Globalstar, Inc.
Form 10-Q
August 15, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2013

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-33117

GLOBALSTAR, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**41-2116508**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

300 Holiday Square Blvd.

Covington, Louisiana 70433

(Address of principal executive offices and zip code)

Registrant's Telephone Number, Including Area Code: **(985) 335-1500**

Indicate by check mark if the Registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act.

Yes ¨ No x

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of August 2, 2013, 407,946,332 shares of voting common stock and 256,875,000 shares of nonvoting common stock were outstanding. Unless the context otherwise requires, references to common stock in this Report mean Registrant's voting common stock.

GLOBALSTAR, INC.

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GLOBALSTAR, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Revenue:				
Service revenues	$15,409	$14,150	$30,799	$26,777
Subscriber equipment sales	4,426	5,831	8,369	9,942
Total revenue	19,835	19,981	39,168	36,719
Operating expenses:				
Cost of services (exclusive of depreciation, amortization, and accretion shown separately below)	7,205	7,542	14,732	14,803
Cost of subscriber equipment sales	3,587	3,701	6,527	6,425
Cost of subscriber equipment sales - reduction in the value of inventory	-	49	-	298
Marketing, general, and administrative	6,577	7,018	13,501	13,637
Reduction in the value of long-lived assets	-	7,139	-	7,218
Contract termination charge	-	22,048	-	22,048
Depreciation, amortization, and accretion	22,067	15,888	42,399	30,623
Total operating expenses	39,436	63,385	77,159	95,052
Loss from operations	(19,601)	(43,404)	(37,991)	(58,333)
Other income (expense):				
Loss on extinguishment of debt	(47,240)	-	(47,240)	-
Loss on future equity issuance	(13,969)	-	(13,969)	-
Interest income and expense, net of amounts capitalized	(15,216)	(3,781)	(22,968)	(6,831)
Derivative gain (loss)	(29,903)	20,432	(29,377)	13,911
Other	(224)	(632)	417	(500)
Total other income (expense)	(106,552)	16,019	(113,137)	6,580
Loss before income taxes	(126,153)	(27,385)	(151,128)	(51,753)
Income tax expense	119	148	222	305
Net loss	$(126,272)	$(27,533)	$(151,350)	$(52,058)
Loss per common share:				
Basic	$(0.25)	$(0.07)	$(0.31)	$(0.14)
Diluted	(0.25)	(0.07)	(0.31)	(0.14)
Weighted-average shares outstanding:				
Basic	496,169	379,433	484,244	368,482
Diluted	496,169	379,433	484,244	368,482

Comprehensive loss	$(126,353)	$(27,443)	$(152,000)	$(51,509)

See accompanying notes to unaudited interim condensed consolidated financial statements.

GLOBALSTAR, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value and share data)

	(Unaudited) June 30, 2013	(Audited) December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,237	$ 11,792
Restricted cash	38,152	46,777
Accounts receivable, net of allowance of $6,195 and $6,667, respectively	14,907	13,944
Inventory	38,109	42,181
Deferred financing costs	30,344	34,622
Prepaid expenses and other current assets	6,440	5,233
Total current assets	134,189	154,549
Property and equipment, net	1,207,810	1,215,156
Deferred financing costs	15,917	16,883
Advances for inventory	9,158	9,158
Intangible and other assets, net	7,630	8,029
Total assets	$ 1,374,704	$ 1,403,775
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 585,670	$ 655,874
Accounts payable, including contractor payables of $27,204 and $27,747, respectively	34,845	35,685
Accrued contract termination charge	22,802	23,166
Accrued expenses	27,106	28,164
Payables to affiliates	316	230
Derivative liabilities	40,660	-
Deferred revenue	18,677	18,041
Total current liabilities	730,076	761,160
Long-term debt, less current portion	127,112	95,155
Employee benefit obligations	7,216	7,221
Derivative liabilities	69,855	25,175
Deferred revenue	4,433	4,640
Other non-current liabilities	14,756	15,880
Total non-current liabilities	223,372	148,071
Commitments and contingent liabilities (Notes 8 and 9)		
Stockholders' equity:		
Preferred Stock of $0.0001 par value; 100,000,000 shares authorized and none issued and outstanding at June 30, 2013 and December 31, 2012:	-	-

Series A Preferred Convertible Stock of $0.0001 par value; one share authorized and none issued and outstanding at June 30, 2013 and December 31, 2012		
Voting Common Stock of $0.0001 par value; 865,000,000 shares authorized; 413,956,753 and 354,085,753 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	41	35
Nonvoting Common Stock of $0.0001 par value; 135,000,000 shares authorized; 135,000,000 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	14	14
Additional paid-in capital	889,912	864,175
Future equity issuance of common stock to related party	52,969	-
Accumulated other comprehensive loss	(2,408)	(1,758)
Retained deficit	(519,272)	(367,922)
Total stockholders’ equity	421,256	494,544
Total liabilities and stockholders’ equity	$ 1,374,704	$ 1,403,775

See accompanying notes to unaudited interim condensed consolidated financial statements.

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GLOBALSTAR, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended	
	June 30, 2013	June 30, 2012
Cash flows provided by (used in) operating activities:		
Net loss	$(151,350)	$ (52,058)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation, amortization, and accretion	42,399	30,623
Change in fair value of derivative assets and liabilities	28,472	(13,911)
Stock-based compensation expense	793	394
Amortization of deferred financing costs	4,081	1,673
Loss on equity method investments	-	210
Noncash interest and accretion expense	12,083	2,884
Reduction in the value of long-lived assets and inventory	-	7,516
Provision for bad debts	794	281
Contract termination charge	-	22,048
Loss on extinguishment of debt	47,240	-
Loss on future equity issuance	13,969	-
Unrealized foreign currency loss	(1,176)	323
Other, net	407	684
Changes in operating assets and liabilities:		
Accounts receivable	(1,851)	202
Inventory	3,493	317
Prepaid expenses and other current assets	(1,349)	891
Other assets	556	146
Accounts payable and accrued expenses	(106)	(1,033)
Payables to affiliates	86	(208)
Other non-current liabilities	(837)	(540)
Deferred revenue	470	1,366
Net cash provided by (used in) operating activities	(1,826)	1,808
Cash flows used in investing activities:		
Second-generation satellites, ground and related launch costs (including interest)	(27,666)	(33,562)
Property and equipment additions	(569)	(195)
Investment in businesses	(355)	(200)
Restricted cash	8,625	(700)
Net cash used in investing activities	(19,965)	(34,657)
Cash flows provided by financing activities:		
Borrowings from Facility Agreement	-	5,008
Proceeds from contingent equity agreement	-	23,000

Payments to reduce principal amount of exchanged 5.75% Notes	(13,544)	
Payments for 5.75% Notes not exchanged	(6,250)	
Payments to lenders and other fees associated with exchange	(2,482)	
Proceeds for future equity issuance to related party	39,000	
Proceeds from issuance of common stock and exercise of warrants	1,206	100
Payment of deferred financing costs	(1,481)	(250)
Net cash provided by financing activities	16,449	27,858
Effect of exchange rate changes on cash	(213)	(140)
Net decrease in cash and cash equivalents	(5,555)	(5,131)
Cash and cash equivalents, beginning of period	11,792	9,951
Cash and cash equivalents, end of period	$ 6,237	$ 4,820
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ 11,445	$ 16,894
Income taxes	63	144
Supplemental disclosure of non-cash financing and investing activities:		
Reduction in accrued second-generation satellites and ground costs	743	5,039
Increase in non-cash capitalized interest for second-generation satellites and ground costs	2,910	2,473
Capitalization of the accretion of debt discount and amortization of debt issuance costs	3,901	6,334
Interest and other payments made in convertible notes and common stock	3,673	3,807
Conversion of debt into common stock	8,615	-
Reduction in debt discount and issuance costs related to note conversions	5,166	-
Extinguishment of principal amount of 5.75% Notes	(71,804)	-
Issuance of principal amount of 8% Notes Issued in 2013	54,611	-
Issuance of common stock to exchanging note holders at fair value	12,127	-
Fair value adjustment due to warrant conversions	-	420
Conversion of contingent equity account derivative liability to equity	-	5,853
Value of warrants issued in connection with the contingent equity account loan fee	-	2,226

See accompanying notes to unaudited interim condensed consolidated financial statements.

GLOBALSTAR, INC.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The Company has prepared the accompanying unaudited interim condensed consolidated financial statements in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information. Certain information and footnote disclosures normally in financial statements have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission; however, management believes the disclosures made are adequate to make the information presented not misleading. These financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto included in Globalstar, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012 and Management's Discussion and Analysis of Financial Condition and Results of Operations herein.

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Certain reclassifications have been made to prior period condensed consolidated financial statements to conform to current year presentation. The Company evaluates estimates on an ongoing basis. Significant estimates include the value of derivative instruments, the allowance for doubtful accounts, the net realizable value of inventory, the useful life and value of property and equipment, the value of stock-based compensation, the reserve for product warranties, and income taxes. Actual results could differ from these estimates.

All significant intercompany transactions and balances have been eliminated in the consolidation. In the opinion of management, the information included herein includes all adjustments, consisting of normal recurring adjustments, that are necessary for a fair presentation of the Company's condensed consolidated statements of operations, condensed consolidated balance sheets, and condensed consolidated statements of cash flows for the periods presented. These unaudited interim condensed consolidated financial statements include the accounts of Globalstar and its majority owned or otherwise controlled subsidiaries. The results of operations for the three and six months ended June 30, 2013 are not necessarily indicative of the results that may be expected for the full year or any future period.

Recently Issued Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-02, *Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income.* This standard requires that companies present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line items affected by the reclassification. ASU 2013-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. This adoption did not have an impact on the Company's condensed consolidated financial statements.

2. MANAGEMENT'S PLANS REGARDING FUTURE OPERATIONS

Current sources of liquidity include cash on hand, cash flows from operations, funds which Thermo Funding Company LLC (including its affiliates, "Thermo") has agreed to invest or arrange to be invested in the Company pursuant to the Equity Commitment, Restructuring Support and Consent Agreement dated as of May 20, 2013 among the Company, Thermo, BNP Paribas, as agent, and the lenders under the Facility Agreement (as defined below) (the "Consent Agreement") and the Global Deed of Amendment and Restatement (the "GARA") described below and funds available from the Company's equity line agreement with Terrapin Opportunity, L.P. ("Terrapin").

On July 31, 2013, the Company entered into the GARA with Thermo, the Company's domestic subsidiaries (the "Subsidiary Guarantors"), a syndicate of bank lenders, including BNP Paribas, Société Générale, Natixis, Credit Agricole Corporate and Investment Bank and Credit Industrial et Commercial as arrangers and BNP Paribas as the security agent and COFACE Agent, providing for the amendment and restatement of Globalstar's existing $586.3 million senior secured credit facility (the "Facility Agreement") dated as of June 5, 2009 (as previously amended, the "Existing Credit Agreement") and certain related credit documents. The GARA, when effective, will waive all of Globalstar's existing defaults under the Existing Credit Agreement, extend the term of the facility by two and a half years (postponing an aggregate of $235.3 million in principal payments through 2019), and restructure the financial covenants. The GARA provides that, upon the effective date of the transactions contemplated by the GARA, the Existing Credit Agreement and certain related credit documents will be amended and restated in the forms attached to the GARA.

As previously reported, the Company is required to meet certain conditions precedent to close the transactions contemplated by the GARA. The Company expects to fulfill these conditions precedent in the near future. However, the Company cannot guarantee if or when it will be able to satisfy these conditions. (See Notes 4 and 17 for further discussion.)

In order to continue as a going concern, the Company must fulfill the conditions precedent necessary for the effectiveness of the GARA, and execute its business plan, which assumes the modification of certain obligations and the funding of the financial arrangements with Thermo and Terrapin as discussed above. Substantial uncertainties remain related to the impact and timing of these events. If the resolution of these uncertainties materially and negatively impacts cash and liquidity, the Company's ability to continue to execute its business plan will be adversely affected. The Company's financial statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and the satisfaction of liabilities in the normal course of business. The accompanying financial statements do not include any adjustments related to the recoverability and classification of recorded assets or the amounts and classification of liabilities that might result from the uncertainty associated with the items discussed below, except as otherwise disclosed.

The Company has taken the following steps towards improving operations; completing and maintaining its second-generation constellation and next-generation ground infrastructure; and obtaining additional financing:

- Reduced operating expenses by, among other things, streamlining its supply chain and other operations, consolidating its world-wide operations, including the completion of the relocation of its corporate headquarters to Covington, Louisiana, and simplifying its product offerings. The Company has continued to maintain a low cost operating structure, while strategically investing in sales and marketing and new product development.
- Increased revenues by transitioning legacy Duplex customers to more profitable plans, commensurate with the Company's improved service coverage, and adding new subscribers to the network at growing rates.
- Successfully launched all of its second-generation satellites, excluding one on-ground spare.
- Entered into other financing arrangements with Thermo under which Thermo has provided or agreed to provide or arrange $85.0 million in equity or equity-linked financing.
- Entered into a $30.0 million equity line agreement with Terrapin.
- Drew $60.0 million from its contingent equity account.

- Settled disputes with Thales Alenia Space (“Thales”) regarding prior contractual issues.

- Implemented sales and marketing programs designed to take advantage of the continued expansion of the Company’s Duplex coverage, including entering into new sales agreements and introducing new pricing plans commensurate with improved service levels.

- Commenced a proceeding before the Federal Communications Commission (“FCC”) seeking authority to utilize the Company’s MSS spectrum to offer mobile broadband services separate and apart from, but coordinated with, its satellite-based communications.

- Introduced the SPOT Global Phone, which is meant to leverage the Company’s retailer distribution channels and SPOT brand name.

- Introduced the SPOT Gen3™, the next generation of the SPOT Satellite GPS Messenger™. SPOT Gen3™ offers enhanced functionality with more tracking features, improved battery performance and more power options including rechargeable and USB direct line power.

- Issued in May 2013 $54.6 million principal amount of new 8.00% Convertible Senior Notes (the “8.00% Notes Issued in 2013”), together with cash and shares of its common stock, in exchange for all of the Company’s $71.8 million principal amount 5.75% Convertible Senior Unsecured Notes (the “5.75% Notes”), which were in default.

- Signed the GARA in July 2013 (as discussed above), which will, when effective, significantly adjust the principal repayment schedule and covenant levels required under the Agreement.

The Company believes that these actions, combined with additional actions included in its operating plan, will result in improved cash flows from operations, provided the significant uncertainties described in the first section of this footnote are successfully resolved. These additional actions include, among other things, the following:

- Completing second-generation ground infrastructure upgrades that will permit the Company to offer a new suite of consumer and enterprise products that leverage the Company’s new, inexpensive chip architecture.

- Negotiating agreements with third parties to restart operations at certain existing Globalstar gateways to make coverage in additional areas commercially viable.

- Continuing to pursue numerous opportunities in the field of aviation; including next-generation “space-based” air traffic management services, in association with the Company’s technology partner, ADS-B Technologies, LLC.

- Continuing to control operating expenses while redirecting available resources to the marketing and sale of product offerings.

- Improving its key business processes and leveraging its information technology platform.

- Introducing new and innovative Simplex, SPOT and Duplex products to the market that will further drive sales volume and revenue.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following (in thousands):

	June 30, 2013	December 31, 2012
Globalstar System:		
Space component	$1,166,358	$ 934,900
Ground component	48,335	49,089
Construction in progress:		
Space component	79,317	280,729

Ground component	106,457	102,903
Prepaid long-lead items and other	17,670	17,920
Total Globalstar System	1,418,137	1,385,541
Internally developed and purchased software	14,844	14,414
Equipment	12,727	12,800
Land and buildings	3,848	4,003
Leasehold improvements	1,499	1,512
	1,451,055	1,418,270
Accumulated depreciation and amortization	(243,245)	(203,114)
	$ 1,207,810	$ 1,215,156

Amounts in the table above consist primarily of costs incurred related to the construction of the Company's second-generation constellation, related launch services and ground upgrades. Amounts included in the Company's construction in progress - space component balance as of June 30, 2013 consist primarily of costs related to the remaining second-generation satellite launched in February 2013 that has not yet been placed into commercial service as well as a spare satellite that will be included in a future launch of satellites. When the launched satellite is placed into commercial service, the estimated cost per satellite will be transferred from construction in progress to the Globalstar System space component. See Note 8 for further discussion of the Company's contractual obligations.

Capitalized Interest and Depreciation Expense

The following tables summarize capitalized interest for the periods indicated below (in thousands):

	As of June 30, 2013	December 31, 2012
Total interest capitalized	$228,058	$ 216,477

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Interest cost eligible to be capitalized	$ 11,927	$ 14,783	25,732	$ 29,634
Interest cost recorded in interest expense, net	(7,484)	(2,756)	(14,151)	(4,696)
Net interest capitalized	4,443	12,027	11,581	24,938

The following table summarizes depreciation expense for the periods indicated below (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Depreciation expense	$ 21,817	$ 15,111	$41,690	$ 29,578

4. LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	June 30, 2013		December 31, 2012	
	Principal Amount	Carrying Value	Principal Amount	Carrying Value
Facility Agreement	$585,670	$585,670	$585,670	$585,670
Subordinated Loan	56,809	53,358	53,499	49,822
5.75% Convertible Senior Unsecured Notes	-	-	71,804	70,204
8.00% Convertible Senior Notes Issued in 2013	54,611	28,086	-	-
5.0% Convertible Senior Unsecured Notes	33,114	14,757	40,920	16,701
8.00% Convertible Senior Unsecured Notes Issued in 2009	49,665	30,911	48,228	28,632
Total Debt	779,869	712,782	800,121	751,029

Less: Current Portion	585,670	585,670	657,474	655,874
Long-Term Debt	$194,199	$127,112	$142,647	$95,155

The table above represents the principal amount and carrying value of long-term debt at June 30, 2013 and December 31, 2012. The principal amounts shown above include payment of in kind interest, if any. The carrying value is net of any discounts to the loan amounts at issuance, as further described below, including accretion.

Facility Agreement

The Company has $586.3 million principal amount of indebtedness under the Existing Facility Agreement that is scheduled to mature 84 months after the first principal repayment date. Semi-annual principal repayments are scheduled to begin in June 2013. The facility bears interest at a floating LIBOR rate, plus a margin of 2.25% through December 2017, increasing to 2.40% thereafter. Ninety-five percent of the Company's obligations under the Existing Facility Agreement are guaranteed by COFACE, the French export credit agency. The Company's obligations under the Existing Facility Agreement are guaranteed on a senior secured basis by all of its domestic subsidiaries and are secured by a first priority lien on substantially all of the assets of the Company and its domestic subsidiaries (other than their FCC licenses), including patents and trademarks, 100% of the equity of the Company's domestic subsidiaries and 65% of the equity of certain foreign subsidiaries. The Existing Facility Agreement contains customary events of default and requires that the Company satisfy various financial and nonfinancial covenants.

The Existing Facility Agreement requires the Company to fund a total of $46.8 million to the debt service reserve account. The use of the funds in this account is restricted to making principal and interest payments under the Existing Facility Agreement. The minimum required balance, not to exceed $46.8 million, fluctuates over time based on the timing of principal and interest payment dates. In December 2012, the amount required to be funded into the debt service reserve account was reduced by approximately $8.9 million due to the timing of the first principal repayment date scheduled for June 2013. In January 2013, the agent for the Existing Facility Agreement permitted the Company to withdraw from the debt service reserve account $8.9 million that was in excess of the required balance to enable the Company to pay capital expenditure costs for the fourth launch of its second-generation satellites. As of June 30, 2013, the Company drew $8.7 million of the permitted $8.9 million to pay certain capital expenditures from the fourth launch and the Company classified approximately $38.1 million in the debt service reserve account as restricted cash.

As a result of the Thales arbitration ruling and the subsequent settlement agreements reached with Thales related to the arbitration ruling in 2012, the lenders concluded that events of default had occurred under the Existing Facility Agreement. The Company is also in default of certain other financial and nonfinancial covenants, including, but not limited to, lack of payment of principal in June 2013 in accordance with the terms of the Existing Facility Agreement, minimum required funding for the Company's debt service account, and in-orbit acceptance of all of its second-generation satellites by April 2013. As of June 30, 2013, the borrowings were shown as current on the Company's condensed consolidated balance sheet in accordance with applicable accounting rules.

Due to the launch delays, the Company expects that it may not be in compliance with certain financial and nonfinancial covenants specified in the Existing Facility Agreement during the next 12 months. If the Company cannot obtain either a waiver or an amendment, the failure to comply with these covenants would represent additional events of default. An event of default under the Existing Facility Agreement could permit the lenders to accelerate the indebtedness under the Existing Facility Agreement. That acceleration could permit acceleration of the Company's obligations under other debt arrangements, as described below, that contain cross-acceleration provisions.

See Note 17 for discussion on subsequent events related to the Existing Facility Agreement, including the lenders' waiver of the events of default occurring as of June 30, 2013 and amendments to the financial covenants included in the Existing Facility Agreement.

Contingent Equity Agreement

The Company has a Contingent Equity Agreement with Thermo whereby Thermo agreed to deposit $60.0 million into a contingent equity account to fulfill a condition precedent for borrowing under the Existing Facility Agreement. Under the terms of the Existing Facility Agreement, the Company has the right to make draws from this account if and to the extent it has an actual or projected deficiency in its ability to meet obligations due within a forward-looking 90-day period. Thermo pledged the contingent equity account to secure the Company's obligations under the Existing Facility Agreement.

The Contingent Equity Agreement provides that the Company will pay Thermo an availability fee of 10% per year for maintaining funds in the contingent equity account. This annual fee is payable solely in warrants to purchase common stock at $0.01 per share with a five-year exercise period from issuance. The Company determined that the warrants issued in conjunction with the availability fee were derivatives and recorded the value of the derivatives as a component of other non-current liabilities, at issuance. The offset was recorded in other assets and is being amortized over the one-year availability period. The warrants issued on June 19, 2012 are not subject to a reset provision subsequent to issuance and are therefore not considered a derivative instrument. The value of the warrants issued was recorded as equity and the offset was recorded in other assets and was amortized over the one-year availability period.

When the Company made draws on the contingent equity account, it issued Thermo shares of common stock calculated using a price per share equal to 80% of the average closing price of the common stock for the 15 trading days immediately preceding the draw. The 20% discount on the value of the shares issued to Thermo is treated as a deferred financing cost and is amortized over the remaining term of the Existing Facility Agreement. The Company had drawn the entire $60.0 million from this account as of December 31, 2012. Approximately $1.1 million of interest earned from the funds previously held in this account remained in the account at June 30, 2013 and was available to be drawn by the Company, subject to lender approval. See Note 17 for discussion on subsequent events impacting the withdrawal of funds from this account.

Since the origination of the Contingent Equity Agreement, the Company has issued to Thermo warrants to purchase 41,467,980 shares of common stock for the annual availability fee and subsequent resets due to provisions in the Contingent Equity Agreement and 160,916,223 shares of common stock resulting from the Company's draws on the contingent equity account pursuant to the terms of the Contingent Equity Agreement. As of June 30, 2013, no warrants issued in connection with the Contingent Equity Agreement had been exercised.

On June 19, 2012, the warrants issued on June 19, 2011 were no longer variable, and the related $5.9 million liability was reclassified to equity.

No voting common stock is issuable to Thermo or any of its affiliates if it would cause Thermo and its affiliates to own more than 70% of the Company's outstanding voting stock. The Company may issue nonvoting common stock in lieu of common stock to the extent issuing common stock would cause Thermo and its affiliates to exceed this 70% ownership level.

