mutual Fund		25,930
	Vanguard Wellington Fund Admiral Shares	Mutual Fund		234,147
	Virtus Foreign Opportunities Fund Class A	Mutual Fund		564,221
	Virtus Small-Cap Core Fund Class A	Mutual Fund		254,564
	Wells Fargo Advantage Growth Fund Institutional Class	Mutual Fund		893,479