Subordinated Loan

The Company has a Loan Agreement with Thermo whereby Thermo agreed to lend the Company $25.0 million for the purpose of funding the debt service reserve account required under the Existing Facility Agreement. In 2011, this loan was increased to $37.5 million. This loan is subordinated to, and the debt service reserve account is pledged to secure, all of the Company's obligations under the Existing Facility Agreement. Amounts deposited in the debt service reserve account are restricted to payments due under the Existing Facility Agreement, unless otherwise authorized by the lenders. See Note 17 for discussion on subsequent events related to the Existing Facility Agreement.

The loan accrues interest at 12% per annum, which is capitalized and added to the outstanding principal in lieu of cash payments. The Company will make payments to Thermo only when permitted under the Existing Facility Agreement. The loan becomes due and payable six months after the obligations under the Existing Facility Agreement have been paid in full, the Company has a change in control or any acceleration of the maturity of the loans under the Existing Facility Agreement occurs. As additional consideration for the loan, the Company issued Thermo a warrant to purchase 4,205,608 shares of common stock at $0.01 per share with a five-year exercise period. No voting common stock is issuable upon such exercise if such issuance would cause Thermo and its affiliates to own more than 70% of the Company's outstanding voting stock. The Company may issue nonvoting common stock in lieu of common stock to the extent issuing voting common stock would cause Thermo and its affiliates to exceed this 70% ownership level.

The Company determined that the warrant was an equity instrument and recorded it as a part of stockholders' equity with a corresponding debt discount of $5.2 million, which is netted against the principal amount of the loan. The Company is accreting the debt discount associated with the warrant to interest expense over the term of the loan agreement using an effective interest method. As of June 30, 2013, the remaining debt discount was $3.5 million, and $19.3 million of interest was outstanding; these amounts are included in long-term debt on the Company's condensed consolidated balance sheet.

5.75% Convertible Senior Unsecured Notes

In 2008, the Company issued $150.0 million aggregate principal amount of 5.75% Notes, which were subject to repurchase by the Company for cash at the option of the holders in whole or part on April 1, 2013 at a purchase price equal to 100% of the principal amount ($71.8 million aggregate principal was outstanding at April 1, 2013) of the 5.75% Notes, plus accrued and unpaid interest, if any.

On March 29, 2013, U.S. Bank National Association, the Trustee under the Indenture and the First Supplemental Indenture governing the 5.75% Notes, each dated as of April 15, 2008, between the Company and the Trustee (collectively, as amended and supplemented or otherwise modified, the "Indenture"), notified the Company in writing

that holders of approximately $70.7 million principal amount of 5.75% Notes had exercised their purchase rights pursuant to the Indenture. Under the Indenture, the Company was required to deposit with the Trustee by 11 A.M. on April 1, 2013, the purchase price of approximately $70.7 million in cash to effect the repurchase of the 5.75% Notes from the exercising holders. The Company did not have sufficient funds to pay the purchase price.

In addition, the Indenture also required that, on April 1, 2013, the Company pay interest on the 5.75% Notes in the aggregate amount of approximately $2.1 million for the six months ended March 31, 2013. The Company did not make this payment. Under the Indenture, failure to pay this interest by April 30, 2013 constituted an event of default.

As discussed below, these events of default were cured pursuant to the Exchange Agreement transactions executed on May 20, 2013.

On May 20, 2013, the Company redeemed the remaining 5.75% Notes for cash equal to their principal amount.

Exchange Agreement

On May 20, 2013, the Company entered into an Exchange Agreement with the beneficial owners and investment managers for beneficial owners (the “Exchanging Note Holders”) of approximately 91.5% of its outstanding 5.75% Notes and completed the transactions contemplated by the Exchange Agreement.

Pursuant to the Exchange Agreement, the Exchanging Note Holders surrendered their 5.75% Notes (the “Exchanged Notes”) to the Company for cancellation in exchange for:

- Approximately $13.5 million in cash, with respect to the principal amount of the Exchanged Notes, plus approximately $0.5 million in cash, equal to all accrued and unpaid interest on the Exchanged Notes from April 1, 2013 to the closing;
- Approximately 30.3 million shares of voting common stock of the Company; and
- Approximately $54.6 million principal amount of the Company’s new 8.00% Convertible Senior Notes due April 1, 2028 (the “8.00% Notes Issued in 2013”), with an initial conversion price of $0.80 per share, subject to adjustment as described below.

In the Exchange Agreement, the Company also agreed that, if the Company grants certain liens to Thermo or its affiliates in connection with future financing transactions, the Exchanging Note Holders may participate in such transactions in an amount up to 50% of the participation of Thermo and its affiliates.

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Pursuant to the Exchange Agreement, the Company also cured outstanding defaults under the 5.75% Notes by:

- Cancelling the Exchanged Notes as described above;
- Depositing with the Trustee approximately $2.1 million, an amount equal to the interest due on all of the 5.75% Notes on April 1, 2013 and accumulated interest thereon, for distribution to the holders of record of the 5.75% Notes as of March 15, 2013;
- Depositing with the Trustee approximately $6.3 million, an amount equal to the principal amount of the 5.75% Notes (other than the Exchanged Notes) and interest thereon from April 1, 2013 to June 26, 2013 and directing the Trustee to pay such amounts to the holders of the 5.75% Notes (other than the Exchanged Notes); and
- Redeeming the remaining 5.75% Notes.

Based on the Company's evaluation of the exchange transaction, the Exchange Agreement discussed above was determined to be an extinguishment of the 5.75% Notes. As a result of this exchange, the Company recorded a loss on the extinguishment of debt of $47.2 million in its condensed consolidated statement of operations for the three months ended June 30, 2013. This loss represents the difference between the carrying value of the 5.75% Notes and the fair value of the consideration given in the exchange (including the new 8.00% Notes Issued in 2013, cash payments to both exchanging and non-exchanging holders, equity issued to the holders and other fees incurred in the exchange). See Note 6 for further discussion on the determination of the fair value of this instrument.

The Consent Agreement

In addition to the lenders' consent to the transactions contemplated by the Exchange Agreement, the Consent Agreement contained a term sheet summarizing certain principal terms for the restructured Facility Agreement. Under the Consent Agreement, completion of the restructuring of the Existing Facility Agreement was subject to the execution of definitive documentation, receipt by each of the lenders and COFACE of final credit approval and satisfaction of the conditions precedent set forth therein.

Pursuant to the Consent Agreement, Thermo agreed that it would make, or arrange for third parties to make, cash contributions to the Company in exchange for equity, subordinated convertible debt or other equity-linked securities as follows:

- At the closing of the exchange transaction and thereafter each week until no later than July 31, 2013, an amount sufficient to enable the Company to maintain a consolidated unrestricted cash balance of at least $4.0 million;
- At the closing of the exchange transaction, $25.0 million to satisfy all cash requirements associated with the exchange transaction, including agreed principal and interest payments to the holders of the 5.75% Notes as contemplated by the Exchange Agreement, with any remaining portion being retained by the Company for working capital and general corporate purposes;

- Contemporaneously with, and as a condition to the closing of, any restructuring of the Facility Agreement, $20.0 million (less any amount contributed pursuant to the commitment described above with respect to the Company's minimum cash balance);
- Subject to the prior closing of the Facility Agreement restructuring, on or prior to December 26, 2013, $20.0 million; and
- Subject to the prior closing of the Facility Agreement restructuring, on or prior to December 31, 2014, $20.0 million, less the amount by which the aggregate amount of cash received by the Company under the first, third and fourth commitments described above exceeds $40 million.

The parties agreed that the lenders could terminate the Consent Agreement if, among other things:

- The restructuring of the Existing Facility Agreement had not been consummated on or before June 28, 2013 (later extended to August 16, 2013 or such later date as the parties may agree); or
- The Company or Thermo materially breached any of its representations, warranties or covenants under the Consent Agreement, which breach was not cured (if curable) within 15 days of receipt of notice by the Company or Thermo, as the case may be.

Any termination of the Consent Agreement will not affect the validity of the lenders' consent to the exchange transaction, which was a condition precedent to closing the Exchange Agreement and required under the Existing Facility Agreement. As of the date of this report, the Consent Agreement had not been cancelled.

The Common Stock Purchase Agreement

On May 20, 2013, the Company and Thermo entered into a Common Stock Purchase Agreement pursuant to which Thermo purchased 78,125,000 shares of the Company's common stock for $25.0 million ($0.32 per share). Thermo also agreed to purchase additional shares of common stock at $0.32 per share as and when required to fulfill its equity commitment described above to maintain the Company's consolidated unrestricted cash balance at not less than $4.0 million until the earlier of July 31, 2013 and the closing of a restructuring of the Existing Facility Agreement. In furtherance thereof, at the Closing, Thermo purchased an additional 15,625,000 shares of common stock for an aggregate purchase price of $5.0 million. In June 2013, Thermo purchased an additional 28,125,000 shares of common stock for an aggregate purchase price of $9.0 million pursuant to the Common Stock Purchase Agreement.

For the three and six months ended June 30, 2013, the Company recognized a loss on the sale of these shares of approximately $14.0 million (included in Other income/expense on the condensed consolidated statement of operations), representing the difference between the purchase price and the fair value of the Company's common stock (measured as the closing stock price on the date of each sale).

As of June 30, 2013, Thermo had purchased approximately 121.9 million shares of the Company's common stock pursuant to the Common Stock Purchase Agreement for an aggregate $39.0 million. Pursuant to the Common Stock Purchase Agreement, the shares of common stock are intended to be shares of non-voting common stock. As of May 20, 2013, the Company's certificate of incorporation did not provide for any authorized but unissued shares of non-voting common stock. On July 8, 2013, the Company filed an amendment to its certificate of incorporation increasing the number of authorized shares of non-voting common stock by 265.0 million shares to a total of 400.0 million shares and subsequently issued nonvoting shares to Thermo as previously purchased under the Common Stock Purchase Agreement. The Company recorded the fair value of these shares as a future equity issuance in the stockholders' equity section of the Company's condensed consolidated balance sheet as of June 30, 2013.

The terms of the Common Stock Purchase Agreement were approved by a special committee of the Company's board of directors consisting solely of the Company's unaffiliated directors. The committee, which was represented by independent legal counsel, determined that the terms of the Common Stock Purchase Agreement were fair and in the best interests of the Company and its shareholders. The terms of future equity commitments provided to the Company by Thermo pursuant to the Consent Agreement will also be determined by this special committee.

Share Lending Agreement

Concurrently with the offering of the 5.75% Notes, the Company entered into a share lending agreement (the "Share Lending Agreement") with Merrill Lynch International (the "Borrower"), pursuant to which the Company agreed to lend up to 36,144,570 shares of common stock (the "Borrowed Shares") to the Borrower, subject to certain adjustments, for a period ending on the earliest of (i) at the Company's option, at any time after the entire principal amount of the 5.75% Notes ceases to be outstanding, (ii) the written agreement of the Company and the Borrower to terminate, (iii) the occurrence of a Borrower default, at the option of Lender, and (iv) the occurrence of a Lender default, at the option of the Borrower. Pursuant to the Share Lending Agreement, upon the termination of the share loan, the Borrower must return the Borrowed Shares to the Company. Upon the conversion of 5.75% Notes (in whole or in part), a number of Borrowed Shares proportional to the conversion rate for such notes must be returned to the Company. At the Company's election, the Borrower may deliver cash equal to the market value of the corresponding Borrowed Shares instead of returning to the Company the Borrowed Shares otherwise required by conversions of 5.75% Notes.

Pursuant to and upon the terms of the Share Lending Agreement, the Company will issue and lend the Borrowed Shares to the Borrower as a share loan. The Borrowing Agent also is acting as an underwriter with respect to the Borrowed Shares, which are being offered to the public. The Borrowed Shares included approximately 32.0 million

shares of common stock initially loaned by the Company to the Borrower on separate occasions, delivered pursuant to the Share Lending Agreement and the Underwriting Agreement, and an additional 4.1 million shares of common stock that, from time to time, may be borrowed from the Company by the Borrower pursuant to the Share Lending Agreement and the Underwriting Agreement and subsequently offered and sold at prevailing market prices at the time of sale or negotiated prices. The Borrowed Shares are free trading shares. At each of June 30, 2013 and December 31, 2012, approximately 17.3 million Borrowed Shares remained outstanding.

During July 2013, in connection with the exchange or redemption of all of the 5.75% Notes, the Company and the Borrower terminated the Share Lending Agreement. In connection with this termination, the Borrower returned 10.2 million loaned shares to Globalstar and paid approximately $4.4 million in cash for the remaining 7.1 million shares.

8.00% Convertible Senior Notes Issued in 2013

On May 20, 2013, pursuant to the Exchange Agreement, the Company issued $54.6 million aggregate principal amount of 8.00% Convertible Senior Notes (the “8.00% Notes Issued in 2013”) to the Exchanging Note Holders. The 8.00% Notes Issued in 2013 are convertible into shares of common stock at an initial conversion price of $0.80 per share of common stock, or 1,250 shares of the Company’s common stock per $1,000 principal amount of the 8.00% Notes Issued in 2013, subject to adjustment as provided in the Fourth Supplemental Indenture between the Company and U.S. Bank National Association, as Trustee, (the “New Indenture”). The conversion price of the 8.00% Notes Issued in 2013 will be adjusted in the event of certain stock splits or extraordinary share distributions, or as a reset of the base conversion and exercise price as described below.

The 8.00% Notes Issued in 2013 are senior unsecured debt obligations of the Company and rank pari passu with the Company's existing 5.0% Convertible Senior Unsecured Notes and 8.00% Convertible Senior Unsecured Notes Issued in 2009. There is no sinking fund for the 8.00% Notes Issued in 2013. The 8.00% Notes Issued in 2013 will mature on April 1, 2028, subject to various call and put features as described below, and bear interest at a rate of 8.00% per annum. Interest on the 8.00% Notes Issued in 2013 is payable semi-annually in arrears on April 1 and October 1 of each year, commencing on October 1, 2013. Interest is paid in cash at a rate of 5.75% per annum and additional 8.00% Notes Issued in 2013 at a rate of 2.25% per annum.

Subject to certain conditions set forth in the New Indenture, including prior approval of the Majority Lenders (as defined in the Facility Agreement), the Company may redeem the 8.00% Notes Issued in 2013, in whole or in part, on December 10, 2013, if the average of the volume-weighted prices of the Company's common stock for the 30-day period ending November 29, 2013, is less than $0.20, at a price equal to the principal amount of the 8.00% Notes Issued in 2013 to be redeemed plus an amount equal to 32% of such principal amount minus all interest which is paid on the 8.00% Notes Issued in 2013 prior to their redemption. The Company may also redeem the 8.00% Notes Issued in 2013, with the prior approval of the Majority Lenders, in whole or in part, at any time on or after April 1, 2018, at a price equal to the principal amount of the 8.00% Notes Issued in 2013 to be redeemed plus all accrued and unpaid interest thereon.

A holder of 8.00% Notes Issued in 2013 has the right, at the Holder's option, to require the Company to purchase some or all of the 8.00% Notes Issued in 2013 held by it on each of April 1, 2018 and April 1, 2023 at a price equal to the principal amount of the 8.00% Notes Issued in 2013 to be purchased plus accrued and unpaid interest.

A holder of the 8.00% Notes Issued in 2013 has the right, at the holder's option, to require the Company to purchase some or all of the 8.00% Notes Issued in 2013 held by it at any time if there is a Fundamental Change. A Fundamental Change occurs if the Company's common stock ceases to be traded on a stock exchange or an established over-the-counter market or there is a change of control of the Company. If there is a Fundamental Change, the price of any 8.00% Notes Issued in 2013 purchased by the Company will be equal to its principal amount plus accrued and unpaid interest and a Fundamental Change Make-Whole Amount calculated as provided in the New Indenture.

Subject to the procedures for conversion and other terms and conditions of the New Indenture, a holder may convert its 8.00% Notes Issued in 2013 at its option at any time prior to the close of business on the business day immediately preceding April 1, 2028, into shares of common stock (or, at the option of the Company, cash in lieu of all or a portion thereof, provided that, under the Amended and Restated Facility Agreement, the Company may pay cash only with the consent of the Majority Lenders). Upon conversion, the holder will be entitled to receive shares of common stock, cash or a combination thereof (provided that, under the Amended and Restated Facility Agreement, the Company may pay cash only with the consent of the Majority Lenders), in such amounts and subject to terms and conditions set forth in the New Indenture. The Company will pay cash in lieu of fractional shares otherwise issuable upon conversion of the 8.00% Notes Issued in 2013 as specified in the Indenture. As of June 30, 2013, no 8.00% Notes Issued in 2013 had been converted.

A holder may elect to convert up to 15% of its 8.00% Notes Issued in 2013 on each of July 19, 2013 and March 20, 2014. If a holder elects to convert on either of those dates, it will receive, at the Company’s option, either cash equal to the par value of the 8.00% Notes Issued in 2013 plus accrued interest (provided that, under the Amended and Restated Facility Agreement, the Company may pay cash only with the consent of the Majority Lenders) or shares of the Company’s common stock equal to the principal amount of the 8.00% Notes Issued in 2013 to be converted plus accrued interest divided by the lower of the average price of the common stock in a specified period and $0.50. $7.9 million principal amount (approximately 14.4% of the outstanding principal amount) of 8.00% Notes Issued in 2013 was converted on July 19, 2013, , resulting in the issuance of 15.9 million shares.

The base conversion rate may be adjusted on each of April 1, 2014 and April 1, 2015 based on the average price of the Company’s common stock in the 30-day period ending on that date. If the base conversion rate is adjusted on April 1, 2014, the Company also will provide additional consideration to the holders of the 8.00% Notes Issued in 2013 in an amount equal to 25% of the principal amount of the outstanding 8.00% Notes Issued in 2013, payable in equity or cash at the Company’s election (provided, under the Facility Agreement, that the Company may pay cash only with the consent of the Majority Lenders). That consideration will not reduce the principal amount of the 8.00% Notes Issued in 2013 or any interest otherwise payable on the 8.00% Notes Issued in 2013.

The New Indenture also provides for other customary adjustments of the base conversion rate, including upon the Company’s sale of additional equity securities at a price below the then applicable conversion price. If a 8.00% Note Issued in 2013 is converted after May 20, 2014, the holder is entitled to receive additional shares of common stock as a make-whole premium equal to the first three years of interest on the Notes (i.e. 24% of the Notes less any interest already paid through the date of the conversion) as provided in the New Indenture. Due to common stock issuances by the Company since May 20, 2013, the current base conversion rate was reduced to $0.75 per share of common stock as of June 30, 2013.

The New Indenture provides that the Company and its subsidiaries may not, with specified exceptions, including the liens securing the Facility and liens approved in writing by the Agent, create, incur, assume or suffer to exist any lien on any of their assets, provided that if the Company or any of its subsidiaries creates, incurs or assumes any lien which is junior to the most senior lien securing the Facility Agreement (other than a lien pursuant to a restructuring of the Facility Agreement in which Thermo and its affiliates do not participate as a secured lender), the Company must promptly issue to the holders of the 8.00% Notes Issued in 2013 $3,590,200 (representing 5.0% of the principal amount of the 5.75% Notes) of the Company's common stock. At June 30, 2013, the Company did believe that a lien will be created that does not meet at least one of the specified exceptions in the New Indenture, and therefore no amount is accrued for this feature at June 30, 2013.

The New Indenture requires that on or before December 31, 2013, but subject to the conditions described below, the Company must cause all of its subsidiaries that guaranty the obligations of the Company under the Amended and Restated Facility Agreement or any notes of another series issued under the Indenture dated as of April 15, 2008 (the "Base Indenture") to execute and deliver to the Trustee a guaranty of the Company's obligations under the 8.00% Notes Issued in 2013 in the form attached to the New Indenture. The subsidiaries' obligations under the guaranty will be subordinated to their obligations under their guaranty of the Amended and Restated Facility Agreement. The execution and delivery of the guaranty is conditioned on the prior completion of the restructuring of the Existing Facility Agreement, the absence of any payment default under the Amended and Restated Facility Agreement, and the absence of any breach by Thermo of its obligations to provide funds to the Company (the "Contribution Obligations") as required by the Consent Agreement (or, as applicable, the anticipated corresponding provision in the Amended and Restated Facility Agreement. If the guaranty agreement is not executed and delivered on or before December 31, 2013, the Company must by January 2, 2014, issue to the holders of the 8.00% Notes Issued in 2013 approximately 11.2 million shares of the Company's common stock. The issuance of these shares will not reduce the principal of the 8.00% Notes Issued in 2013 or interest otherwise payable by the Company with respect to the 8.00% Notes Issued in 2013 and will not relieve its subsidiaries of the obligation to execute and deliver the guaranty at a later date if the conditions described above are then met. As of June 30, 2013, the Company expected its subsidiaries to issue the guarantee required by this provision on or before December 31, 2013, and therefore no amount is accrued for this feature at June 30, 2013.

The New Indenture provides for customary events of default, including without limitation, failure to pay principal or premium on the 8.00% Notes Issued in 2013 when due or to distribute cash or shares of common stock when due as described above; failure by the Company to comply with its obligations and covenants in the New Indenture; default by the Company in the payment of principal or interest on any other indebtedness for borrowed money with a principal amount in excess of $10.0 million, if such indebtedness is accelerated and not rescinded with 30 days; rendering of certain final judgments; failure by Thermo to fulfill the Contribution Obligations (as described above); and certain events of insolvency or bankruptcy. If there is an event of default, the Trustee may, at the direction of the holders of 25% or more in aggregate principal amount of the 8.00% Notes Issued in 2013, accelerate the maturity of the 8.00% Notes Issued in 2013. The Company was not in default under the 8.00% Notes Issued in 2013 as of June 30, 2013.

The Company evaluated the various embedded derivatives within the New Indenture. The Company determined that the conversion option and the contingent put feature within the New Indenture required bifurcation from the 8.00%

Notes Issued in 2013. The conversion option and the contingent put feature were not deemed clearly and closely related to the 8.00% Notes Issued in 2013 and were separately accounted for as a standalone derivative. The Company recorded this compound embedded derivative liability as a non-current liability on its condensed consolidated balance sheet with a corresponding debt discount which is netted against the face value of the 8.00% Notes Issued in 2013.

The Company is accreting the debt discount associated with the compound embedded derivative liability to interest expense through the first put date of the 8.00% Notes Issued in 2013 (April 1, 2018) using an effective interest rate method. The fair value of the compound embedded derivative liability is being marked-to-market at the end of each reporting period, with any changes in value reported in the condensed consolidated statements of operations. The Company determined the fair value of the compound embedded derivative using a Monte Carlo simulation model.

The Company netted the debt discount associated with compound embedded derivative against the fair value of the 8.00% Notes Issued in 2013 to determine the carrying amount of the 8.00% Notes Issued in 2013. The accretion of the debt discount will increase the carrying amount of the debt through April 1, 2018 (the first put date of the 8.00% Notes Issued in 2013). The Company allocated the fair value at issuance as follows (in thousands):

Senior notes	$27,890
Compound embedded derivative liability	56,752
Fair value of 8.00% Notes Issued in 2013	$84,642

5.00% Convertible Senior Notes

In 2011, the Company issued $38.0 million in aggregate principal amount of 5.0% Convertible Senior Unsecured Notes (the “5.0% Notes”) and warrants (the “5.0% Warrants”) to purchase 15,200,000 shares of voting common stock of the Company. The 5.0% Notes are convertible into shares of common stock at an initial conversion price of $1.25 per share of common stock, or 800 shares of the Company’s common stock per $1,000 principal amount of the 5.0% Notes, subject to adjustment in the manner set forth in the Indenture. The 5.0% Notes are guaranteed on a subordinated basis by substantially all of the Company’s domestic subsidiaries (the “Guarantors”), on an unconditional joint and several basis, pursuant to a Guaranty Agreement (the “Guaranty”). The 5.0% Warrants are exercisable until five years after their issuance. The 5.0% Notes and 5.0% Warrants have anti-dilution protection in the event of certain stock splits or extraordinary share distributions, and a reset of the conversion and exercise price on April 15, 2013 if the Company’s common stock is below the initial conversion and exercise price at that time.

The 5.0% Notes are senior unsecured debt obligations of the Company and rank pari passu with the Company's existing 8.00% Notes Issued in 2009 and 8.00% Notes Issued in 2013 and are subordinated to the Company's obligations pursuant to its Existing Facility Agreement. There is no sinking fund for the 5.0% Notes. The 5.0% Notes will mature at the earlier to occur of (i) December 14, 2021, or (ii) six months following the maturity date of the Amended and Restated Facility Agreement and bear interest at a rate of 5.0% per annum. Interest on the 5.0% Notes is payable in-kind semi-annually in arrears on June 15 and December 15 of each year. Under certain circumstances, interest on the 5.0% Notes will be payable in cash at the election of the holder if such payments are permitted under the Facility Agreement. The indenture governing the 5.0% Notes contains customary events of default. No event of default existed as of June 30, 2013.

The Company is accreting the debt discount associated with the 5.0% Notes and 5.0% Warrants to interest expense over the term of the agreement using the effective interest rate method.

Due to the terms in the indenture, on April 15, 2013, the base conversion rate for the 5.0% Notes and the exercise price of the 5.0% Warrants were reset to $0.50 and $0.32, respectively.

As of June 30, 2013, approximately $8.6 million of 5.0% Notes had been converted resulting in the issuance of 21.3 million shares of Company common stock and 5.0% Warrants to purchase 3.2 million shares of common stock had been exercised, which resulted in the Company receiving $1.0 million upon exercise.

8.00% Convertible Senior Notes Issued 2009

In 2009, the Company issued $55.0 million in aggregate principal amount of 8.00% Convertible Senior Unsecured Notes (the "8.00% Notes Issued in 2009") and warrants (the "8.00% Warrants") to purchase shares of the Company's common stock. The 8.00% Notes Issued in 2009 will mature on June 19, 2019 and bear interest at a rate of 8.00% per annum. Interest on the 8.00% Notes Issued in 2009 is payable in the form of additional 8.00% Notes Issued in 2009 or, subject to certain restrictions, in common stock at the option of the holder. Interest is payable semi-annually in arrears on June 15 and December 15 of each year. The 8.00% Notes Issued in 2009 are subordinated to all of the Company's obligations under the Existing Facility Agreement. The 8.00% Notes Issued in 2009 are the Company's senior unsecured debt obligations and rank pari passu with the Company's 5.0% Notes and 8.00% Notes Issued in 2013. The indenture governing the 8.00% Notes Issued in 2009 contains customary events of default. No event of default existed as of June 30, 2013.

The Company is accreting the debt discount associated with the 8.00% Notes Issued in 2009 and 8.00% Warrants to interest expense over the term of the Notes using an effective interest rate method.

As of June 30, 2013, the current exercise price of the 8.00% Warrants was $0.32 per share of common stock and the base conversion price of the 8.00% Notes Issued in 2009 is $1.19 per share of common stock.

As of June 30, 2013 approximately $17.6 million of the 8.00% Notes Issued in 2009 had been converted, resulting in the issuance of approximately 16.1 million shares of common stock. No 8.00% Notes Issued in 2009 were converted during the six months ended June 30, 2013 and no 8.00% Warrants were exercised during the six months June 30, 2013.

Terrapin Opportunity, L.P. Common Stock Purchase Agreement

On December 28, 2012 the Company entered into a Common Stock Purchase Agreement with Terrapin Opportunity, L.P. ("Terrapin") pursuant to which the Company may, subject to certain conditions, require Terrapin to purchase up to $30.0 million of shares of voting common stock over the 24-month term following the effectiveness of a resale registration statement. This type of arrangement is sometimes referred to as a committed equity line financing facility. From time to time over the 24-month term, and in the Company's sole discretion, the Company may present Terrapin with up to 36 draw down notices requiring Terrapin to purchase a specified dollar amount of shares of voting common stock, based on the price per share per day over 10 consecutive trading days (a "Draw Down Period"). The per share purchase price for these shares equals the daily volume weighted average price of common stock on each date during the Draw Down Period on which shares are purchased, less a discount ranging from 3.5% to 8.0% based on a minimum price that the Company solely specifies. In addition, in the Company's sole discretion, but subject to certain limitations, the Company may require Terrapin to purchase a percentage of the daily trading volume of its common stock for each trading day during the Draw Down Period. The Company has agreed not to sell to Terrapin a number of shares of voting common stock which, when aggregated with all other shares of voting common stock then beneficially owned by Terrapin and its affiliates, would result in the beneficial ownership by Terrapin or any of its affiliates of more than 9.9% of the then issued and outstanding shares of voting common stock.

When the Company makes a draw under the Terrapin equity line agreement, it will issue Terrapin shares of common stock calculated using a price per share as specified in the agreement. As of June 30, 2013 the Company had not required Terrapin to purchase any shares of common stock.

Warrants Outstanding

As a result of the Company's borrowings described above, as of June 30, 2013 and December 31, 2012 there were warrants outstanding to purchase 119.3 million and 122.5 million shares, respectively, of the Company's common stock as shown in the table below:

	Outstanding Warrants		Strike Price	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Contingent Equity Agreement	41,467,980	41,467,980	$0.01	$ 0.01
Subordinated Loan	4,205,608	4,205,608	0.01	0.01
5.0% Notes (1)	12,000,000	15,200,000	0.32	1.25
8.00% Notes (2)	61,606,706	61,606,706	0.32	0.32
	119,280,294	122,480,294		

(1) On April 15, 2013, the exercise price of the 5.0% Warrants was reset to $0.32 due to the reset provision in the agreement.

(2) According to the terms of the agreement, additional 8.00% Warrants may be issued to holders if shares of common stock are issued below the then current warrant strike price.

5. DERIVATIVES

The following tables disclose the fair values and locations of the derivative instruments on the Company's condensed consolidated balance sheets and condensed consolidated statements of operations (in thousands):

	June 30, 2013	December 31, 2012
Intangible and other assets:		
Interest rate cap	$ 200	$ 84
Total intangible and other assets	$ 200	$ 84
Derivative liabilities, current and non-current:		
Compound embedded conversion option with 8.00% Notes Issued in 2009	$ (11,410)	$ (4,163)

Warrants issued with 8.00% Notes Issued in 2009	(40,660)	(18,034)
Contingent put feature embedded in the 5.0% Notes	(1,693)	(2,978)
Compound embedded derivative with 8.00% Notes Issued in 2013	(56,752)	-
Total derivative liabilities, current and non-current	$ (110,515)	$ (25,175)

	Three Months Ended	
	June 30, 2013	June 30, 2012
Interest rate cap	$ 101	$ (93)
Compound embedded conversion option with 8.00% Notes Issued in 2009	(7,127)	5,887
Warrants issued with 8.00% Notes Issued in 2009	(23,411)	14,412
Warrants issued in conjunction with contingent equity agreement	-	263
Contingent put feature embedded in the 5.0% Notes	1,439	(37)
Compound embedded derivative with 8.00% Notes Issued in 2013	(905)	-
Total derivative gain (loss)	$ (29,903)	$ 20,432

	Six Months Ended	
	June 30, 2013	June 30, 2012
Interest rate cap	$116	$ (122)
Compound embedded conversion option with 8.00% Notes Issued in 2009	(7,247)	3,704
Warrants issued with 8.00% Notes Issued in 2009	(22,626)	9,932
Warrants issued in conjunction with contingent equity agreement	-	301
Contingent put feature embedded in the 5.0% Notes	1,285	96
Compound embedded derivative with 8.00% Notes Issued in 2013	(905)	-
Total derivative gain (loss)	$(29,377)	$ 13,911

None of the derivative instruments are designated as a hedge.

Interest Rate Cap

In June 2009, in connection with entering into the Existing Facility Agreement, which provides for interest at a variable rate, the Company entered into five ten-year interest rate cap agreements. The interest rate cap agreements reflect a variable notional amount ranging from $586.3 million to $14.8 million at interest rates that provide coverage to the Company for exposure resulting from escalating interest rates over the term of the Existing Facility Agreement. The interest rate cap provides limits on the six-month Libor rate (“Base Rate”) used to calculate the coupon interest on outstanding amounts on the Existing Facility Agreement and is capped at 5.50% should the Base Rate not exceed 6.5%. Should the Base Rate exceed 6.5%, the Company’s Base Rate will be 1% less than the then six-month Libor rate. The Company paid an approximately $12.4 million upfront fee for the interest rate cap agreements. The interest rate cap did not qualify for hedge accounting treatment, and changes in the fair value of the agreements are included in the condensed consolidated statements of operations.

Compound Embedded Conversion Option with 8.00% Notes Issued in 2009

The Company recorded the conversion rights and features embedded within the 8.00% Notes Issued in 2009 as a compound embedded derivative liability on its condensed consolidated balance sheets with a corresponding debt discount, which is netted against the principal amount of the 8.00% Notes Issued in 2009. The Company is accreting the debt discount associated with the compound embedded derivative liability to interest expense over the term of the 8.00% Notes Issued in 2009 using the effective interest rate method. The fair value of the compound embedded derivative liability is marked-to-market at the end of each reporting period, with any changes in value reported in its condensed consolidated statements of operations. The Company determined the fair value of the compound embedded derivative using a Monte Carlo simulation model.

Warrants Issued with 8.00% Notes Issued in 2009

Due to the cash settlement provisions and reset features in the 8.00% Warrants issued with the 8.00% Notes Issued in 2009, the Company recorded the 8.00% Warrants as an embedded derivative liability on its condensed consolidated balance sheets with a corresponding debt discount, which is netted against the principal amount of the 8.00% Notes Issued in 2009. The Company is accreting the debt discount associated with the warrant liability to interest expense over the term of the 8.00% Warrants using the effective interest rate method. The fair value of the warrant liability is marked-to-market at the end of each reporting period, with any changes in value reported in its condensed consolidated statements of operations. The Company determined the fair value of the warrant derivative using a Monte Carlo simulation model. As the exercise period for the 8.00% Warrants ends in June 2014, the Company has classified this derivative liability as current on its condensed consolidated balance sheet at June 30, 2013.

Warrants Issued in Conjunction with Contingent Equity Agreement

Prior to June 19, 2012, the Company determined that the warrants issued in conjunction with the availability fee for the Contingent Equity Agreement were a liability at issuance. The offset was recorded in other non-current assets and was amortized over the one-year availability period. The fair value of the warrant liability was marked-to-market at the end of each reporting period, with any changes in value reported in its condensed consolidated statements of operations. The Company determined the principal amount of the warrant derivative using a Monte Carlo simulation model.

On June 19, 2012, the Company issued additional warrants in conjunction with the availability fee for the Contingent Equity Agreement. This tranche of warrants was not subject to a reset provision and therefore is not marked-to-market at the end of each reporting period. The Company determined that the warrant was an equity instrument and recorded it as equity on its condensed consolidated balance sheets.

Contingent Put Feature Embedded in the 5.0% Notes

The Company evaluated the embedded derivative resulting from the contingent put feature within the Indenture for bifurcation from the 5.0% Notes. The contingent put feature was not deemed clearly and closely related to the 5.0% Notes and was bifurcated as a standalone derivative. The Company recorded this embedded derivative liability as a non-current liability on its condensed consolidated balance sheets with a corresponding debt discount, which is netted against the principal amount of the 5.0% Notes. The fair value of the contingent put feature liability is marked-to-market at the end of each reporting period, with any changes in value reported in its condensed consolidated statements of operations. The Company determined the fair value of the contingent put feature derivative using a Monte Carlo simulation model based upon a risk-neutral stock price model.

Compound Embedded Derivative with 8.00% Notes Issued in 2013

The Company evaluated the various embedded derivatives within the New Indenture. The Company determined that the conversion option and contingent put feature within the New Indenture required bifurcation from the 8.00% Notes Issued in 2013. The conversion option and the contingent put feature were not deemed clearly and closely related to the 8.00% Notes Issued in 2013 and were separately accounted for as a standalone derivative. The Company recorded this compound embedded derivative liability as a non-current liability on its condensed consolidated balance sheet with a corresponding debt discount which is netted against the face value of the 8.00% Notes Issued in 2013. The fair value of the compound embedded derivative liability is marked-to-market at the end of each reporting period, with any changes in value reported in its condensed consolidated statements of operations. The Company determined the fair value of the compound embedded derivative liability using a Monte Carlo simulation model.

6. FAIR VALUE MEASUREMENTS

The Company follows the authoritative guidance for fair value measurements relating to financial and non-financial assets and liabilities, including presentation of required disclosures herein. This guidance establishes a fair value framework requiring the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets and liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Quoted prices in markets that are not active or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Recurring Fair Value Measurements

The following table provides a summary of the financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2013 and December 31, 2012 (in thousands):

	Fair Value Measurements at June 30, 2013:			
	(Level 1)	(Level 2)	(Level 3)	Total Balance
Assets:				
Interest rate cap	$ -	$ 200	$ -	$ 200
Total assets measured at fair value	$ -	$ 200	$ -	$ 200
Liabilities:				
Liability for contingent consideration	$ -	$ -	$ (3,234)	$ (3,234)
Compound embedded conversion option with 8.00% Notes Issued in 2009	-	-	(11,410)	(11,410)
Warrants issued with 8.00% Notes Issued in 2009	-	-	(40,660)	(40,660)
Contingent put feature embedded in 5.0% Notes	-	-	(1,693)	(1,693)
Compound embedded derivative with 8.00% Notes Issued in 2013	-	-	(56,752)	(56,752)
Total liabilities measured at fair value	$ -	$ -	$ (113,749)	$ (113,749)

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	Fair Value Measurements at December 31, 2012:			
	(Level 1)	(Level 2)	(Level 3)	Total Balance
Assets:				
Interest rate cap	$ -	$ 84	$ -	$ 84
Total assets measured at fair value	$ -	$ 84	$ -	$ 84
Liabilities:				
Liability for contingent consideration	$ -	$ -	$ (3,916)	$ (3,916)
Compound embedded conversion option with 8.00% Notes Issued in 2009	-	-	(4,163)	(4,163)
Warrants issued with 8.00% Notes Issued in 2009	-	-	(18,034)	(18,034)
Contingent put feature embedded in 5.0% Notes	-	-	(2,978)	(2,978)
Total liabilities measured at fair value	$ -	$ -	$ (29,091)	$ (29,091)

Interest Rate Cap

The fair value of the interest rate cap is determined using observable pricing inputs including benchmark yields, reported trades, and broker/dealer quotes at the reporting date. See Note 5 for further discussion.

Liability for Contingent Consideration

In connection with the acquisition of Axonn LLC ("Axonn") in December 2009, the Company is obligated to pay up to an additional $10.8 million in contingent consideration for earnouts based on sales of existing and new products over a five-year earnout period beginning January 1, 2010. The Company will make earnout payments in stock not to exceed 26,684,807 shares of common stock (10% of the Company's pre-transaction outstanding shares of common stock), but at its option may make payments in cash after 13 million shares have been issued. The Company's initial estimate of the total earn-out expected to be paid was $10.8 million. Since the earnout period started, the Company has made revisions to this estimate, which is currently $10.3 million. Through June 30, 2013, the Company had made $6.2 million in earnout payments by issuing 16,816,838 shares of voting common stock.

The fair value of the accrued contingent consideration was determined using a probability-weighted discounted cash flow approach at the acquisition date and reporting date. The approach is based on significant inputs that are not observable in the market, which are referred to as Level 3 inputs. The fair value is based on the Company reaching specific performance metrics through the remaining earnout period. The change in fair value of the contingent consideration is recorded through accretion expense in the Company's condensed consolidated statements of operations.

The significant unobservable inputs used in the fair value measurement of the Company's liability for contingent consideration are projected future sales of existing and new products as well as earnout payments made each quarter determined by actual product sales. Decreases in forecasted sales would result in a lower fair value measurement.

Compound Embedded Conversion Options with 8.00% Notes Issued in 2009

The derivative liabilities in Level 3 include the compound embedded conversion option in the 8.00% Notes Issued in 2009. See Note 5 for further discussion. The Company marks-to-market this liability at each reporting date with the changes in fair value recognized in the Company's condensed consolidated statements of operations.

As of June 30, 2013, the Company utilized third party consultants to prepare valuation models that rely exclusively on Level 3 inputs including, among other things: (i) the underlying features of the compound embedded conversion option, including payment in kind interest payments, make whole premiums, automatic conversions, and future equity issuances; (ii) stock price volatility ranges from 33% - 107%; (iii) risk-free interest rates ranges from 0.02% - 2.52%; (iv) base conversion price of $1.19; and (v) market price of common stock at the valuation date of $0.55.

As of December 31, 2012, the Company utilized third party consultants to prepare valuation models that rely exclusively on Level 3 inputs including, among other things: (i) the underlying features of the compound embedded conversion option, including payment in kind interest payments, make whole premiums, automatic conversions, and future equity issuances; (ii) stock price volatility ranges from 34% - 107%; (iii) risk-free interest rates ranges from 0.02% - 1.78%; (iv) base conversion price of $1.59; and (v) market price of common stock at the valuation date of $0.31.

The significant unobservable inputs used in the fair value measurement of the Company's compound embedded conversion option within the Company's 8.00% Notes Issued in 2009 are future equity issuances and expected volatility. The Company is obligated to make certain future equity issuances under various agreements, including the earnout agreement with Axonn, the equity line with Terrapin and the Consent Agreement with Thermo. Additionally, pursuant to the terms of the 8.00% Notes Issued in 2009, the base conversion rate cannot reset to lower than $1.00; therefore if the Company makes future equity issuances at prices below the current conversion price, this conversion price may be adjusted downward to as low as $1.00, as applicable. Certain issuances of common stock may cause the base conversion rate of the 8.00% Notes Issued in 2009 to be adjusted, which will increase the fair value of the conversion option liability. The simulated fair value of this liability is also sensitive to changes in the Company's expected volatility. Decreases in expected volatility would result in a lower fair value measurement.

Warrants Issued with 8.00% Notes Issued in 2009

The derivative liabilities in Level 3 include the 8.00% Warrants issued with the 8.00% Notes Issued in 2009. See Note 5 for further discussion. The Company marks-to-market this liability at each reporting date with the changes in fair value recognized in the Company's condensed consolidated statements of operations.

As of June 30, 2013, the Company utilized third party consultants to prepare valuation models that rely exclusively on Level 3 inputs including, among other things: (i) the underlying features of the warrants issued, including reset features and future equity issuances; (ii) stock price volatility ranges from 33% - 107%; (iii) risk-free interest rates ranges from 0.02% - 2.52%; (iv) warrant exercise price of $0.32; and (v) market price of common stock at the valuation date of $0.55.

As of December 31, 2012, the Company utilized third party consultants to prepare valuation models that rely exclusively on Level 3 inputs including, among other things: (i) the underlying features of the warrants issued, including reset features and future equity issuances; (ii) stock price volatility ranges from 34% - 107%; (iii) risk-free interest rates ranges from 0.02% - 1.78%; (iv) warrant exercise price of $0.32; and (v) market price of common stock at the valuation date of $0.31.

The significant unobservable inputs used in the fair value measurement of the Company's 8.00% Warrants are future equity issuances and expected volatility. The Company is obligated to make certain future equity issuances under various agreements, including the earnout agreement with Axonn, the equity line with Terrapin and the Consent Agreement. Additionally, pursuant to the terms of the 8.00% Warrants, there is no floor within the reset feature for the exercise price of the 8.00% Warrants; therefore if the Company makes future equity issuances at prices below the current exercise price, this exercise price may be adjusted downward, as applicable. If the stock price on the issuance date is less than the current exercise price of the outstanding 8.00% Warrants, additional warrants may be issued, which will increase the fair value of the warrant liability. The simulated fair value of this liability is also sensitive to changes in the Company's expected volatility. Decreases in expected volatility would result in a lower fair value measurement.

Contingent Put Feature Embedded in 5.0% Notes

The derivative liabilities in Level 3 include the contingent put feature embedded in the 5.0% Notes. See Note 5 for further discussion. The Company marks-to-market this liability at each reporting date with the changes in fair value recognized in the Company's condensed consolidated statements of operations.

As of June 30, 2013, the Company utilized third party consultants to prepare valuation models that rely exclusively on Level 3 inputs including, among other things: (i) the underlying features of the notes issued including the probability of change of control of the Company, payment in kind interest and reset features; (ii) stock price volatility ranges from 33% - 107%; (iii) risk-free interest rates ranges from 0.02% - 2.52%; (iv) base conversion price of $0.50; and (v) market price of common stock at the valuation date of $0.55.

As of December 31, 2012, the Company utilized third party consultants to prepare valuation models that rely exclusively on Level 3 inputs including, among other things: (i) the underlying features of the warrants issued including the probability of change of control of the Company, payment in kind interest and reset features; (ii) stock price volatility ranges from 34% - 107%; (iii) risk-free interest rates ranges from 0.02% - 1.78%; (iv) base conversion price of $1.25; and (v) market price of common stock at the valuation date of $0.31.

The significant unobservable inputs used in the fair value measurement of the Company's contingent put feature embedded in the Company's 5.0% Notes are the assumed probability of a change of control occurring within each year through maturity of the 5.0% Notes and the Company's expected volatility. Significant increases or decreases in assumed probability of a change in control would result in a significant change in the fair value measurement. As the probability of change of control increases, the value of the liability also increases. The simulated fair value of this liability is also sensitive to changes in the Company's expected volatility. Decreases in expected volatility would result in a lower fair value measurement.

Compound Embedded Derivative with 8.00% Notes Issued in 2013

The derivative liabilities in Level 3 include the compound embedded derivative in the 8.00% Notes Issued in 2013. See Note 5 for further discussion. The value of this derivative was bifurcated from the value of the 8.00% Notes Issued in 2013 and will be marked-to-market at each reporting date with the changes in fair value recognized in the Company's condensed consolidated statements of operations.

The Company obtained the fair value of the embedded conversion option and contingent put feature as issuance date of the 8.00% Notes Issued in 2013. The Company utilized third party consultants to prepare valuation models that rely exclusively on Level 3 inputs including, among other things: (i) the underlying features of the compound embedded derivative, including payment in kind interest payments, make whole premiums, automatic conversions, future equity issuances and probability of change of control of the Company; (ii) stock price volatility ranges from 65% - 100%; (iii) a risk-free interest rates of 0.9%; (iv) discount rate of 27%; (v) base conversion price of $0.80; and (vi) market price of common stock at the valuation date of $0.40.

The significant unobservable inputs used in the fair value measurement of the Company’s compound embedded derivative within the Company’s 8.00% Notes Issued in 2013 are future equity issuances, assumptions for probability of special distributions and certain put and call features within the notes, assumed probability of a change of control occurring within each year through the first put date of the 8.00% Notes Issued in 2013, and expected volatility. The Company is obligated to make certain future equity issuances under various agreements, including the earnout agreement with Axonn, the equity line with Terrapin and the Consent Agreement with Thermo. Certain issuances of common stock may cause the base conversion rate of the 8.00% Notes Issued in 2013 to be adjusted, which will increase the fair value of the conversion option liability. Significant increases or decreases in assumed probability of a change in control could result in a significant change in the fair value measurement. As the probability of change of control increases, the value of the liability also increases. The simulated fair value of this liability is also sensitive to changes in the Company’s expected volatility. Decreases in expected volatility would result in a lower fair value measurement.

The following tables present a roll-forward for all liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and six months ended June 30, 2013 as follows (in thousands):

Balance at March 31, 2013	$(28,625)
Issuance of compound embedded derivative with 8.00% Notes Issued in 2013	(56,752)
Third party issuance costs expensed to derivative gain (loss) in connection with Issuance of 8.00% Notes Issued in 2013	(905)
Earnout payments made related to liability for contingent consideration	204
Change in fair value of contingent consideration	522
Unrealized loss, included in derivative gain (loss)	(28,193)
Balance at June 30, 2013	$(113,749)

Balance at December 31, 2012	$(29,091)
Issuance of compound embedded derivative with 8.00% Notes Issued in 2013	(56,752)
Third party issuance costs expensed to derivative gain (loss) in connection with Issuance of 8.00% Notes Issued in 2013	(905)
Earnout payments made related to liability for contingent consideration	392
Change in fair value of contingent consideration	291
Unrealized loss, included in derivative gain (loss)	(27,684)
Balance at June 30, 2013	$(113,749)

Nonrecurring Fair Value Measurements

8.00% Notes Issued in 2013

The liabilities measured on a nonrecurring basis in Level 3 include the 8.00% Notes Issued in 2013. Level 3 inputs were required to be used as there was not an active market for a substantial period of time between the issuance date and the balance sheet date. The Company was required to record these Notes initially at fair value as the issuance was considered to be an extinguishment of debt. As of the issuance date, the fair value of the Notes was $27.9 million and the fair value of the compound embedded derivative liability was $56.7 million, for a total fair value of the 8.00% Notes Issued in 2013 of $84.6 million. As stated above, the value of the compound embedded derivative was bifurcated from the 8.00% Notes Issued in 2013 and will be marked to market on a recurring basis. A loss on extinguishment of debt of $47.2 million was recorded in the Company's condensed consolidated statement of operations for the three months ended June 30, 2013. This loss was computed as the difference between the net carrying amount of the old 5.75% Notes of $71.8 million and the fair value of consideration given in the exchange of $119.0 million (including the new 8.00% Notes Issued in 2013, cash payments to both exchanging and non-exchanging holders, equity issued to the exchanging holders and other fees incurred for the exchange). See Notes 4 and 5 for further discussion.

The Company obtained the fair value as of the issuance date of the 8.00% Notes Issued in 2013. The Company utilized third party consultants to prepare valuation models that rely exclusively on Level 3 inputs including, among other things: (i) the underlying features of the compound embedded derivative, including payment in kind interest payments, make whole premiums, automatic conversions, future equity issuances and probability of change of control of the Company; (ii) stock price volatility ranges from 65% - 100%; (iii) a risk-free interest rates of 0.9%; (iv) discount rate of 27%; (v) base conversion price of $0.80; and (vi) market price of common stock at the valuation date of $0.40. Certain issuances of common stock may cause the base conversion rate of the 8.00% Notes Issued in 2013 to be adjusted, which will increase the fair value of the conversion option liability.

The significant unobservable inputs used in the fair value measurement of the Company's 8.00% Notes Issued in 2013 are future equity issuances, assumptions for probability of special distributions and certain put and call features within the notes, assumed probability of a change of control occurring within each year through the first put date of the 8.00% Notes Issued in 2013, and expected volatility. The Company is obligated to make certain future equity issuances under various agreements, including the earnout agreement with Axonn, the equity line with Terrapin and the Consent Agreement with Thermo. Significant increases or decreases in assumed probability of a change in control could result in a significant change in the fair value measurement. As the probability of change of control increases, the value of the liability also increases. The simulated fair value of this liability is also sensitive to changes in the Company's expected volatility. Decreases in expected volatility would result in a lower fair value measurement.

Equity issued in connection with the Exchange Agreement

The stockholders' equity balances measured on a nonrecurring basis in Level 1 include the approximately 30.3 million shares of voting common stock of the Company issued to Exchanging Note Holders in partial payment for exchanged 5.75% Notes in connection with the Exchange Agreement. The Company was required to record this equity issuance at fair value initially as the Exchange Agreement was considered to be an extinguishment of debt. See Note 4 for further discussion. A loss on extinguishment of debt of $47.2 million was recorded in the Company's condensed consolidated statement of operations for the three months ended June 30, 2013. This loss was computed as the difference between the net carrying amount of the old 5.75% Notes of $71.8 million and the fair value of consideration given in the exchange of $119.0 million (including the new 8.00% Notes Issued in 2013, cash payments to both Exchanging and non-Exchanging Note Holders, equity issued to the Exchanging Note Holders and other fees incurred for the exchange). The aggregate fair value of the shares issued of approximately $12.1 million was calculated using the closing stock price on the issuance date (May 20, 2013) and is included in stockholders' equity in the Company's condensed consolidated balance sheet as of June 30, 2013.

On May 20, 2013, the Company and Thermo entered into a Common Stock Purchase Agreement pursuant to which Thermo purchased 78,125,000 shares of the Company's common stock for $25.0 million ($0.32 per share). Thermo also agreed to purchase additional shares of common stock at $0.32 per share as and when required to fulfill its equity commitment described above to maintain the Company's consolidated unrestricted cash balance at not less than $4.0 million until the earlier of July 31, 2013 and the closing of a restructuring of the Facility Agreement. In furtherance thereof, at the Closing of the Exchange Agreement, Thermo purchased an additional 15,625,000 shares of common stock for an aggregate purchase price of $5.0 million. In June 2013, Thermo purchased an additional 28,125,000 shares of common stock for an aggregate purchase price of $9.0 million. The stockholders' equity balances measured on a nonrecurring basis in Level 1 include the equity purchased by Thermo during the second quarter of 2013. As of June 30, 2013, Thermo had purchased approximately 121.9 million shares of the Company's common stock pursuant to the Common Stock Purchase Agreement for an aggregate $39.0 million. The Company calculated the fair value of the Company's common stock issued to Thermo based on the closing stock price on the date of each sale. This aggregate fair value of approximately $53.0 million is included in stockholders' equity as a future equity issuance of common stock to related party in the Company's condensed consolidated balance sheet as of June 30, 2013.

7. ACCRUED EXPENSES AND NON-CURRENT LIABILITIES

Accrued expenses consist of the following (in thousands):

	June 30, 2013	December 31, 2012
Accrued interest	$ 5,251	$ 5,620
Accrued compensation and benefits	3,800	4,076
Accrued property and other taxes	6,465	6,329
Accrued customer liabilities and deposits	2,895	2,961
Accrued professional and other service provider fees	867	1,006
Accrued liability for contingent consideration	2,293	2,585
Accrued commissions	865	685
Accrued telecommunications expenses	766	713
Accrued satellite and ground costs	-	373
Other accrued expenses	3,904	3,816
	$ 27,106	$ 28,164

Other accrued expenses primarily include outsourced logistics services, storage, inventory in transit, warranty reserve and maintenance.

Non-current liabilities consist of the following (in thousands):

	June 30, 2013	December 31, 2012
Long-term accrued interest	$ 543	$ 457
Asset retirement obligation	1,040	998
Deferred rent	492	579
Liabilities related to the Cooperative Endeavor Agreement with the State of Louisiana	1,626	1,949
Long-term portion of liability for contingent consideration	941	1,332
Uncertain income tax positions	5,286	5,571
Foreign tax contingencies	4,828	4,994
	$ 14,756	$ 15,880

8. COMMITMENTS

Contractual Obligations

As of June 30, 2013, the Company had purchase commitments with Thales, Arianespace, Ericsson Inc. (“Ericsson”), Hughes Network Systems, LLC (“Hughes”) and other vendors related to the procurement and deployment of the second-generation network.

Second-Generation Satellites

As of June 30, 2013, the Company had a contract with Thales for the construction of the Company’s second-generation low-earth orbit satellites and related services. The Company has successfully launched all of these second-generation satellites, excluding one on-ground spare. Six satellites were launched in each of October 2010, July 2011, December 2011, and February 2013.

As of June 30, 2013, the Company had a contract with Arianespace for the launch of the Company’s second-generation satellites and certain pre and post-launch services under which Arianespace agreed to make four launches of satellites. The Company has successfully completed all of these launches. The Company has also incurred additional costs, which are owed to Arianespace for launch delays.

Next-Generation Gateways and Other Ground Facilities

As of June 30, 2013, the Company had a contract with Hughes under which Hughes will design, supply and implement (a) the Radio Access Network (RAN) ground network equipment and software upgrades for installation at a number of the Company's satellite gateway ground stations and (b) satellite interface chips to be a part of the User Terminal Subsystem (UTS) in various next-generation Globalstar devices.

In January 2013, the Company and Hughes amended the contract to extend the schedule of the RAN and UTS program and to revise the remaining payment milestones and program milestones to reflect the revised program timeline. This amendment extended certain payments previously due in 2013 to 2014 and beyond.

As of June 30, 2013, the Company had recorded $15.8 million, excluding interest, in accounts payable related to this contract and had incurred and capitalized $72.6 million, excluding interest, of costs related to this contract. These costs are recorded as an asset in property and equipment.

In August 2013, the Company entered into an agreement with Hughes which specified a payment schedule for the approximately $15.8 million deferred amount outstanding under the agreement. The Company must make payments of $5.8 million in August 2013, $5.0 million in October 2013, and $5.0 million in December 2013. Under the terms of the amended agreement the Company will also be required to pay interest of approximately $4.9 million in January 2014 for amounts accrued at a rate of 10% on previously deferred balances. Hughes will also have the option to receive all or any portion of the deferred payments and accrued interest in Globalstar common stock. If Hughes chooses to receive any payment in stock, shares will be provided at a 7% discount based upon a trailing volume weighted average price calculation. Hughes will re-start work under the contract upon the Company's payment of the amounts described above and an advance payment for the next milestone pursuant to the terms of the contract. If Globalstar does not make the payments described above by a specified date in the agreement, these amounts will accrue interest at a rate of 15% per annum. If the Company terminates the contract for convenience, the Company must make a final payment of $20.0 million (less any amounts previously paid to reduce the $15.8 million total deferred amount) in cash to Hughes to satisfy its obligations under the contract.

As of June 30, 2013, the Company had an agreement with Ericsson. Ericsson will work with the Company to develop, implement and maintain a ground interface, or core network system that will be installed at a number of the Company's satellite gateway ground stations.

In June 2013, the Company entered into an agreement with Ericsson which deferred to September 1, 2013 or the close of a financing approximately $2.4 million in milestone payments scheduled under the contract, provided the Company make one payment of $0.1 million in June 2013. The Company has made this payment. The remaining milestone payments previously due under the contract were deferred to later in 2013 and beyond. The deferred payments continue to incur interest at a rate of 6.5% per annum. As of June 30, 2013, the Company had recorded $2.3 million in accounts payable related to these required payments and has incurred and capitalized $6.8 million of costs related to this contract. The costs are recorded as an asset in property and equipment. If the Company is unable to modify successfully the contract payment terms, the contract may be terminated, and the Company may be required to record an impairment charge. If the contract is terminated for convenience, the Company must make a final payment of $10.0 million in either cash or Company common stock at the Company's election. If the Company elects to make payment in common stock, Ericsson will have the option either to accept the common stock or instruct the Company to complete a block sale of the common stock and deliver the proceeds to Ericsson. If Ericsson chooses to accept common stock, the number of shares it will receive will be calculated based on the final payment amount plus 5%.

The Company issued separate purchase orders for additional phone equipment and accessories under the terms of executed commercial agreements with Qualcomm. As of June 30, 2013 and December 31, 2012, total advances to Qualcomm for inventory were $9.2 million. This contract was cancelled in March 2013, and the parties are seeking to resolve issues related to the contract termination.

9. CONTINGENCIES

Arbitration

On June 3, 2011, Globalstar filed a demand for arbitration against Thales before the American Arbitration Association to enforce certain rights to order additional satellites under the Amended and Restated Contract for the construction of the Globalstar Satellite for the Second Generation Constellation dated and executed in June 2009 ("2009 Contract"). Globalstar did not include within its demand any claims that it had against Thales for work previously performed under the contract to design, manufacture and timely deliver the first 25 second-generation satellites. On May 10, 2012, the arbitration tribunal issued its award in which it determined that Globalstar materially breached the contract by failing to pay to Thales termination charges in the amount of €51,330,875.00 by October 9, 2011, and that absent further agreement between the parties, Thales has no further obligation to manufacture or deliver satellites under Phase 3 of the 2009 Contract. The award also required Globalstar to pay Thales approximately €53 million in termination charges and interest by June 9, 2012. On May 23, 2012, Thales commenced an action in the United States District Court for the Southern District of New York by filing a petition to confirm the arbitration award (the "New York Proceeding"). Thales and the Company entered into a Tolling Agreement as of June 13, 2013 under which Thales dismissed the New York Proceeding without prejudice. Thales may refile the petition at a later date and pursue the confirmation of the arbitration award, which Globalstar will oppose. Should Thales be successful in confirming the arbitration award, this would have a material adverse effect on the Company's financial condition and liquidity.

On June 24, 2012, the Company and Thales agreed to settle their prior commercial disputes, including those disputes that were the subject of the arbitration award. In order to effectuate this settlement, the Company and Thales entered into a Release Agreement, a Settlement Agreement and a Submission Agreement. Under the terms of the Release Agreement, Thales agreed unconditionally and irrevocably to release and forever discharge the Company from any obligation to pay €35,623,770 of the termination charges awarded in the arbitration together with all interest on the award amount effective upon the earlier of December 31, 2012 and the effective date of the financing for the purchase of any additional second-generation satellites. Under the terms of the Release Agreement, Globalstar agreed unconditionally and irrevocably to release and forever discharge Thales from any and all claims related to Thales' work under the 2009 satellite construction contract, including any obligation to pay liquidated damages, effective upon the earlier of December 31, 2012 and the effective date of the financing for the purchase of any additional second-generation satellites. In connection with the Release Agreement, the Company recorded a contract termination charge of approximately €17.5 million which is recorded in the Company's condensed consolidated financial statements for the period ended June 30, 2013. The releases became effective on December 31, 2012.

Under the terms of the Settlement Agreement, Globalstar agreed to pay €17,530,000 to Thales, representing one-third of the termination charges awarded to Thales in the arbitration, subject to certain conditions, on the later of the effective date of the new contract for the purchase of any additional second-generation satellites and the effective date of the financing for the purchase of these satellites. Any party may terminate the Settlement Agreement if the effective date of the new contract for the purchase of additional second-generation satellites does not occur on or prior to February 28, 2013. No satellite contract was in effect as of June 30, 2013. If any party terminates the Settlement Agreement, all parties' rights and obligations under the Settlement Agreement shall terminate. However, the Release Agreement provides that it will survive a termination of the Settlement Agreement. As of June 30, 2013, no party had terminated the Settlement Agreement.

Litigation

Due to the nature of the Company's business, the Company is involved, from time to time, in various litigation matters or subject to disputes or routine claims regarding its business activities. Legal costs related to these matters are expensed as incurred. In management's opinion, there is no pending litigation, dispute or claim, other than the New York Proceeding discussed above, that may have a material adverse effect on the Company's financial condition, results of operations or liquidity.

10. RELATED PARTY TRANSACTIONS

Payables to Thermo and other affiliates relate to normal purchase transactions and were $0.3 million and $0.2 million at June 30, 2013 and December 31, 2012, respectively.

Transactions with Thermo

Thermo incurs certain expenses on behalf of the Company. The table below summarizes the total expense for the periods indicated below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
General and administrative expense	$ 155	$ 200	$ 155	$ 200
Non-cash expenses	137	132	274	264
Loss on sale of future equity issuance	13,969	-	13,969	-
Total	$ 14,261	$ 332	$ 14,398	$ 464

General and administrative expenses are related to expenses incurred by Thermo on the Company’s behalf which are charged to the Company. Non-cash expenses are related to services provided by executive officers of Thermo (who are also directors of the Company) who receive no cash compensation from the Company which are accounted for as a contribution to capital. The Thermo expense charges are based on actual amounts (with no mark-up) incurred or upon allocated employee time.

Since June 2009, Thermo and its affiliates have also deposited $60.0 million into a contingent equity account to fulfill a condition precedent for borrowing under the Existing Facility Agreement, purchased $20.0 million of the Company's 5.0% Notes, purchased $11.4 million of the Company's 8.00% Notes Issued in 2009, provided a $2.3 million short-term loan to the Company (which was subsequently converted into nonvoting common stock), and loaned $37.5 million to the Company to fund the debt service reserve account.

On May 20, 2013, as discussed above, the Company exchanged 8.00% Notes Issued in 2013 for 5.75% Notes. As a result of this exchange, the Company entered into the Consent Agreement and the Common Stock Purchase Agreement (see Note 4 for further discussion). As of June 30, 2013, Thermo and its affiliates had funded $39.0 million in accordance with the Consent Agreement and the Common Stock Purchase Agreement. In addition, in July 2013, Thermo funded an additional $6.0 million to the Company on terms not yet determined. Thermo has committed to provide or arrange additional funding to the Company through 2014.

For the three and six months ended June 30, 2013, the Company recognized a loss on the sale of these shares of approximately $14.0 million (included in Other income/expense on the condensed consolidated statement of operations), representing the difference between the purchase price and the fair value of the Company's common stock (measured as the closing stock price on the date of each sale).

The terms of the Common Stock Purchase Agreement were approved by a special committee of the Company's board of directors consisting solely of the Company's unaffiliated directors. The committee, which was represented by independent legal counsel, determined that the terms of the Common Stock Purchase Agreement were fair and in the best interests of the Company and its shareholders. The terms of future equity commitments provided to the Company by Thermo pursuant to the Consent Agreement will also be determined by this special committee. See Note 4 for further discussion.

11. INCOME TAXES

The Company follows authoritative guidance surrounding accounting for uncertainty in income taxes. It is the Company's policy to recognize interest and applicable penalties, if any, related to uncertain tax positions in income tax expense. For the periods ending June 30, 2013 and December 31, 2012, the net deferred tax assets were fully reserved.

In January 2012, the Company's Canadian subsidiary was notified that its income tax returns for the years ended October 31, 2008 and 2009 had been selected for audit. The Company's Canadian subsidiary is in the process of collecting and providing the information required by the Canada Revenue Agency.

Except for the audit noted above, neither the Company nor any of its subsidiaries is currently under audit by the IRS or by any state jurisdiction in the United States. The Company's corporate U.S. tax returns for 2009 and subsequent years remain subject to examination by tax authorities. State income tax returns are generally subject to examination for a period of three to five years after filing of the respective return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states.

Through a prior foreign acquisition the Company acquired a tax liability for which the Company has been indemnified by the previous owners. As of June 30, 2013 and December 31, 2012, the Company had recorded a tax liability of $2.6 million and $2.8 million, respectively, to the foreign tax authorities with an offsetting tax receivable from the previous owners.

12. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss includes all changes in equity during a period from non-owner sources. The change in accumulated other comprehensive loss for all periods presented resulted from foreign currency translation adjustments.

The components of accumulated other comprehensive loss were as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Accumulated other comprehensive loss, March 31, 2013 and 2012 and December 31, 2012 and 2011, respectively	$ (2,327)	$ (2,641)	$ (1,758)	$ (3,100)
Other comprehensive income (loss):				
Foreign currency translation adjustments	(81)	90	(650)	549
Accumulated other comprehensive loss, June 30, 2013 and 2012, respectively	$ (2,408)	$ (2,551)	$ (2,408)	$ (2,551)

As stated in Note 1, the Company has adopted ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.* For the three and six months ended June 30, 2013 and 2012, no amounts were

reclassified out of accumulated other comprehensive loss.

13. STOCK COMPENSATION

The Company's 2006 Equity Incentive Plan ("Equity Plan") provides long-term incentives to the Company's key employees, including officers, directors, consultants and advisers ("Eligible Participants") and to align stockholder and employee interests. Under the Equity Plan, the Company may grant incentive stock options, restricted stock awards, restricted stock units, and other stock based awards or any combination thereof to Eligible Participants. The Compensation Committee of the Company's Board of Directors establishes the terms and conditions of any awards granted under the plans.

Grants to Eligible Participants of incentive stock options, restricted stock awards, and restricted stock units during the period are indicated in the table below (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Grants of restricted stock awards and restricted stock units	838	50	838	383
Grants of options to purchase common stock	319	40	605	380
Total	1,157	90	1,443	763

Nonstatutory Stock Option

In October 2011, the Company granted to eligible participants nonstatutory stock options for 2,710,000 shares of common stock and 273,000 restricted shares that vest and become exercisable on the earlier of (i) the first trading day after the Company's common stock shall have traded on the then-applicable national or regional securities exchange or market system constituting the primary market for the stock, as reported in *The Wall Street Journal*, or such other source as the Company deems reliable, including without limitation if then-applicable, the NASDAQ Stock Market, for more than ten consecutive trading days at or above a per-share closing price of $2.50 or (ii) the day that a binding written agreement is signed for the sale of the Company, as determined by the Company's board of directors in its discretion reasonably exercised.

In July 2013, the Compensation Committee of the Company's Board of Directors modified this award to revise the vesting terms from $2.50 to $0.80. The Company is in the process of evaluating the impact this modification will have on the fair value of the grant.

For each of the three months ended June 30, 2013 and 2012, the Company recorded expense for the fair value of the grant of less than $0.1 million and for each of the six months ended June 30, 2013 and 2012, the Company recorded expense for the fair value of the grant of $0.1 million. The expense recorded for the fair value of the grant is reflected in marketing, general and administrative expenses.

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan (the "Plan") provides eligible employees of the Company and its subsidiaries with an opportunity to acquire shares of its common stock at a discount. The Plan permits eligible employees to purchase shares of common stock during two semi-annual offering periods beginning on June 15 and December 15, unless adjusted by the Board or one of its designated committees (the "Offering Periods"). Eligible employees may purchase shares in an amount of up to 15% of their total compensation per pay period, but may purchase no more than the lesser of $25,000 of the fair market value of common stock or 500,000 shares of common stock in any calendar year, as measured as of the first day of each applicable Offering Period. The price an employee pays is 85% of the fair market value of the common stock. Fair market value is equal to the lesser of the closing price of a share of common stock on either the first or last day of the Offering Period.

For each of the three months ended June 30, 2013 and 2012, the Company recorded expense for the fair value of the grant under the Plan of less than $0.1 million and for each the six months ended June 30, 2013 and 2012, the Company recorded expense for the fair value of the grant of $0.1 million. The expense recorded for the fair value of the grant under the Plan is reflected in marketing, general and administrative expenses. Through June 30, 2013, the Company had issued 1,868,401 shares of common stock pursuant to this stock purchase plan.

14. HEADQUARTERS RELOCATION

During 2010 the Company announced the relocation of its corporate headquarters to Covington, Louisiana. In addition, the Company relocated its product development center, international customer care operations, call center and other global business functions including finance, accounting, sales, marketing and corporate communications. The Company completed the relocation in 2011.

In connection with its relocation, the Company entered into a Cooperative Endeavor Agreement with the Louisiana Department of Economic Development ("LED") whereby the Company would be reimbursed for certain qualified relocation costs and lease expenses. In accordance with the terms of the agreement, these reimbursement costs, not to exceed $8.1 million, will be reimbursed to the Company as incurred provided the Company maintains required annual payroll levels in Louisiana through 2019.

Since announcing its relocation, the Company has incurred qualifying relocation expenses. Under the terms of the agreement, the Company was reimbursed a total of $4.2 million for qualifying relocation and lease expenses and $1.3 million for facility improvements and replacement equipment in connection with the relocation through June 30, 2013 by LED. LED will continue to reimburse the Company approximately $352,000 per year through 2019 for certain qualifying lease expenses, provided the Company meets the required payroll levels set forth in the agreement.

If the Company fails to meet the required payroll in any project year, the Company will reimburse LED for a portion of the shortfall not to exceed the total reimbursement received from LED. Due to a plan to improve its cost structure by reducing headcount, the Company projected that it would not meet the required payroll levels set forth in the agreement and recorded a liability of $1.3 million at June 30, 2013 for the estimated impact of the payroll shortfall in future years. This liability is included in current and non-current liabilities in the Company's condensed consolidated balance sheet.

15. GEOGRAPHIC INFORMATION

The Company attributes equipment revenue to various countries based on the location equipment is sold. Service revenue is attributed to the various countries based on where the service is processed. Long-lived assets consist primarily of property and equipment and are attributed to various countries based on the physical location of the asset at a given fiscal year-end, except for the satellites which are included in the long-lived assets of the United States. The Company's information by geographic area is as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Revenues:				
Service:				
United States	$ 11,048	$ 10,099	$ 22,225	$ 18,874
Canada	3,035	2,634	5,677	4,992
Europe	771	691	1,551	1,491
Central and South America	633	643	1,293	1,257
Others	(78)	83	53	163
Total service revenue	$ 15,409	$ 14,150	$ 30,799	$ 26,777
Subscriber equipment:				
United States	2,828	4,182	5,068	7,092
Canada	978	1,045	1,763	1,667
Europe	401	386	900	652
Central and South America	206	198	534	482
Others	13	20	104	49
Total subscriber equipment revenue	$ 4,426	$ 5,831	$ 8,369	$ 9,942
Total revenue	$ 19,835	$ 19,981	$ 39,168	$ 36,719

	June 30, 2013	December 31, 2012
Long-lived assets:		
United States	$ 1,202,336	$ 1,209,374
Canada	224	277
Europe	424	474
Central and South America	3,481	3,463
Others	1,345	1,568
Total long-lived assets	$ 1,207,810	$ 1,215,156

16. LOSS PER SHARE

The Company is required to present basic and diluted earnings per share. Basic earnings per share are computed based on the weighted average number of common shares outstanding during the period. Common stock equivalents are included in the calculation of diluted earnings per share only when the effect of their inclusion would be dilutive.

For the three and six months ended June 30, 2013 and 2012, diluted net loss per share of common stock was the same as basic net loss per share of common stock, because the effects of potentially dilutive securities are anti-dilutive.

As of June 30, 2013 and December 31, 2012, 17.3 million Borrowed Shares related to the Company's Share Lending Agreement remained outstanding. The Company does not consider the Borrowed Shares to be outstanding for the purposes of computing and reporting its earnings per share. Effective in July 2013, the Company and the Borrower terminated the Share Lending Agreement resulting in the Borrower's returning 10.2 million loaned shares to Globalstar and agreeing to pay a cash settlement for the remaining 7.1 million shares at an average of the volume weighted stock prices over a 20-day trading period ending in August 2013.

Pursuant to the terms of the Common Stock Purchase Agreement and the Consent Agreement entered into in connection with the exchange of the Company's 5.75% Notes, approximately 121.9 million nonvoting shares of common stock were issued to Thermo in July 2013. See Note 4 for further discussion.

17. SUBSEQUENT EVENTS

On July 4, 2013, the Company signed a letter agreement pursuant to which the lenders under the Existing Facility Agreement temporarily waived the first principal repayment due in June 2013 to the later of July 31, 2013 or the formal approval of the Lenders and COFACE. Upon the formal approval of the Lenders and COFACE, the payment default will be waived.

On July 31, 2013, the Company entered into the GARA with Thermo, the Subsidiary Guarantors, the Lenders and BNP Paribas as the security agent and COFACE Agent, providing for the amendment and restatement of the Existing Credit Agreement and certain related credit documents.

The GARA, when effective, will waive all of Globalstar's existing defaults under the Existing Credit Agreement, extend the term of the facility by two and a half years (postponing an aggregate of $235.3 million in principal payments through 2019), and restructure the financial covenants.

The GARA provides that, upon the effective date of the transactions contemplated by the GARA (the "Effective Date"), the Existing Credit Agreement and certain related credit documents will be amended and restated in the forms attached to the GARA.

The GARA also provides that:

- On the Effective Date, Globalstar will pay the Lenders a restructuring fee plus an additional underwriting fee to COFACE in the aggregate amount of approximately $13.9 million, representing 40% of the total restructuring and underwriting fee, the balance of which will be paid no later than December 31, 2017. Globalstar is also required to pay all outstanding incurred transaction expenses for the Lenders.

- On the Effective Date, Globalstar may draw the remaining approximately $0.7 million not borrowed under the Existing Credit Agreement.

- On the Effective Date, all amounts remaining under the Thermo Contingent Equity Account (approximately $1.1 million) and approximately $0.2 million in the Debt Service Reserve Account will be paid to the Company's Launch Services Provider for the account of Globalstar.

- Thermo confirms its obligations under the Consent Agreement as a condition to the issuance of any subsidiary guarantees under the terms of the Company's 8.00% Notes Issued in 2013, to make, or arrange for third parties to make, cash contributions to the Company in exchange for equity, subordinated convertible debt or other equity-linked securities, of $20 million on or prior to December 26, 2013, and an additional amount of up to $20 million on or prior to December 31, 2014.

- On the Effective Date, the Lenders will waive all existing defaults or events of default under the Existing Credit Agreement.

In addition to delivery of standard items, effectiveness of the GARA is conditioned upon the following occurring by August 16, 2013 (or such later date as the parties may agree):

- No material adverse change in Globalstar since May 10, 2013.

- The Lenders’ receipt of evidence that Thermo has invested $45 million in Globalstar since May 20, 2013 as contemplated by the Consent Agreement. Thermo has invested this amount as required through investments in May, June and July.

- The Lenders’ receipt of evidence that the Debt Service Reserve Account is fully funded.

- The absence of any undisclosed litigation against Globalstar and its subsidiaries.

- The Lenders’ receipt of evidence of the restructuring of Globalstar’s obligations to certain of its vendors.

- Thermo’s entering into an amended and restated subordination agreement with respect to the Loan Agreement dated as of June 25, 2009 (the “Thermo Loan Agreement”) which prohibits any payment of principal or interest to Thermo while the Amended and Restated Credit Facility is outstanding. Previously, Thermo was permitted to receive first payments from excess cash flow generated by Globalstar.

The amended and restated Existing Credit Facility (the “Amended and Restated Credit Facility”) will make the following material changes to the terms of the Existing Credit Facility:

- The initial principal payment date, formerly June 30, 2013, has been postponed to December 31, 2014, and extending the final maturity date from June 30, 2020 to December 31, 2022.

- The remaining principal payments, with the final payment due December 31, 2022, have also been restructured, resulting in an aggregate postponement of $235.3 million in principal payments through 2019.

- The annual interest rate will increase by 0.5% at the Effective Date to LIBOR plus 2.75% and, beginning on June 1, 2017, by an additional 0.5% each year to a maximum rate of LIBOR plus 5.75%.

- Expanding mandatory prepayments in specified circumstances and amounts, including if the Company generates excess cash flow, monetizes its spectrum rights, receives the proceeds of certain assets dispositions or receives more than $145 million from the sale of additional debt or equity securities (excluding the Thermo commitments described above and up to $19.5 million under the Company's equity line with Terrapin.).

- Modifying the financial covenants, including changing the amount of permitted capital expenditures, reducing the required minimum liquidity amount from $5 million to $4 million, restructuring the other existing financial covenants to correspond to the Company's revised business plan reflecting the delays in delivery of the Company's second-generation satellites, and adding a new covenant with respect to the Company's interest coverage ratio.

- Amending the definition of Change of Control to require a mandatory prepayment of the entire facility if Thermo and certain of his affiliates own less than 51% of the Company's common stock.

- Fixing the required balance of the Debt Service Reserve Account at the current amount of approximately $37.9 million for the length of the facility.

- Requiring that any new subordinated indebtedness of the Company not mature or pay cash interest prior to the final maturity date of the Amended and Restated Credit Facility.

- Prohibiting the Company, while the Amended and Restated Credit Facility is outstanding, from paying any cash dividends or repaying any principal or interest with respect to its indebtedness to Thermo under the Thermo Loan Agreement.

- Prohibiting the Company from amending its material agreements without the lenders' prior consent.

- Adding an event of default if any litigation against the Company results in a final judgment that imposes a material liability that was not anticipated by the Company's business plan.

In connection with Thermo's agreement to enter into the amended and restated subordination agreement described above and to reaffirm its obligation to make or arrange the capital contribution, Thermo and Globalstar agreed to amend and restate the Thermo Loan Agreement. Pursuant to that agreement, Thermo had provided $37.5 million in credit to Globalstar. The debt bore interest at 12% per annum, which was deferred and capitalized until payment was permitted under the Existing Facility Agreement and was subordinated to all of Globalstar's obligations under the Existing Facility Agreement. As of July 31, 2013, the amount of the indebtedness, including capitalized interest, was approximately $57.4 million.

The amended and restated Thermo Loan Agreement will make the following changes:

- Providing that the indebtedness would be represented by a promissory note.
- Providing that if a Fundamental Change (as defined in the Fourth Supplemental Indenture with respect to the 8.00% Notes Issued in 2013) occurs prior to the repayment of the indebtedness, the Company would pay Thermo an amount equal to the Fundamental Make-Whole Amount (as defined in that indenture).
- Provided that the indebtedness will be convertible into common stock of Globalstar on substantially the same terms as the 8.00% Notes Issued in 2013.

The terms of the amended and restated Thermo Loan Agreement were approved by a special committee of the Company’s board of directors consisting solely of the Company’s unaffiliated directors. The committee was represented by independent legal counsel.

18. SUPPLEMENTAL CONSOLIDATING FINANCIAL INFORMATION

In connection with the Company's issuance of the 5.0% Notes and 5.0% Warrants, certain of the Company's domestic subsidiaries (the "Guarantor Subsidiaries"), fully, unconditionally, jointly, and severally guaranteed the payment obligations under the 5.0% Notes. The following supplemental financial information sets forth, on a consolidating basis, the balance sheets, statements of operations and statements of cash flows for Globalstar, Inc. (the "Parent Company"), for the Guarantor Subsidiaries and for the Parent Company's other subsidiaries (the "Non-Guarantor Subsidiaries").

The supplemental condensed consolidating financial information has been prepared pursuant to the rules and regulations for condensed financial information and does not include disclosures included in annual financial statements. The principal eliminating entries eliminate investments in subsidiaries, intercompany balances and intercompany revenues and expenses.

Globalstar, Inc.

Supplemental Condensed Consolidating Statement of Operations

Three Months Ended June 30, 2013

(Unaudited)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(In thousands)				
Revenue:					
Service revenues	$16,598	$ 2,479	$ 4,269	$ (7,937)	$ 15,409
Subscriber equipment sales	54	2,903	10,196	(8,727)	4,426
Total revenue	16,652	5,382	14,465	(16,664)	19,835
Operating expenses:					
Cost of services (exclusive of depreciation, amortization, and accretion shown separately below)	2,556	2,334	2,290	25	7,205
Cost of subscriber equipment sales	1	2,388	10,204	(9,006)	3,587
Cost of subscriber equipment sales - reduction in the value of inventory	-	-	-	-	-
Marketing, general and administrative	1,042	3,480	3,168	(1,113)	6,577
Reduction in the value of long-lived assets	-	-	-	-	-
Contract termination charge	-	-	-		-

Depreciation, amortization, and accretion	17,416	5,394	5,689	(6,432)	22,067
Total operating expenses	21,015	13,596	21,351	(16,526)	39,436
Loss from operations	(4,363)	(8,214)	(6,886)	(138)	(19,601)
Other income (expense):					
Loss on extinguishment of debt	(47,240)	-	-	-	(47,240)
Loss on future equity issuance	(13,969)	-	-	-	(13,969)
Interest income and expense, net of amounts capitalized	(14,669)	(5)	(542)	-	(15,216)
Derivative gain (loss)	(29,903)	-	-	-	(29,903)
Equity in subsidiary earnings	(15,724)	1,794	-	13,930	-
Other	(339	(65)	133	47	(224)
Total other income (loss)	(121,844)	1,724	(409)	13,977	(106,552)
Loss before income taxes	(126,207)	(6,490)	(7,295)	13,839	(126,153)
Income tax expense	65	21	33	-	119
Net loss	$(126,272)	$ (6,511)	$ (7,328)	$ 13,839	$ (126,272)
Comprehensive loss	$(126,272)	$ (6,511)	$ (7,409)	$ 13,839	$ (126,353)

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Globalstar, Inc.

Supplemental Condensed Consolidating Statement of Operations

Three Months Ended June 30, 2012

(Unaudited)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(In thousands)				
Revenue:					
Service revenues	$11,081	$ 15,661	$ 3,956	$ (16,548)	$ 14,150
Subscriber equipment sales	393	5,119	1,365	(1,046)	5,831
Total revenue	11,474	20,780	5,321	(17,594)	19,981
Operating expenses:					
Cost of services (exclusive of depreciation, amortization, and accretion shown separately below)	2,234	2,946	2,076	286	7,542
Cost of subscriber equipment sales	122	2,437	353	789	3,701
Cost of subscriber equipment sales - reduction in the value of inventory	-	-	49	-	49
Marketing, general and administrative	3,830	1,076	3,081	(969)	7,018
Reduction in the value of long-lived assets	-	7,139	-	-	7,139
Contract termination charge	22,048	-	-	-	22,048
Depreciation, amortization, and accretion	10,291	16,832	4,310	(15,545)	15,888
Total operating expenses	38,525	30,430	9,869	(15,439)	63,385
Loss from operations	(27,051)	(9,650)	(4,548)	(2,155)	(43,404)
Other income (expense):					
Interest income and expense, net of amounts capitalized	(3,364)	(4)	(409)	(4)	(3,781)
Derivative gain	20,432	-	-	-	20,432
Equity in subsidiary earnings	(17,336)	2,627	-	14,709	-
Other	(126)	235	(787)	46	(632)
Total other income (loss)	(394)	2,858	(1,196)	14,751	16,019
Loss before income taxes	(27,445)	(6,792)	(5,744)	12,596	(27,385)
Income tax expense	88	40	20	-	148
Net loss	$(27,533)	$ (6,832)	$ (5,764)	$ 12,596	$ (27,533)
Comprehensive loss	$(27,533)	$ (6,832)	$ (5,674)	$ 12,596	$ (27,443)

Globalstar, Inc.

Supplemental Condensed Consolidating Statement of Operations

Six Months Ended June 30, 2013

(Unaudited)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(In thousands)				
Revenue:					
Service revenues	$31,626	$ 6,066	$ 8,380	$ (15,273)	$ 30,799
Subscriber equipment sales	159	5,764	12,194	(9,748)	8,369
Total revenue	31,785	11,830	20,574	(25,021)	39,168
Operating expenses:					
Cost of services (exclusive of depreciation, amortization, and accretion shown separately below)	5,108	4,821	4,850	(47)	14,732
Cost of subscriber equipment sales	-	4,714	12,504	(10,691)	6,527
Cost of subscriber equipment sales - reduction in the value of inventory	-	-	-	-	-
Marketing, general and administrative	2,548	7,044	6,121	(2,212)	13,501
Reduction in the value of long-lived assets	-	-	-	-	-
Contract termination charge	-	-	-	-	-
Depreciation, amortization, and accretion	32,893	11,022	10,682	(12,198)	42,399
Total operating expenses	40,549	27,601	34,157	(25,148)	77,159
Loss from operations	(8,764)	(15,771)	(13,583)	127	(37,991)
Other income (expense):					
Loss on extinguishment of debt	(47,240)	-	-	-	(47,240)
Loss on future equity issuance	(13,969)	-	-	-	(13,969)
Interest income and expense, net of amounts capitalized	(22,092)	(36)	(836)	(4)	(22,968)
Derivative gain (loss)	(29,377)	-	-	-	(29,377)
Equity in subsidiary earnings	(30,223)	(1,065)	-	31,288	-
Other	436	1	(103)	83	417
Total other income (loss)	(142,465)	(1,100)	(939)	31,367	(113,137)
Loss before income taxes	(151,229)	(16,871)	(14,522)	31,494	(151,128)
Income tax expense	121	29	72	-	222
Net loss	$(151,350)	$ (16,900)	$ (14,594)	$ 31,494	$ (151,350)
Comprehensive loss	$(151,350)	$ (16,900)	$ (15,244)	$ 31,494	$ (152,000)

Globalstar, Inc.

Supplemental Condensed Consolidating Statement of Operations

Six Months Ended June 30, 2012

(Unaudited)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(In thousands)				
Revenue:					
Service revenues	$21,313	$ 19,695	$ 7,607	$ (21,838)	$ 26,777
Subscriber equipment sales	554	8,191	2,735	(1,538)	9,942
Total revenue	21,867	27,886	10,342	(23,376)	36,719
Operating expenses:					
Cost of services (exclusive of depreciation, amortization, and accretion shown separately below)	6,073	3,784	4,234	712	14,803
Cost of subscriber equipment sales	150	4.678	1.597	-	6,425
Cost of subscriber equipment sales - reduction in the value of inventory	2	247	49	-	298
Marketing, general and administrative	8,078	1,913	5,718	(2,072)	13,637
Reduction in the value of long-lived assets	79	7,139	-	-	7,218
Contract termination charge	22,048	-	-	-	22,048
Depreciation, amortization, and accretion	19,476	23,035	8,005	(19,893)	30,623
Total operating expenses	55,906	40,796	19,603	(21,253)	95,052
Loss from operations	(34,039)	(12,910)	(9,261)	(2,123)	(58,333)
Other income (expense):					
Interest income and expense, net of amounts capitalized	(5,954)	(6)	(867)	(4)	(6,831)
Derivative gain	13,911	-	-	-	13,911
Equity in subsidiary earnings	(25,617)	4,498	-	21,119	-
Other	(231)	104	(381)	8	(500)
Total other income	(17,891)	4,596	(1,248)	21,123	6,580
Loss before income taxes	(51,930)	(8,314)	(10,509)	19,000	(51,753)
Income tax expense	128	48	129	-	305
Net loss	$(52,058)	$ (8,362)	$ (10,638)	$ 19,000	$ (52,058)
Comprehensive loss	$(52,058)	$ (8,362)	$ (10,087)	$ 18,998	$ (51,509)

Globalstar, Inc.

Supplemental Condensed Consolidating Balance Sheet

As of June 30, 2013

(Unaudited)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Consolidated
	(In thousands)				
ASSETS					
Current assets:					
Cash and cash equivalents	$4,698	$ -	$ 1,539	$-	$6,237
Restricted cash	38,152	-	-	-	38,152
Accounts receivable	4,168	6,026	4,713	-	14,907
Intercompany receivables	659,811	400,049	17,040	(1,076,900)	-
Inventory	448	15,058	22,603	-	38,109
Deferred financing costs	30,344	-	-	-	30,344
Prepaid expenses and other current assets	3,449	426	2,565	-	6,440
Total current assets	740,070	421,559	48,460	(1,076,900)	133,008
Property and equipment, net	1,098,254	21,353	86,007	2,196	1,207,810
Restricted cash	-	-	-	-	-
Intercompany notes receivable	14,067	-	1,800	(15,867)	-
Investment in subsidiaries	(171,852)	1,065		170,787	-
Deferred financing costs	15,917	-	-	-	15,917
Advances for inventory	9,158	-	-	-	9,158
Intangible and other assets, net	4,192	1,405	2,048	(15)	7,630
Total assets	$1,710,806	$ 445,382	$ 138,315	$(919,799)	$ 1,374,704
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	$585,670	$ -	$ -	$-	$585,670
Accounts payable	14,298	2,073	18,474	-	34,845
Accrued contract termination charge	22,802	-	-	-	22,802
Accrued expenses	5,314	9,071	12,721	-	27,106
Intercompany payables	405,673	497,926	170,034	(1,073,633)	-
Payables to affiliates	316	-	-	-	316
Derivative liabilities	40,660	-	-	-	40,660
Deferred revenue	4,540	12,615	1,522	-	18,677
Total current liabilities	1,079,273	521,685	202,751	(1,073,633)	730,076
Long-term debt, less current portion	127,112	-	-	-	127,112
Employee benefit obligations	7,216	-	-	-	7,216
Intercompany notes payable	-	-	14,967	(14,967)	-

Derivative liabilities	69,855	-	-	-	69,855
Deferred revenue	3,975	458	-	-	4,433
Other non-current liabilities	2,119	1,846	10,791	-	14,756
Total non-current liabilities	210,277	2,304	25,758	(14,967)	223,372
Stockholders' equity	421,256	(78,607)	(90,194)	168,801	421,256
Total liabilities and stockholders' equity	$1,710,806	$ 445,382	$ 138,315	$(919,799)	$ 1,374,704

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Globalstar, Inc.

Supplemental Condensed Consolidating Balance Sheet

As of December 31, 2012

(Audited)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination	Consolidated
	(In thousands)				
ASSETS					
Current assets:					
Cash and cash equivalents	$10,220	$ 251	$ 1,321	$-	$ 11,792
Restricted cash	46,777	-	-	-	46,777
Accounts receivable	3,814	4,875	5,255	-	13,944
Intercompany receivables	613,426	411,764	5,534	(1,030,724)	-
Inventory	262	6,966	34,953	-	42,181
Deferred financing costs	34,622	-	-	-	34,622
Prepaid expenses and other current assets	2,177	388	2,668	-	5,233
Total current assets	711,298	424,244	49,731	(1,030,724)	154,549
Property and equipment, net	1,095,973	31,382	86,762	1,039	1,215,156
Restricted cash	-	-	-	-	-
Intercompany notes receivable	15,783	-	1,800	(17,583)	-
Investment in subsidiaries	(144,323)	(8,232)	-	152,555	-
Deferred financing costs	16,883	-	-	-	16,883
Advances for inventory	9,158	-	-	-	9,158
Intangible and other assets, net	3,991	1,781	2,273	(16)	8,029
Total assets	$1,708,763	$ 449,175	$ 140,566	$(894,729)	$ 1,403,775
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	$655,874	$ -	$ -	$-	$ 655,874
Accounts payable	12,055	2,410	21,220	-	35,685
Accrued contract termination charge	23,166	-	-	-	23,166
Accrued expenses	6,492	9,798	11,874	-	28,164
Intercompany payables	377,526	494,686	156,166	(1,028,378)	-
Payables to affiliates	230	-	-	-	230
Deferred revenue	4,576	12,674	791	-	18,041
Total current liabilities	1,079,919	519,568	190,051	(1,028,378)	761,160
Long-term debt, less current portion	95,155	-	-	-	95,155
Employee benefit obligations	7,221	-	-	-	7,221
Intercompany notes payable	-	-	16,683	(16,683)	-
Derivative liabilities	25,175	-	-	-	25,175

Deferred revenue	4,306	334	-	-	4,640
Other non-current liabilities	2,443	2,233	11,204	-	15,880
Total non-current liabilities	134,300	2,567	27,887	(16,683)	148,071
Stockholders' equity	494,544	(72,960)	(77,372)	150,332	494,544
Total liabilities and stockholders' equity	$1,708,763	$449,175	$140,566	$(894,729)	$1,403,775

Globalstar, Inc.

Supplemental Condensed Consolidating Statement of Cash Flows

Six Months Ended June 30, 2013

(Unaudited)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(In thousands)				
Net cash provided by (used in) operating activities	$(2,575)	$ 58	$ 691	$ -	$ (1,826)
Cash flows from investing activities:					
Second-generation satellites, ground and related launch costs	(27,666)	-	-	-	(27,666)
Property and equipment additions	-	(309)	(260)	-	(569)
Investment in businesses	(355)	-	-	-	(355)
Restricted cash	8,625	-	-	-	8,625
Net cash used in investing activities	(19,396)	(309)	(260)	-	(19,965)
Cash flows from financing activities:					
Proceeds from issuance of common stock and stock options	1,206	-	-	-	1,206
Payments to reduce principal amount of exchanged 5.75% Notes	(13,544)	-	-	-	(13,544)
Payments to reduce principal amount of 5.75% Notes not exchanged	(6,250)	-	-	-	(6,250)
Payments to lenders and other fees associated with exchange	(2,482)	-	-	-	(2,482)
Proceeds for future equity issuance to related party	39,000	-	-	-	39,000
Payment of deferred financing costs	(1,481)	-	-	-	(1,481)
Net cash from by financing activities	16,449	-	-	-	16,449
Effect of exchange rate changes on cash and cash equivalents	-	-	(213)	-	(213)
Net increase (decrease) in cash and cash equivalents	(5,522)	(251)	218	-	(5,555)
Cash and cash equivalents at beginning of period	10,220	251	1,321	-	11,792
Cash and cash equivalents at end of period	$4,698	$ -	$ 1,539	$ -	$ 6,237

Globalstar, Inc.

Supplemental Condensed Consolidating Statement of Cash Flows

Six Months Ended June 30, 2012

(Unaudited

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(In thousands)				
Net cash provided by (used in) operating activities	$ 1,439	$ 186	$ 183	$ -	$ 1,808
Cash flows from investing activities:					
Second-generation satellites, ground and related launch costs	(33,562)	-	-	-	(33,562)
Property and equipment additions	(107)	(74)	(14)	-	(195)
Investment in businesses	(200)	-	-	-	(200)
Restricted cash	(700)	-	-	-	(700)
Net cash used in investing activities	(34,569)	(74)	(14)	-	(34,657)
Cash flows from financing activities:					
Proceeds from issuance of common stock and stock options	100	-	-	-	100
Borrowings from Facility Agreement	5,008	-	-	-	5,008
Proceeds from contingent equity account	23,000	-	-	-	23,000
Payment of deferred financing costs	(250)	-	-	-	(250)
Net cash from by financing activities	27,858	-	-	-	27,858
Effect of exchange rate changes on cash and cash equivalents	-	-	(140)	-	(140)
Net increase (decrease) in cash and cash equivalents	(5,272)	112	29	-	(5,131)
Cash and cash equivalents at beginning of period	7,343	587	2,021	-	9,951
Cash and cash equivalents at end of period	$ 2,071	$ 699	$ 2,050	$ -	$ 4,820

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
Forward-Looking Statements

Certain statements contained in or incorporated by reference into this Report, other than purely historical information, including, but not limited to, estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions, although not all forward-looking statements contain these identifying words. These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Forward-looking statements, such as the statements regarding our ability to develop and expand our business, our anticipated capital spending, our ability to manage costs, our ability to exploit and respond to technological innovation, the effects of laws and regulations (including tax laws and regulations) and legal and regulatory changes, the opportunities for strategic business combinations and the effects of consolidation in our industry on us and our competitors, our anticipated future revenues, our anticipated financial resources, our expectations about the future operational performance of our satellites (including their projected operational lives), the expected strength of and growth prospects for our existing customers and the markets that we serve, commercial acceptance of new products, problems relating to the ground-based facilities operated by us or by independent gateway operators, worldwide economic, geopolitical and business conditions and risks associated with doing business on a global basis and other statements contained in this Report regarding matters that are not historical facts, involve predictions. Risks and uncertainties that could cause or contribute to such differences include, without limitation, those described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

New risk factors emerge from time to time, and it is not possible for us to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We undertake no obligation to update publicly or revise any forward-looking statements. You should not rely upon forward-looking statements as predictions of future events or performance. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or occur. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

This "Management's Discussion and Analysis of Financial Condition" should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition" and information included in our Annual Report on Form 10-K for the year ended December 31, 2012.

Overview

Globalstar, Inc. (“we,” “us” or “the Company”) is a leading provider of Mobile Satellite Services (“MSS”) including voice and data communications services globally via satellite. By providing wireless services in areas not served or underserved by terrestrial wireless and wireline networks, we seek to meet our customers' increasing desire for connectivity. We offer voice and data communication services over our network of in-orbit satellites and our active ground stations (or “gateways”), which we refer to collectively as the Globalstar System.

In 2006 we began a process of designing, manufacturing and deploying a second-generation constellation of Low Earth Orbit (“LEO”) satellites to replace our first-generation constellation. Our second-generation satellites are designed to last twice as long in space, have 40% greater capacity and be built at a significantly lower cost compared to our first-generation satellites. This effort has culminated in the successful launch of our second-generation satellites, with the fourth launch occurring on February 6, 2013. Three prior launches of second-generation satellites were successfully completed in October 2010, July 2011 and December 2011. We are integrating all of the new second-generation satellites with certain of our first-generation satellites to form our second-generation constellation. The restoration of our constellation’s Duplex capabilities will be complete after the final satellite from our February 2013 launch is placed into service, which is scheduled for August 2013. The restoration of Duplex capabilities will result in a substantial increase in service levels, which we expect will result in our products and services becoming more desirable to existing and potential customers. Existing subscribers have started to utilize our services more, measured by minutes of usage on the Globalstar System year over year, a trend that we expect to continue. For our existing customers, increases in usage on the Globalstar System may not correlate directly with increased revenue due to the number of subscribers who use our popular unlimited usage rate plans. As we continue to improve Duplex capability, we expect to gain new customers, including winning back former customers, which will result in increased Duplex revenue in the future. We continue to offer a range of price-competitive products to the industrial, governmental and consumer markets. Due to the unique design of the Globalstar System (and based on customer input), we believe that we offer the best voice quality among our peer group.

We define a successful level of service for our customers as measured by their ability to make uninterrupted calls of average duration for a system-wide average number of minutes per month. Our goal is to provide service levels and call success rates equal to or better than our MSS competitors so our products and services are attractive to potential customers. We define voice quality as the ability to easily hear, recognize and understand callers with imperceptible delay in the transmission. Due to the unique design of the Globalstar System, we outperform on this measure versus geostationary satellite ("GEO") competitors due to the difference in signal travel distance, approximately 42,000 additional nautical miles for GEO satellites, which introduces considerable delay and signal degradation to GEO calls. For our competitors using cross-linked satellite architectures, which require multiple inter-satellite connections to complete a call, signal degradation and delay can result in compromised call quality as compared to that experienced over the Globalstar System.

We also compete aggressively on price. We were the first MSS company to offer bundled pricing plans that we adapted from the terrestrial wireless industry. We expect to continue to innovate and retain our position as the low cost, high quality leader in the MSS industry.

Our satellite communications business, by providing critical mobile communications to our subscribers, serves principally the following markets: recreation and personal; government; public safety and disaster relief; oil and gas; maritime and fishing; natural resources, mining and forestry; construction; utilities; and transportation.

At June 30, 2013, we served approximately 562,000 subscribers. We increased our net subscribers by 6% from June 30, 2012 to June 30, 2013. Beginning in 2013, we initiated a process to deactivate certain suspended subscribers in our SPOT subscriber base, whereby 36,000 subscribers were deactivated during the first quarter of 2013. We count "subscribers" based on the number of devices that are subject to agreements which entitle them to use our voice or data communications services rather than the number of persons or entities who own or lease those devices.

We currently provide the following communications services via satellite:

- two-way voice communication and data transmissions, which we call "Duplex," between mobile or fixed devices; and
- one-way data transmissions between a mobile or fixed device that transmits its location and other information to a central monitoring station, which includes the SPOT and Simplex products.

Our services are available only with equipment designed to work on our network. The equipment we offer to our customers consists principally of:

- Duplex products, including voice and two-way data;
- Consumer retail SPOT products; and
- Commercial Simplex one-way transmission products.

We designed our second-generation constellation to support our current lineup of Duplex, SPOT and Simplex data products. With the improvement in both coverage and service quality for our Duplex product offerings resulting from the deployment of our second-generation constellation, we anticipate an expansion of our subscriber base and increases in our average revenue per user, or “ARPU.”

In May 2013, we introduced the SPOT Global Phone, meant to leverage our retail distribution channels and SPOT brand name. The related service and subscriber equipment revenue generated from this new product is classified in our Duplex line of business.

In July 2013, we introduced the SPOT Gen3™, the next generation of the SPOT Satellite GPS Messenger. SPOT Gen3™ offers enhanced functionality with more tracking features, improved battery performance and more power options including rechargeable and USB direct line power.

Our products and services are sold through a variety of independent agents, dealers and resellers, and independent gateway operators (“IGOs”). Our success in marketing these products and services is enhanced through diversification of our distribution channels, consumer and commercial markets, and product offerings.

Performance Indicators

Our management reviews and analyzes several key performance indicators in order to manage our business and assess the quality of and potential variability of our earnings and cash flows. These key performance indicators include:

- total revenue, which is an indicator of our overall business growth;
- subscriber growth and churn rate, which are both indicators of the satisfaction of our customers;
- average monthly revenue per user, or ARPU, which is an indicator of our pricing and ability to obtain effectively long-term, high-value customers. We calculate ARPU separately for each type of our Duplex, Simplex, SPOT, and IGO revenue;
- operating income and adjusted EBITDA, which are both indicators of our financial performance; and
- capital expenditures, which are an indicator of future revenue growth potential and cash requirements.

Comparison of the Results of Operations for the three and six months ended June 30, 2013 and 2012

Revenue:

Three and Six Months

Total revenue decreased by $0.2 million, or less than 1%, to $19.8 million for the three months ended June 30, 2013 from $20.0 million for the three months ended June 30, 2012. This decrease was due primarily to a $1.4 million decrease in subscriber equipment sales which offset a $1.2 million increase in service revenue. Total revenue increased by $2.5 million, or approximately 7%, to $39.2 million for the six months ended June 30, 2013 from $36.7 million for the six months ended June 30, 2012. This increase was due primarily to a $4.0 million increase in service revenue offset by a $1.6 million decrease in subscriber equipment sales. We continue to see increased service revenue as a result of growth in our SPOT and Simplex subscriber base. We also experienced an increase in Duplex service revenue during the three and six months ended June 30, 2013 compared to the same periods in 2012 due primarily to new subscriber activations as a result of equipment sales over the past 12 months and subscribers moving to higher rate plans.

The following table sets forth amounts and percentages of our revenue by type of service for the three and six months ended June 30, 2013 and 2012 (dollars in thousands):

	Three months ended June 30, 2013			Three months ended June 30, 2012			Six months ended June 30, 2013			Six months ended June 30, 2012		
	Revenue	% of Total Revenue		Revenue	% of Total Revenue		Revenue	% of Total Revenue		Revenue	% of Total Revenue	
Service Revenues:												
Duplex	$ 5,363	27	%	$ 4,490	22	%	$ 10,208	26	%	$ 8,690	24	%
SPOT	6,853	35		6,496	33		13,939	36		11,807	32	
Simplex	1,634	8		1,354	7		3,449	9		2,664	7	
IGO	256	1		195	1		488	1		382	1	
Other	1,303	7		1,615	8		2,715	7		3,234	9	
Total Service Revenues	$ 15,409	78	%	$ 14,150	71	%	$ 30,799	79	%	$ 26,777	73	%

The following table sets forth amounts and percentages of our revenue for equipment sales for the three and six months ended June 30, 2013 and 2012 (dollars in thousands):

	Three months ended June 30, 2013		Three months ended June 30, 2012		Six months ended June 30, 2013		Six months ended June 30, 2012	
	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue
Equipment Revenues:								
Duplex	$ 1,923	9 %	$ 682	3 %	$ 3,032	8 %	$ 1,435	4 %
SPOT	938	5	1,727	9	1,864	5	2,754	7
Simplex	1,346	7	2,992	15	2,895	7	5,022	14
IGO	179	1	285	1	476	1	516	1
Other	40	-	145	1	102	-	215	1
Total Equipment Revenues	$ 4,426	22 %	$ 5,831	29 %	$ 8,369	21 %	$ 9,942	27 %

The following table sets forth our average number of subscribers, ARPU, and ending number of subscribers by type of revenue for the three and six months ended June 30, 2013 and 2012. The following numbers are subject to immaterial rounding inherent to calculating averages.

	Three months ended June 30,		Six months ended June 30,
	2013	2012	2013
Average number of subscribers for the period (three and six months ended):			
Duplex	83,974	89,433	
SPOT	213,788	218,522	
Simplex	201,834	156,519	
IGO	40,360	42,325	
ARPU (monthly):			
Duplex	$21.29	$16.74	$
SPOT	10.69	9.91	
Simplex	2.70	2.88	
IGO	2.11	1.54	

. The fair value of the prepared food unit's U.K. Beverage trademark is $1.8 million. We u savings method, an income approach, to determine the fair value of the U.K. Beverage Del names and trademarks. Under this approach, fair value is measured as the present worth of future net cash flows generated by the asset. We corroborate other inputs used in the royalt with market participant assumptions such as royalty rates and discount rates utilized, howe mix of unobservable inputs utilized, the fair value of the trademarks are classified as Level value hierarchy.

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During the second and third quarters of 2016, we recognized $1.2 million in asset impairm
charges related to certain underutilized assets in Central America. The asset impairment co
write-down of $1.2 million related to the assets with a carrying value of $2.2 million. We e
value of these assets of $1.0 million using the market approach. The fair value of these ass
as Level 3 of the fair value hierarchy due to the mix of unobservable inputs utilized.

During the second quarter of 2016, we recognized $2.5 million in asset impairment and oth
result of our decision to convert a banana plantation in the Philippines to a pineapple planta
next three years. The asset impairment consisted of a write-down of $2.5 million related to
with a carrying value of $2.8 million. The plantation was written down to a fair value of $0
estimated the fair value of this asset using an income based approach, whereby our cash flo
for a market premium risk. The fair value of the plantation of $0.3 million is classified as L
value hierarchy due to the mix of unobservable inputs utilized.

During 2015, we recognized a charge of $1.0 million for Guatemala property, plant and equ
fair value less cost to sell. The carrying value of these assets was $2.8 million and was writ
million. These assets related predominantly to land, land improvements and banana plantat
other current assets on our Consolidated Balance Sheets due to the fact that they are expect
within one year. We estimated the fair value of the underlying assets using the market appr
valuation of the assets are classified as Level 3 of the fair value hierarchy due to the mix of
information.

New Accounting Pronouncements

In February 2017, the Financial Accounting Standards Board ("FASB") issued Accounting
Update ("ASU") 2017-05, Other Income-Gains and Losses from the Derecognition of Non
Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of
Assets, which clarifies the scope of asset derecognition and adds further guidance for recog
losses from the transfer of nonfinancial assets in contracts with non-customers. This ASU w
for us beginning the first day of our 2018 fiscal year. Early adoption is permitted. We are e
impact of adoption of this ASU on our financial condition, results of operations and cash fl
such, we are not able to estimate the effect the adoption of the new standard will have on o
statements.

In October 2016, the FASB issued ASU 2016-16, Intra-Entity Transfers of Assets Other Th
which will require companies to recognize the income tax effects of intra-entity sales and t
other than inventory, particularly those asset transfers involving intellectual property, in the
the transfer occurs. The ASU will be effective for us beginning the first day of our 2018 fis
guidance requires modified retrospective adoption. We are evaluating the impact of adoptio
our financial condition, results of operations and cash flows, and, as such, we are not able t
effect the adoption of the new standard will have on our financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Measurement of Cre
Financial Instruments, which requires measurement and recognition of expected credit loss
assets held. Entities will be required to use a new forward-looking “expected loss” model t
earlier recognition of allowances for losses on trade and other receivables. Additionally, en
disclose significantly more information about credit quality by year of origination for most
receivables. This ASU will be effective for us beginning the first day of our 2020 fiscal yea
is permitted beginning the first day of our 2019 fiscal year. We are evaluating the impact o

ASU on our financial condition, results of operations and cash flows, and, as such, we are r
estimate the effect the adoption of the new standard will have on our financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases, which requires a dual approach
accounting under which a lessee would account for leases as finance leases or operating lea
leases and operating leases may result in the lessee recognizing a right-of use asset and a co
lease liability. For finance leases, the lessee would recognize interest expense and amortiza
right-of-use asset, and for operating leases, the lessee would recognize a straight-line total l
expense. The guidance also requires qualitative and specific quantitative disclosures to sup
amounts recorded in the financial statements so that users can understand more about the na
entity's leasing activities, including significant judgments and changes in judgments. This A
effective for us beginning the first day of our 2019 fiscal year. Early adoption is permitted.
evaluating the impact of adoption of this ASU on our financial condition, results of operati
flows, and, as such, we are not able to estimate the effect the adoption of the new standard w
financial statements.

In May 2014, the FASB issued an ASU, Revenue from Contracts with Customers, and has
issued several supplemental and/or clarifying ASUs (collectively, "ASC 606"), which presc
comprehensive new revenue recognition standard that will supersede existing revenue guid
principle is that a company will recognize revenue when it transfers promised goods or serv
customers for an amount that reflects the consideration to which the company expects to be
exchange

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for those goods or services. The standard outlines a five-step model, whereby revenue is re
performance obligations within a contract are satisfied. The standard also requires new, exp
disclosures regarding revenue recognition. ASC 606 will be effective for us beginning the f
2018 fiscal year. Early adoption is permitted. We have made substantial progress in our im
analysis including contract reviews under the ASC 606 framework and identification of rev
Our analysis includes reviewing current accounting policies and practices to identify potent
that would result from applying the requirements under this new standard. We have review
contracts with our customers that we believe is representative of our revenue streams. The
the use of either the retrospective or modified retrospective transition method. We will ado
standard using the modified retrospective transition method, under which the cumulative ef
applying the new guidance is recognized as an adjustment to the opening balance of retaine
first day of our 2018 fiscal year.

While we have made substantial progress, we are continuing our evaluation of certain aspe
standard. We currently do not anticipate the adoption of the standard will have a material in
financial position, results of operations and cash flows; however, our assessment will be fin
first quarter of 2018.

Trend Information

Our net sales are affected by numerous factors, including mainly the balance between the s
demand for our produce and competition from other fresh produce companies. Our net sale
dependent on our ability to supply a consistent volume and quality of fresh produce to the r
For example, seasonal variations in demand for bananas as a result of increased supply and
from other fruit are reflected in the seasonal fluctuations in banana prices, with the first six
year generally exhibiting stronger demand and higher prices, except in those years where a
exists. In 2017, our overall banana sales volume increased by 1% and our average per unit
decreased by 3%, primarily due to high industry supplies, resulting in an overall decrease o
net sales. Our net sales of other fresh produce were positively impacted by higher sales vol
unit sale prices of avocados and plantains in North America combined with higher sales vo
per unit sale prices of fresh-cut products in all regions. Negatively impacting our net sales o
produce was a 11% decrease in sales volume of non-tropical fruit, principally citrus and ap
Middle East. In our prepared food business, we generally realize the largest portion of our n
gross profit in the third and fourth quarters of the year. During 2017, our prepared food net
primarily as a result of lower per unit sale prices and sales volumes of canned pineapple an
products combined with lower sale prices of industrial pineapple products principally due t
production, increased competition and industry over-supply.

Our strategy is a combination of maximizing revenues from our existing infrastructure, ent
markets and strict cost control initiatives. We plan to continue to capitalize on the growing
for fresh produce and expand our reach into existing and new markets. We expect sales gro
produce products in key markets by increasing sales volume and per unit sales prices as per
conditions. Our strategy includes increasing volumes from existing production and distribu
order to improve operating efficiencies and reduce per unit costs. We plan additional invest
production facilities to expand our product offering in established markets and continue wi
expansion in growth markets, such as the Middle East, and Africa. We also plan additional
our North America distribution and fresh-cut fruit facilities and production operations to su

planned growth in this market.

In the pineapple and non-tropical fruit markets, we believe that the high degree of capital in
cultivation expertise required, as well as the longer length of the growing cycle, makes it re
to enter the market. In addition, our profitability has depended significantly on our gross pr
our Del Monte Gold ® Extra Sweet pineapples. In 2017, our overall pineapple sales volume
mostly due to expansion and to favorable growing conditions in our Costa Rica and Philipp
and our average per unit sales prices decreased 7%. Increased competition in the productio
Monte Gold ® Extra Sweet pineapples could adversely affect our results. We expect these c
pressures to continue in 2017.

In the banana market, we continue to face competition from a limited number of large mult
companies. At times, particularly when demand is greater than supply, we also face compet
large number of relatively small banana producers. Unlike the pineapple and non-tropical f
there are few barriers to entry into the banana market. Supplies of bananas can be increased
quickly due to bananas relatively short growing cycle and the limited capital investment re
growing. As a result of changes in supply and demand, as well as seasonal factors, banana p
significantly.

For example, banana import regulations have in prior years restricted our access to the EU
and increased the cost of doing business in the EU. In December 2009, the EU entered into
with certain Latin America banana

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exporting countries to settle a long running dispute over banana import tariffs. This agreem
in May 2010. Under this agreement, the EU will gradually reduce import tariffs on bananas
America on an annual basis from the current level of €122 per ton in 2017 to €114 per ton b
countries under Free Trade Agreements (FTA's). Countries under FTA's that signed bilatera
with the EU in 2012 are benefiting from accelerated but gradual reduction of import duties.
in effect for Central American countries, Colombia, and Peru. The duty for FTA countries w
2017, and the duty is €89 per ton for 2018 and will be reduced to €75 per ton by January 1,
Colombia and Central America sourced bananas benefit from this FTA agreement. We can
impact of further changes to the banana import tariffs or new quotas on the EU banana mar

Our costs are determined in large part by the prices of fuel and packaging materials, includi
containerboard, plastic, resin and tin plate. We may be adversely affected if sufficient quan
materials are not available to us. Any significant increase in the cost of these items could al
adversely affect our operating results. Other than the cost of our products (including packag
(sea and inland transportation) costs represent the largest component of cost of products sol
containerized shipping rates are also a significant component of our logistic costs. In recent
container shipping rates have decreased. During 2016, cost of fuel decreased 25%, containe
4% and fertilizer decreased 13%. During 2017, cost of fuel increased 36%, containerboard
and fertilizer decreased 3% resulting in an increase of cost of product sold of $21.7 million
are subject to the volatility of the charter ship market because seven of our refrigerated ship
These charters are principally for periods of one to five years. Charter rates have generally
relatively stable over the past three years. As a result, significant increases in fuel, packagin
fertilizer and charter rates would materially and adversely affect our results.

Since our financial reporting currency is the U.S. dollar, our net sales are significantly affec
fluctuations in the value of the currency in which we conduct our sales versus the dollar, wi
versus such currencies resulting in decreased net sales in dollar terms. Including the effect o
currency hedges, net sales for 2017 were negatively impacted by $12.5 million, as compare
principally as a result of a weaker euro, British pound and Japanese yen. Our costs are affec
fluctuations in the value of the currency in which we have significant operations versus the
lower costs resulting from a strong U.S. dollar. During 2017, cost of products sold was pos
by approximately $13.2 million as compared with 2016 due to a weaker Costa Rica colon,
and British pound.

Tabular Disclosure of Contractual Obligations

The following details information with respect to our contractual obligations as of Decemb

	(U.S. dollars in millions)			
Contractual obligations by period	Total	Less than 1 year	1 - 3 years	3 - 5 year
Fruit purchase agreements	$1,409.3	$374.8	$788.4	$24
Purchase obligations	218.7	148.5	68.8	1.4
Operating leases and charter agreements	145.6	44.1	54.9	18.9
Capital lease obligations	1.5	0.7	0.7	0.1
Long-term debt	357.6	0.6	—	357.
Interest on long-term debt and capital lease obligations (1)	37.7	9.8	27.9	—

Retirement benefits	98.2	10.6	20.2	18.8
Uncertain tax positions	3.5	—	2.2	—
Totals	$2,272.1	$589.1	$963.1	$64

(1) We utilize a variable interest rate on our long-term debt, and for presentation purposes v assumed rate of 3%.

We have agreements to purchase the entire or partial production of certain products of our i growers primarily in Guatemala, Costa Rica, Philippines, Ecuador, Chile, and Colombia th quality standards. Total purchases under these agreements amounted to $815.0 million for 2 million for 2016, and $887.2 million for 2015. In addition, on December 22, 2017, we ente definitive agreement for the building of two new refrigerated container ships for $58.0 mill delivered in 2020. The agreement requires payments of approximately $11.4 million in 201 in 2019 and $40.9 million in 2020 for these two ships. As part of this ship building agreem options for two additional ships on each option. We plan to exercise these options in 2018 i replace the entire U.S. east coast fleet of ships. On May 29, 2017, we executed a contract w of Panama and will invest a minimum of $100.0 million over a period of seven years,

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which includes the development of a minimum of 4,000 hectares of leased land suitable for
production, refurbishment of packing plants, buildings and other banana facilities and prep
infrastructure including land, roads and water systems. The contract is for an initial period
renews automatically for an additional 20 year period.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in currency exchange rates and interest rates,
adversely affect our results of operations and financial condition. We seek to minimize the
currency exchange rate and interest rate fluctuations through our regular operating and fina
and, when considered appropriate, through the use of derivative financial instruments. Our
use financial instruments for trading or other speculative purposes and not to be a party to
financial instruments.

We manage our currency exchange rate risk by hedging a portion of our overall exposure u
financial instruments. We also have procedures to monitor the impact of market risk on the
long-term debt, short-term debt instruments and other financial instruments, considering re
changes in currency exchange and interest rates.

Exchange Rate Risk

Because we conduct our operations in many areas of the world involving transactions deno
variety of currencies, our results of operations as expressed in U.S. dollars may be significa
fluctuations in rates of exchange between currencies. These fluctuations could be significar
Approximately 34% and 36% of our net sales and a significant portion of our costs and exp
and 2016 were denominated in currencies other than the dollar. We generally are unable to
non-dollar local currency sales prices to reflect changes in exchange rates between the doll
relevant local currency. As a result, changes in exchange rates between the euro, Japanese
pound, Korean won or other currencies in which we receive sale proceeds and the dollar ha
impact on our operating results. There is normally a time lag between our sales and collecti
sales proceeds, exposing us to additional currency exchange rate risk.

To reduce currency exchange rate risk, we generally exchange local currencies for dollars p
receipt. We periodically enter into currency forward contracts as a hedge against a portion
exchange rate exposures; however, we may decide not to enter into these contracts during a
period. As of December 29, 2017 and December 30, 2016, we had several foreign currency
hedges outstanding, and the fair value of the hedges as of these dates were a net liability of
$5.4 million.

The results of a hypothetical 10% strengthening in the average value of the dollar during 20
relative to the other currencies in which a significant portion of our net sales are denominat
resulted in a decrease in net sales of approximately $138.4 million and $144.0 million for t
December 29, 2017 and December 30, 2016. This calculation assumes that each exchange r
change in the same direction relative to the dollar. Our sensitivity analysis of the effects of
currency exchange rates does not factor in a potential change in sales levels or any offsettin
currency forward contracts.

Interest Rate Risk

As described in Note 11, “Long-Term Debt and Capital Lease Obligations” to the Consolid
Statements, our indebtedness is both variable and fixed rate.

At the years ended December 29, 2017 and December 30, 2016, our variable rate total debt
values of $356.2 million and $230.5 million. The fair value of the debt approximates the ca
because the variable rates approximate market rates. A 10% increase in the interest rate for
would have resulted in a negative impact of approximately $0.7 million and $0.4 million on
operations for the years ended December 29, 2017 and December 30, 2016.

The above discussion of our procedures to monitor market risk and the estimated changes i
resulting from our sensitivity analysis are forward-looking statements of market risk assum
adverse market conditions occur.

Actual results in the future may differ materially from these estimated results due to actual
the global financial markets. The analysis methods we used to assess and mitigate risk disc
should not be considered projections of future events or losses.

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Item 8. Financial Statements and Supplementary Data

Our Consolidated Financial Statements and Schedule set forth in the accompanying Index a
of this Report.

Index to Consolidated Financial Statements

Internal Control over Financial Reporting

Management’s Annual Report on Internal Control Over Financial Reporting

Report of Independent Registered Certified Public Accounting Firm on Internal Control Ov
Reporting

Consolidated Financial Statements

Report of Independent Registered Certified Public Accounting Firm

Consolidated Balance Sheets at December 29, 2017 and December 30, 2016

Consolidated Statements of Income for the years ended December 29, 2017, December 30,
January 1, 2016

Consolidated Statements of Comprehensive Income for the years ended December 29, 2017
30, 2016 and January 1, 2016

Consolidated Statements of Cash Flows for the years ended December 29, 2017, December
and January 1, 2016

Consolidated Statements of Shareholders’ Equity for the years ended December 29, 2017, I
30, 2016 and January 1, 2016

Notes to Consolidated Financial Statements

Supplemental Financial Statement Schedule

Schedule II - Valuation and Qualifying Accounts

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control o
reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act o
Company's internal control over financial reporting is designed under the supervision of ou
Chief Executive Officer and Senior Vice President and Chief Financial Officer to provide r
assurance regarding the reliability of financial reporting and the preparation of financial sta
external purposes in accordance with generally accepted accounting principles. Our interna
financial reporting includes those policies and procedures that:

(i). Pertain to the maintenance of records that, in reasonable detail, accurately and fairly refl
transactions and dispositions of our assets;

(ii). Provide reasonable assurance that transactions are recorded as necessary to permit prep
financial statements in accordance with generally accepted accounting principles, and t
expenditures are being made only in accordance with authorizations of our managemen
and

(iii). Provide reasonable assurance regarding prevention or timely detection of unauthorized
or disposition of our assets that could have a material effect on the financial statements

Under the supervision and with the participation of our management, including our Chairm
Executive Officer and Senior Vice President and Chief Financial Officer, we conducted an
effectiveness of our internal control over financial reporting, based on criteria established i
Control-Integrated Framework issued in 2013 by the Committee of Sponsoring Organizatio
Treadway Commission ("COSO").

Because of its inherent limitations, internal control over financial reporting may not preven
misstatements. Also, projections of any evaluation of effectiveness to future periods are sub
that controls may become inadequate because of changes in conditions, or that the degree o
with the policies or procedures may deteriorate.

Based on our evaluation under the COSO criteria, our management concluded that our inter
financial reporting was effective as of December 29, 2017.

The effectiveness of our internal control over financial reporting as of December 29, 2017 h
by Ernst & Young LLP, an independent registered certified public accounting firm, as state
that is included elsewhere herein. That report expresses an unqualified opinion on the effec
internal control over financial reporting.

Fresh Del Monte Produce Inc.

Report of Independent Registered Certified Public Accounting Firm
To the Shareholders and the Board of Directors of Fresh Del Monte Produce Inc.
Opinion on Internal Control over Financial Reporting
We have audited Fresh Del Monte Produce Inc. and subsidiaries' internal control over finan
of December 29, 2017, based on criteria established in Internal Control-Integrated Framewo
Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (
criteria). In our opinion, Fresh Del Monte Produce Inc. and subsidiaries (the "Company") m
material respects, effective internal control over financial reporting as of December 29, 201
COSO criteria.
We also have audited, in accordance with the standards of the Public Company Accounting
(United States) (PCAOB), the 2017 consolidated financial statements of the Company and
February 20, 2018 expressed an unqualified opinion thereon.
Basis for Opinion
The Company's management is responsible for maintaining effective internal control over
and for its assessment of the effectiveness of internal control over financial reporting includ
accompanying Management's Annual Report on Internal Control Over Financial Reporting
responsibility is to express an opinion on the Company's internal control over financial rep
our audit. We are a public accounting firm registered with the PCAOB and are required to b
with respect to the Company in accordance with the U.S. federal securities laws and the app
regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audit in accordance with the standards of the PCAOB. Those standards r
plan and perform the audit to obtain reasonable assurance about whether effective internal c
financial reporting was maintained in all material respects.
Our audit included obtaining an understanding of internal control over financial reporting, a
that a material weakness exists, testing and evaluating the design and operating effectivene
control based on the assessed risk, and performing such other procedures as we considered
circumstances. We believe that our audit provides a reasonable basis for our opinion.
Definition and Limitations of Internal Control Over Financial Reporting
A company's internal control over financial reporting is a process designed to provide reas
regarding the reliability of financial reporting and the preparation of financial statements fo
purposes in accordance with generally accepted accounting principles. A company's interna
financial reporting includes those policies and procedures that (1) pertain to the maintenanc
in reasonable detail, accurately and fairly reflect the transactions and dispositions of the ass
company; (2) provide reasonable assurance that transactions are recorded as necessary to pe
of financial statements in accordance with generally accepted accounting principles, and th
expenditures of the company are being made only in accordance with authorizations of man
directors of the company; and (3) provide reasonable assurance regarding prevention or tim
unauthorized acquisition, use, or disposition of the company's assets that could have a mate
financial statements.
Because of its inherent limitations, internal control over financial reporting may not preven
misstatements. Also, projections of any evaluation of effectiveness to future periods are sub
that controls may become inadequate because of changes in conditions, or that the degree o
with the policies or procedures may deteriorate.
/s/ Ernst & Young LLP

Miami, Florida
February 20, 2018

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Report of Independent Registered Certified Public Accounting Firm

To the Shareholders and the Board of Directors of Fresh Del Monte Produce Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Fresh Del Monte Produc
subsidiaries (the "Company") as of December 29, 2017 and December 30, 2016, and the re
statements of income, comprehensive income, shareholders' equity and cash flows for each
in the period ended December 29, 2017, and the related notes and supplemental financial st
listed in the Index at Item 15 (collectively referred to as the "consolidated financial stateme
opinion, the consolidated financial statements present fairly, in all material respects, the fin
the Company at December 29, 2017 and December 30, 2016, and the results of its operatio
flows for each of the three years in the period ended December 29, 2017, in conformity wit
accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting
(United States) (PCAOB), the Company's internal control over financial reporting as of De
based on criteria established in Internal Control-Integrated Framework issued by the Comm
Sponsoring Organizations of the Treadway Commission (2013 framework) and our report o
20, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our respo
express an opinion on the Company's financial statements based on our audits. We are a pu
firm registered with the PCAOB and are required to be independent with respect to the Co
accordance with the U.S. federal securities laws and the applicable rules and regulations of
and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards
plan and perform the audit to obtain reasonable assurance about whether the financial state
material misstatement, whether due to error or fraud. Our audits included performing proce
the risks of material misstatement of the financial statements, whether due to error or fraud
procedures that respond to those risks. Such procedures included examining, on a test basis
regarding the amounts and disclosures in the financial statements. Our audits also included
accounting principles used and significant estimates made by management, as well as evalu
presentation of the financial statements. We believe that our audits provide a reasonable ba
opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1997.
Miami, Florida
February 20, 2018

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(U.S. dollars in millions, except share and per share data)

	December 29, 2017		December 30, 2016	
Assets				
Current assets:				
Cash and cash equivalents	$	25.1	$	20.1
Trade accounts receivable, net of allowance of $12.8 and $11.3, respectively	358.8		349.2	
Other accounts receivable, net of allowance of $8.8 and $7.8, respectively	73.6		63.0	
Inventories, net	541.8		493.2	
Prepaid expenses and other current assets	20.5		35.6	
Total current assets	1,019.8		961.1	
Investments in and advances to unconsolidated companies	2.0		2.0	
Property, plant and equipment, net	1,328.3		1,272.0	
Goodwill	261.9		260.9	
Deferred income taxes	59.1		66.2	
Other noncurrent assets	95.8		91.1	
Total assets	$	2,766.9	$	2,653.3
Liabilities and shareholders' equity				
Current liabilities:				
Accounts payable and accrued expenses	$	382.4	$	360.5
Current portion of long-term debt and capital lease obligations	0.6		0.6	
Income taxes and other taxes payable	10.8		8.0	

Total current liabilities	393.8			369.1	
Long-term debt and capital lease obligations	357.0			231.7	
Retirement benefits	96.2			93.6	
Other noncurrent liabilities	42.4			50.8	
Deferred income taxes	86.3			91.7	
Total liabilities	975.7			836.9	
Commitments and contingencies (See note 16)					
Shareholders' equity:					
Preferred shares, $0.01 par value; 50,000,000 shares authorized; none issued or outstanding	—			—	
Ordinary shares, $0.01 par value; 200,000,000 shares authorized; 48,759,481 and 51,256,906 issued and outstanding, respectively	0.5			0.5	
Paid-in capital	522.5			549.7	
Retained earnings	1,275.0			1,285.8	
Accumulated other comprehensive loss	(30.6		)	(44.2	
Total Fresh Del Monte Produce Inc. shareholders' equity	1,767.4			1,791.8	
Noncontrolling interests	23.8			24.6	
Total shareholders' equity	1,791.2			1,816.4	
Total liabilities and shareholders' equity	$	2,766.9		$	2,653.3

See accompanying notes.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(U.S. dollars in millions, except share and per share data)

	Year ended		
	December 29, 2017	December 30, 2016	Januar 2016
Net sales	$4,085.9	$ 4,011.5	$4,05
Cost of products sold	3,754.3	3,550.1	3,714.
Gross profit	331.6	461.4	342.3
Selling, general and administrative expenses	173.2	187.4	183.9
Loss (gain) on disposal of property, plant and equipment	3.0	—	(2.1
Goodwill and trademarks impairment charges	0.9	2.6	66.1
Asset impairment and other charges, net	1.8	27.2	3.4
Operating income	152.7	244.2	91.0
Interest expense	6.4	4.1	4.3
Interest income	0.8	0.7	0.6
Other expense, net	3.0	3.4	7.2
Income before income taxes	144.1	237.4	80.1
Provision for income taxes	24.9	11.8	13.7
Net income	$119.2	$ 225.6	$66.4
Less: Net income (loss) attributable to noncontrolling interests	(1.6)	0.5	4.0
Net income attributable to Fresh Del Monte Produce Inc.	$120.8	$ 225.1	$62.4
Net income per ordinary share attributable to Fresh Del Monte Produce Inc. - Basic	$2.40	$ 4.37	$1.18
Net income per ordinary share attributable to Fresh Del Monte Produce Inc. - Diluted	$2.39	$ 4.33	$1.17
Dividends declared per ordinary share	$0.60	$ 0.55	$0.50
Weighted average number of ordinary shares:			
Basic	50,247,881	51,507,755	52,750
Diluted	50,588,708	51,962,195	53,19

See accompanying notes.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(U.S. dollars in millions)

	Year ended	
	December 29, 2017	December 2016
Net income	$119.2	$ 225.6
Other comprehensive income (loss):		
Net unrealized loss on derivatives	(6.8)	(6.5
Net unrealized foreign currency translation gain (loss)	18.7	(10.2
Net change in retirement benefit adjustment, net of tax	1.7	(4.1
Comprehensive income	132.8	204.8
Less: comprehensive (loss) income attributable to noncontrolling interests	(1.6)	0.9
Comprehensive income attributable to Fresh Del Monte Produce Inc.	$134.4	$ 203.9

See accompanying notes.

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. dollars in millions)

	Year ended		
	December 29, 2017	December 30, 2016	Jan 20
Operating activities:			
Net income	$119.2	$ 225.6	$ 6
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	79.9	78.5	72
Amortization of debt issuance costs	0.5	0.5	0.5
Share-based compensation expense	12.1	24.9	16
Goodwill and trademark impairment charges	0.9	2.6	66
Asset impairment charges, net	3.7	6.0	3.1
Change in uncertain tax positions	0.7	(0.4)	0.6
Loss (gain) on disposal of property, plant and equipment, net	3.0	—	(2.
Equity loss of unconsolidated companies	0.1	—	—
Deferred income taxes	1.6	(8.2)	0.9
Foreign currency translation adjustment	9.6	(7.1)	(6.
Changes in operating assets and liabilities, net of acquisitions:			
Receivables	(16.9)	5.8	(9.
Inventories	(49.4)	(11.8)	20
Prepaid expenses and other current assets	9.8	7.6	4.0
Accounts payable and accrued expenses	27.0	21.1	7.6
Other noncurrent assets and liabilities	(7.6)	(0.5)	(3.
Net cash provided by operating activities	194.2	344.6	23
Investing activities:			
Capital expenditures	(138.5)	(146.7)	(13
Proceeds from sales of property, plant and equipment	4.7	12.4	6.9
Purchase of businesses	—	(9.0)	—
Net cash used in investing activities	(133.8)	(143.3)	(12
Financing activities:			
Borrowings from long-term debt	800.2	621.9	58
Payments on long-term debt	(673.3)	(648.4)	(60
Purchase of noncontrolling interest	—	(45.0)	—
Distributions to noncontrolling interests	(4.6)	(0.2)	(1.
Proceeds from stock options exercised	1.6	12.2	35
Repurchase and retirement of ordinary shares	(142.0)	(108.4)	(11
Share-based awards settled in cash for taxes	(5.6)	(9.3)	(4.
Dividends paid	(30.1)	(28.2)	(26
Net cash used in financing activities	(53.8)	(205.4)	(13
Effect of exchange rate changes on cash	(1.6)	(0.7)	12
Net increase (decrease) in cash and cash equivalents	5.0	(4.8)	(9.
Cash and cash equivalents, beginning	20.1	24.9	34

Cash and cash equivalents, ending	$25.1	$ 20.1	$ 2
Supplemental cash flow information:			
Cash paid for interest	$5.8	$ 3.2	$ 3
Cash paid for income taxes	$12.3	$ 13.9	$ 8
Non-cash financing and investing activities:			
Purchase of businesses	$—	$ 1.6	$ -
Retirement of ordinary shares	$142.0	$ 106.6	$ 1
Purchases of assets under capital lease obligations	$0.2	$ 0.9	$ 1
Dividends on restricted share units	$(0.7)	(0.7)	(0.

See accompanying notes.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(U.S. dollars in millions, except share data)

	Ordinary Shares Outstanding	Ordinary Shares	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Fresh Del Monte Produce Inc. Shareholders' Equity	Non- Intere
Balance at December 26, 2014	53,899,923	$ 0.5	$ 546.4	$ 1,198.4	$ 2.6	$ 1,747.9	$ 40.
Exercises of stock options	1,320,103	—	35.3	—	—	35.3	—
Issuance of restricted stock awards	21,875	—		—	—	—	—
Issuance of restricted stock units	239,624	—	0.4	(0.4)	—	—	—
Share-based payment expense	—	—	16.8	—	—	16.8	—
Tax deficiency from share-based compensation, net	—	—	1.4	—	—	1.4	—
Repurchase and retirement of ordinary shares	(2,938,560)	—	(32.1)	(71.9)	—	(104.0)	—
Dividend declared	—	—	—	(26.2)	—	(26.2)	(0.1
Comprehensive income:						—	
Net income	—	—	—	62.4	—	62.4	4.0
Unrealized loss on derivatives	—	—	—	—	(13.3)	(13.3)	—
Net unrealized foreign currency translation loss	—	—	—	—	(14.0)	(14.0)	(0.9
Change in retirement benefit adjustment, net of tax	—	—	—	—	1.7	1.7	(0.1
Comprehensive income (loss)						36.8	3.0
Balance at January 1, 2016	52,542,965	$ 0.5	$ 568.2	$ 1,162.3	$ (23.0)	$ 1,708.0	$ 42.
Exercises of stock options	471,653	—	12.2	—	—	12.2	—
Issuance of restricted stock awards	22,946	—	—	—	—	—	—

Issuance of restricted stock units	544,577	—	0.6	(0.6)	—	—	—
Share-based payment expense	—	—	24.9	—	—	24.9	—
Tax deficiency from share-based compensation, net	—	—	3.6	—	—	3.6	—
Acquisition of DAVCO non-controlling interest	—	—	(25.5)	—	—	(25.5)	(19.5
Capital distribution to non-controlling interest	—	—	(0.5)	—	—	(0.5)	0.4
Repurchase and retirement of ordinary shares	(2,325,235)	—	(33.8)	(72.8)	—	(106.6)	—
Dividend declared	—	—	—	(28.2)	—	(28.2)	(0.1
Comprehensive income:						—	
Net income	—	—	—	225.1	—	225.1	0.5
Unrealized loss on derivatives	—	—	—	—	(6.5)	(6.5)	—
Net unrealized foreign currency translation (loss) gain	—	—	—	—	(10.6)	(10.6)	0.4
Change in retirement benefit adjustment, net of tax	—	—	—	—	(4.1)	(4.1)	
Comprehensive income						203.9	0.9
Balance at December 30, 2016	51,256,906	$ 0.5	$ 549.7	$ 1,285.8	$ (44.2)	$ 1,791.8	$ 24.
Exercises of stock options	59,000	—	1.6	—	—	1.6	—
Issuance of restricted stock awards	14,294	—	—	—	—	—	—
Issuance of restricted stock units	251,303	—	0.7	(0.7)	—	—	—
Share-based payment expense	—	—	12.1	—	—	12.1	—
Cumulative effect adjustment of ASU 2016-09 related to share-based payment simplification	—	—	0.2	(0.2)	—	—	—
Capital contribution to non-controlling	—	—	(0.4)	—	—	(0.4)	1.0

interest							
Repurchase and retirement of ordinary shares	(2,822,022)	—	(41.4)	(100.6)	—	(142.0)	—
Dividend declared	—	—	—	(30.1)	—	(30.1)	(0.2
Comprehensive income:						—	
Net income (loss)	—	—	—	120.8	—	120.8	(1.6
Unrealized loss on derivatives	—	—	—	—	(6.8)	(6.8)	—
Net unrealized foreign currency translation gain	—	—	—	—	18.7	18.7	—
Change in retirement benefit adjustment, net of tax	—	—	—	—	1.7	1.7	
Comprehensive income (loss)						134.4	(1.6
Balance at December 29, 2017	48,759,481	$ 0.5	$ 522.5	$ 1,275.0	$ (30.6)	$ 1,767.4	$ 23.

See accompanying notes.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General

Reference in this Report to "Fresh Del Monte," “we,” “our” and “us” and the “Company” r
Produce Inc. and its subsidiaries, unless the context indicates otherwise.

We were incorporated under the laws of the Cayman Islands in 1996 and are engaged prim
worldwide production, transportation and marketing of fresh produce. We source our produ
include bananas, pineapples, melons and non-tropical fruit (including grapes, apples, citrus
strawberries, pears, peaches, plums, nectarines, cherries and kiwis), avocados and tomatoes
Central America, South America, Africa and the Philippines. We also source products from
Europe and the Middle East and distribute our products in North America, Europe, Middle
America and Africa. Products are sourced from our company-owned farms, through joint v
arrangements and through supply contracts with independent growers. We have the exclusi
the DEL MONTE® brand for fresh fruit, fresh vegetables and other fresh and fresh-cut pro
other specified products on a royalty-free basis under a worldwide, perpetual license from
Corporation, an unaffiliated company that owns the DEL MONTE® trademark. We are also
marketer and distributor of prepared fruit and vegetables, juices and snacks and we hold a p
royalty-free license to use the DEL MONTE® brand for prepared foods throughout Europe,
Middle East and certain Central Asian countries. Del Monte Corporation and several other
companies manufacture, distribute and sell under the DEL MONTE® brand canned or proc
vegetables and other produce, as well as dried fruit, snacks and other products in certain ge
We can also produce, market and distribute certain prepared food products in North Americ
recently announced agreement with Del Monte Pacific utilizing the DEL MONTE® brand.
into an agreement with Del Monte Foods, Inc. to jointly; (a) produce, market and sell prepa
chilled/refrigerated (i) juices, (ii) cut-fruit and (iii) avocado/guacamole products produced u
pressure technology; and (b) develop DEL MONTE® branded restaurants, cafes and other r

We are required to evaluate events occurring after December 29, 2017, our fiscal year end,
and disclosure in the Consolidated Financial Statements for the year ended December 29, 2
evaluated based on whether they represent information existing as of December 29, 2017, w
recognition in the Consolidated Financial Statements, or new events occurring after Decem
which do not require recognition but require disclosure if the event is significant to the Con
Financial Statements. We evaluated events occurring subsequent to December 29, 2017 thr
issuance of these Consolidated Financial Statements.

2. Summary of Significant Accounting Policies

Principles of Consolidation

Our Consolidated Financial Statements include the accounts of our majority owned subsidi
control due to ownership of a majority voting interest and we consolidate variable interest e
when we have variable interests and are the primary beneficiary. We continually evaluate o
with VIEs to determine when these criteria are met. Our fiscal year end is the last Friday of
year or the first Friday subsequent to the end of the calendar year, whichever is closest to th

calendar year. All significant intercompany accounts and transactions have been eliminated
consolidation. Certain reclassification of prior period balances have been made to confirm
presentation.

Use of Estimates

The preparation of our Consolidated Financial Statements in accordance with U.S. generall
accounting principles requires us to make estimates and assumptions that affect the amount
Consolidated Financial Statements and accompanying notes. Actual results could differ fro
estimates.

Cash and Cash Equivalents

We classify as cash equivalents all highly liquid investments with a maturity of three montl
time of purchase.

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Summary of Significant Accounting Policies (continued)

Trade Receivables and Concentrations of Credit Risk

Trade receivables less allowances are recognized on our accompanying Consolidated Balar
realizable value, which approximates fair value. We perform ongoing credit evaluations of
and adjust credit limits based upon payment history and customers' credit worthiness, as de
review of their current credit information. We continuously monitor collections and payme
customers and maintain a provision for estimated credit losses based upon our historical ex
customer collection issues that we have identified and reviews of the aging of trade receiva
contractual terms. We generally do not require collateral on trade accounts receivable.

Our allowances for identified claims are recorded as a reduction to both trade accounts rece
sales. Write-off of accounts receivable is done only when all collection efforts have been ex
success. Accounts receivable from one customer represents approximately 11.2% of trade a
receivable, net of allowance. This customer is current with its payments.

Other Accounts Receivable

Other accounts receivable less allowances are recognized on our accompanying Consolidat
Sheets at net realizable value, which approximates fair value. Other accounts receivable inc
value-added taxes ("VAT") receivables, seasonal advances to growers and suppliers, which
short-term in nature, and other financing receivables.

VAT are primarily related to purchases by production units and are refunded by the taxing
December 29, 2017, we had $24.6 million, net of allowance of $0.9 million, classified as cu
accounts receivable and $23.6 million, net of allowance of $11.2 million, classified as other
assets on our Consolidated Balance Sheets. As of December 30, 2016, we had $21.1 millio
allowance of $0.8 million, classified as current in other accounts receivable and $21.0 milli
allowance of $12.5 million, classified as other noncurrent assets in our Consolidated Balan

Advances to growers and suppliers are generally repaid to us as produce is harvested and so
property liens and pledges of the current season's produce as collateral to support the advan
Occasionally, we agree to a payment plan or take steps to recover advances through the lien
Refer to Note 8, "Financing Receivables" for further discussion on advances to growers an

Allowances against VAT and advances to growers and suppliers are established based on o
the financial condition of the paying party and historical loss experience. Allowances are re
charged to expense when an account is deemed to be uncollectible. Recoveries of VAT and
growers and suppliers previously reserved in the allowance are credited to operating incom

Inventories

Inventories are valued at the lower of cost or market. Cost is computed using the weighted
first-in first-out methods for finished goods, which includes fresh produce and prepared foo

first-out, actual cost or average cost methods for raw materials and packaging supplies. Rav
packaging supplies inventory consists primarily of agricultural supplies, containerboard, pa
materials, spare parts and fuel.

Inventories consisted of the following (U.S. dollars in millions):

	December 29, 2017	December 30, 2016
Finished goods	$ 210.1	$ 199.4
Raw materials and packaging supplies	165.4	134.0
Growing crops	166.3	159.8
Total inventories	$ 541.8	$ 493.2

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Summary of Significant Accounting Policies (continued)

Growing Crops

Expenditures on pineapple, melon, tomato and non-tropical fruit growing crops are valued
cost or market and are deferred and charged to cost of products sold when the related crop i
sold. The deferred growing costs included in inventories in our Consolidated Balance Shee
primarily of land preparation, cultivation, irrigation and fertilization costs. Expenditures rel
crops are expensed in the year incurred due to the continuous nature of the crop.

Accounting for Planned Major Maintenance Activities

We account for planned major maintenance activities, such as ship dry-dock activities, con
Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ™ (
“ASC”) guidance related to “Other Assets and Deferred Costs.” We utilize the deferral met
ship dry-dock activities whereby actual costs incurred are deferred and amortized on a strai
over the period until the next scheduled dry-dock activity.

Investments in Unconsolidated Companies

Investments in unconsolidated companies are accounted for under the equity method of acc
investments of 20% or more in companies over which we do not have control. See Note 4,
Unconsolidated Companies.”

Property, Plant and Equipment and Other Definite-Lived or Long-Lived Assets

Property, plant and equipment are stated at cost. Depreciation is calculated using the straig
over the estimated useful lives of the assets, which range from ten to 40 years for buildings
improvements, five to 20 years for maritime and other equipment, including ships and cont
20 years for machinery and equipment, three to seven years for furniture, fixtures and offic
five to 10 years for automotive equipment. Leasehold improvements are amortized over the
lease, or the estimated useful life of the related asset, whichever is shorter. Definite-lived in
amortized over their useful lives with a weighted average amortization period of 36.5 years
expense related to definite-lived intangible assets totaled $0.8 million for 2017, $0.8 millio
$0.7 million for 2015, and is included in cost of products sold.

When assets are retired or disposed of, the costs and accumulated depreciation or amortizat
from the respective accounts and any related gain or loss is recognized. Maintenance and re
to expense as incurred. Significant expenditures, which extend the useful lives of assets, ar
Interest is capitalized as part of the cost of construction.

There are numerous uncertainties and inherent risks in conducting business, such as but not
general economic conditions, actions of competitors, ability to manage growth, actions of r
authorities, natural disasters such as earthquakes, crop disease, severe weather such as floo
investigations and/or litigation, customer demand and risk relating to international operatio

effects from these risks may result in adjustments to the carrying value of our assets and lia
future, including, but not necessarily limited to, long-lived assets.

We review long-lived assets for impairment whenever events or changes in circumstances i
carrying amount of an asset may not be recoverable. If the carrying amount of an asset exce
fair value, we measure and record an impairment loss for the excess. The fair value of an as
by either determining the expected future undiscounted cash flow of the asset or by indepe
For long-lived assets held for sale, we record impairment losses when the carrying amount
the fair value less the cost to sell. We discontinue depreciation of long-lived assets when th
classified as held for sale and include the net book value of these assets in prepaid expense
current assets. Our long-lived assets are primarily composed of property, plant and equipm
definite-lived intangible assets. See Note 6, "Property, Plant and Equipment" and Note 7, "
Intangible Assets."

We incurred charges related to impairment of long-lived assets of $3.7 million in 2017, $6.
2016, and $3.1 million in 2015. Such charges are included in asset impairment and other ch
accompanying Consolidated Statements of Income for the years ended December 29, 2017
2016 and January 1, 2016 and as described further in Note 3, "Asset Impairment and Other

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Summary of Significant Accounting Policies (continued)

Goodwill and Indefinite-Lived Intangible Assets

Our goodwill represents the excess of the purchase price of business combinations over the
net assets acquired. We assess goodwill and indefinite-lived intangible assets for impairme
basis as of the first day of our fourth quarter, or sooner if events indicate such a review is n
impairment exists if the fair value of a reporting unit to which goodwill has been allocated,
of indefinite-lived intangible assets, is less than their respective carrying values. The amou
impairment to recognize, if any, is calculated as the amount by which the carrying value of
exceeds its implied fair value or the amount of the carrying value of the intangible asset ex
value. Future changes in the estimates used to conduct the impairment review, including re
projections, market values and changes in the discount rate used could cause the analysis to
goodwill or indefinite-lived intangible assets are impaired in subsequent periods and result
of a portion or all of goodwill or indefinite-lived intangible assets. The discount rate used i
independently calculated risks, our capital mix and an estimated market premium.

See Note 7, "Goodwill and Other Intangible Assets" for further discussion on the goodwill
charges.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, delivery of proc
occurred, the sales price is fixed or determinable and collectability is reasonably assured. W
guidance of the ASC Topic 605 "Revenue Recognition" with regards to recording revenue
versus net as an agent, in our presentation of net sales. This guidance requires us to assess
a principal in the transaction. Where we are the principal in the transaction and have the ris
of ownership, the transactions are recorded gross in the Consolidated Statements of Income
as a principal in the transaction, the transactions are recorded on a net basis in the Consolid
of Income.

Cost of Products Sold

Cost of products sold includes the cost of produce, packaging materials, labor, depreciation
transportation and other distribution costs, including handling costs incurred to deliver fres
prepared products to customers.

Advertising and Promotional Costs

We expense advertising and promotional costs as incurred. Advertising and promotional c
included in selling, general and administrative expenses, were $12.8 million for 2017, $17.
2016 and $17.6 million for 2015.

Debt Issuance Costs

Debt issuance costs relating to long-term debt are amortized over the term of the related de
because the costs are primarily related to our revolving credit facility and are included in ot
assets. Debt issuance cost amortization, which is included in interest expense, was $0.5 mil
$0.5 million for 2016, and $0.5 million for 2015. See Note 11, “Long-Term Debt and Capit
Obligations” for further disclosure on our credit facility.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Summary of Significant Accounting Policies (continued)

Income Taxes

Deferred income taxes are recognized for the tax consequences in future years of difference
tax basis of assets and liabilities and their financial reporting amounts at each year end, bas
laws and statutory tax rates applicable to the year in which the differences are expected to a
income. Valuation allowances are established when it is deemed more likely than not that s
all of the deferred tax assets will not be realized.

We account for income tax uncertainties consistent with the ASC guidance included in "In
which clarifies the accounting for uncertainty in income taxes recognized in a company's fi
statements and prescribes a recognition threshold and measurement attribute for the financi
recognition and measurement of a tax position taken or expected to be taken in a tax return
provides guidance on derecognition, classification, interest and penalties, accounting in inte
disclosure and transition.

See Note 10, "Income Taxes,"

Environmental Remediation Liabilities

Losses associated with environmental remediation obligations are accrued when such losse
and can be reasonably estimated. See Note 17, "Litigation."

Currency Translation

For our operations in countries where the functional currency is other than the U.S. dollar,
amounts are translated using the exchange rate in effect at the balance sheet date. Income st
are translated monthly using the average exchange rate for the respective month. The gains
resulting from the changes in exchange rates from year-to-year and the effect of exchange r
intercompany transactions of long-term investment nature are recorded as a component of a
other comprehensive income or loss as currency translation adjustments.

For our operations where the functional currency is the U.S. dollar, non-monetary balance s
translated at historical exchange rates. Other balance sheet amounts are translated at the exc
effect at the balance sheet date. Income statement
accounts, excluding those items of income and expenses that relate to non-monetary assets
are translated at the average exchange rate for the month. These remeasurement adjustment
the determination of net income and are included in other income (expense), net.

Other expense, net, in the accompanying Consolidated Statements of Income includes a net
exchange loss of $2.0 million for 2017, $2.2 million for 2016, and $5.9 million for 2015. T
include the effect of foreign currency remeasurement and realized foreign currency transac
losses.

Other Expense, Net

In addition to foreign currency gains and losses described above, other expense, net, also in
items of non-operating income and expenses.

Leases
We lease property, plant and equipment for use in our operations. We evaluate leases cons
provisions of the ASC on "Leases." We evaluate our leases at inception or at any subseque
and classify them as either a capital lease or an operating lease based on lease terms. For o
that contain rent escalations, rent holidays or rent concessions, rent expense is recognized o
basis over the life of the lease.

See Note 16, "Commitments and Contingencies" for more information.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Fair value is measured in accordance with the ASC on "Fair Value Measurements and Disc
defines fair value, establishes a framework for measuring fair value and enhances disclosur
value measures required under other accounting pronouncements, but does not change exis
to whether or not an instrument is carried at fair value. We measure fair value for financial
such as derivatives on an ongoing basis. We measure fair value for non-financial assets, w
necessary, such as for impairment of long-lived and indefinite-lived assets when indicators
exist.

See Note 19, "Fair Value Measurements" for more information.

Share-Based Compensation

We account for share-based compensation expense consistent with ASC guidance on "Com
Compensation." Our share-based payments are composed entirely of Share-based compens
all equity awards granted to employees and members of our Board of Directors, each of wh
definition of an employee under the provisions of the ASC, are stock options, performance
restricted stock awards, and restricted stock units. We use the Black-Scholes option pricin
estimate the fair value of stock options granted. We recognize share-based compensation e
requisite service period, which is generally the vesting period of each award.

See Note 15, "Stock-Based Compensation" for more information.

Derivative Financial Instruments

We account for derivative financial instruments in accordance with the ASC guidance on "
Hedging." The ASC on "Derivatives and Hedging" requires us to recognize the value of d
as either assets or liabilities in the statement of financial position at fair value. The accoun
in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has b
as a hedge and qualifies as part of a hedging relationship. The accounting also depends on
hedging relationship, whether a cash flow hedge, a fair value hedge, or hedge of a net inves
foreign operation. A fair value hedge requires that the change in the fair value of a derivati
instrument be offset against the change in the fair value of the underlying asset, liability, or
commitment being hedged through earnings. A cash flow hedge requires that the change in
a derivative instrument be recognized in other comprehensive income, a component of shar
and reclassified into earnings in the same period or periods during which the hedged transa
earnings and is presented in the same income statement line item as the earnings effect of t

We use derivative financial instruments primarily to reduce our exposure to adverse fluctua
exchange rates. On entry into a derivative instrument, we formally designate and document
instrument as a hedge of a specific underlying exposure, as well as the risk management ob
strategies for undertaking the hedge transaction. Derivatives are recorded in the Consolidat

Sheets at fair value in prepaid expenses and other current assets, other non-current assets, a
and accrued expenses or other non-current liabilities, depending on whether the amount is a
liability and is of a short-term or long-term nature. In addition, the earnings impact resultin
derivative instruments is recorded in the same line item within the Consolidated Statements
the items being hedged. We also classify the cash flows from our cash flow hedges in the sa
the items being hedged on our Consolidated Statements of Cash Flows based on the fact tha
hedges do not contain an other-than-insignificant financing element at inception. The fair v
derivatives used to hedge or modify our risks fluctuate over time.

These fair value amounts should not be viewed in isolation, but rather in relation to the cash
value of the underlying hedged transactions or assets and other exposures and to the overall
risk relating to adverse fluctuations in foreign exchange rates.

See Note 18, “Derivative Financial Instruments” for more information.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Summary of Significant Accounting Policies (continued)

Share Repurchases

When stock is retired or purchased for constructive retirement, the purchase price is initiall
reduction to the par value of the shares repurchased, with any excess purchase price over pa
as a reduction to additional paid-in capital and retained earnings.

Retirement and Other Employee Benefits

Using appropriate actuarial methods and assumptions, we evaluate defined benefit pension
accordance with ASC guidance on "Compensation – Retirement Benefits". We provide dis
plan assets, including investment strategies, major categories of plan assets, concentrations
plan assets, and valuation techniques used to measure the fair value of plan assets consisten
value hierarchy model described in the ASC on " Fair Value Measurements and Disclosure
Note 19, "Fair Value Measurements."

See Note 14, "Retirement and Other Employee Benefits" for more information.

New Accounting Pronouncements Adopted

In August 2017, the Financial Accounting Standards Board ("FASB") issued Accounting S
("ASU") 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accou
Activities. This ASU amends hedge accounting to enable entities to better portray their risk
activities in the financial statements, expands and refines hedge accounting for both financi
non-financial risk components, aligns the recognition and presentation of the effects of hed
and hedge items in the financial statements, and includes certain targeted improvements to
application of current guidance related to the assessment of hedge effectiveness, such as eli
requirement to separately measure and report hedge ineffectiveness. Early adoption is perm
to early adopt this ASU during the fourth quarter of 2017. See Note 18, "Derivatives," for d
adoption of this ASU did not have a material impact on our financial condition, results of o
cash flows.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based P
Accounting, which simplified several areas of accounting for share-based compensation arr
including the income tax impact, classification on the statement of cash flows and forfeiture
standard requires excess tax benefits or deficiencies for share-based payments to be recogn
tax benefit or expense, rather than within additional paid-in capital, when the awards vest o
Furthermore, cash flows related to excess tax benefits are required to be classified as operat
the statement of cash flows rather than financing activities. We have elected to adopt the ca
presentation of excess tax benefits retrospectively and have adjusted our Consolidated State
Flows by $3.6 million and $1.4 million for the years ended 2016 and 2015. We adopted the
effective December 31, 2016, the first day of our fiscal 2017 year.

We have elected to account for forfeitures of stock-based awards as they occur and have ad
modified retrospective basis. As such, we recorded a cumulative effect adjustment of $0.2 r
to reduce retained earnings and increase additional paid-in capital as of December 31, 2016
our fiscal 2017 year.

The new standard also requires the presentation of cash paid to taxing authorities at settlem
the withholding of shares from employees be classified as a financing activity on the statem
flows. We adopted these amendments, effective December 31, 2016, the first day of our fis
a retrospective basis and included $9.3 million and $4.7 million related to stock-based awar
for taxes in financing activities in our Consolidated Statements of Cash Flows for the years
December 30, 2016 and January 1, 2016.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferr
amends the existing accounting standards for income taxes. The amendment required comp
their deferred tax liabilities and deferred tax assets each as a single non-current item on the
balance sheets. The Company elected to adopt the amendments in the first quarter of fiscal
applied them prospectively to the current period presented, as permitted by the standard. Th
amendments had no impact on the Company's net earnings or cash flow from operations fo
presented.

2. Summary of Significant Accounting Policies (continued)

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory. principal of the guidance is that an entity should measure inventory at the lower of cost and value. Net realizable value is the estimated selling price in the ordinary course of business, predictable costs of completion, disposal, and transportation. This guidance does not apply is being measured using the Last-In, First-Out (LIFO) or the retail inventory method. The C this guidance on December 31, 2016, the first day of our fiscal 2017 year, and determined t changes to disclosure, financial statement presentation, or valuation of inventory as a result

New Accounting Pronouncements Not Yet Adopted

In May 2017, the FASB issued ASU 2017-09, Stock Compensation (Topic 718), Scope of Accounting. This ASU clarifies when changes to the terms or conditions of a share-based p must be accounted for as modifications. The guidance clarifies that modification accountin if the value, vesting conditions or classification of the award changes. This ASU will be eff beginning the first day of our 2018 fiscal year. We expect this award to impact modificatio clarified criteria prospectively beginning in 2018.

In March 2017, the FASB issued ASU 2017-07, Improving the Presentation of Net Periodi and Net Periodic Postretirement Benefit Cost. This ASU requires that the service cost comp periodic benefit costs from defined benefit and other postretirement benefit plans be includ Consolidated Statements of Income captions as other compensation costs arising from serv the covered employees during the period. The other components of net benefit cost will be Consolidated Statements of Income separately from service costs. Following adoption, onl will be eligible for capitalization into manufactured inventories, which should reduce diver practice. This ASU will be effective for us beginning the first day of our 2018 fiscal year. affects presentation and disclosure, we do not anticipate a significant impact of adoption or condition, results of operations and cash flows.

In February 2017, the FASB issued ASU 2017-05, Other Income-Gains and Losses from th of Nonfinancial Assets: Clarifying the Scope of Asset Derecognition Guidance and Accour Sales of Nonfinancial Assets, which clarifies the scope of asset derecognition and adds furt recognizing gains and losses from the transfer of nonfinancial assets in contracts with non- ASU will be effective for us beginning the first day of our 2018 fiscal year. Early adoption are evaluating the impact of adoption of this ASU on our financial condition, results of ope flows, and, as such, we are not able to estimate the effect the adoption of the new standard financial statements.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impai removes the requirement to compare the implied fair value of goodwill with its carrying am step two of the goodwill impairment test. The ASU permits an entity to perform its annual, goodwill impairment test by comparing the fair value of a reporting unit with its carrying a recognize an impairment charge for the amount by which the carrying amount exceeds the

fair value; however, the loss recognized should not exceed the total amount of goodwill all
reporting unit. This ASU will be effective for us beginning the first day of our 2020 fiscal y
adoption is permitted. We are evaluating the impact of adoption of this ASU on our financi
results of operations and cash flows, and we do not expect this ASU to have an impact unti
assessment is performed.

In January 2017, the FASB issued ASU 2017-01, Business Combinations: Clarifying the D
Business, which adds guidance to assist entities with evaluating whether transactions shoul
for as acquisitions (or disposals) of assets or businesses. This ASU will be effective for us
first day of our 2018 fiscal year. Early adoption is permitted. We do not expect this ASU to
until a valid transaction takes place.

In October 2016, the FASB issued ASU 2016-16, Intra-Entity Transfers of Assets Other Th
which will require companies to recognize the income tax effects of intra-entity sales and t
other than inventory, particularly those asset transfers involving intellectual property, in the
the transfer occurs. The ASU will be effective for us beginning the first day of our 2018 fis
guidance requires modified retrospective adoption. We are evaluating the impact of adoptio
our financial condition, results of operations and cash flows, and, as such, we are not able t
effect the adoption of the new standard will have on our financial statements.

2. Summary of Significant Accounting Policies (continued)

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts ar
Payments, which addresses eight specific cash flow issues in an effort to reduce diversity ir
ASU will be effective for us beginning the first day of our 2018 fiscal year. Early adoption
are evaluating the impact of adoption of this ASU on our cash flows, and as such, we are no
estimate the effect that the adoption of this ASU will have on reclassifications within our C
Statement of Cash Flows.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Measurement of Cre
Financial Instruments, which requires measurement and recognition of expected credit loss
assets held. Entities will be required to use a new forward-looking “expected loss” model th
earlier recognition of allowances for losses on trade and other receivables. Additionally, en
disclose significantly more information about credit quality by year of origination for most
receivables. This ASU will be effective for us beginning the first day of our 2020 fiscal yea
is permitted beginning the first day of our 2019 fiscal year. We are evaluating the impact of
ASU on our financial condition, results of operations and cash flows, and, as such, we are n
estimate the effect the adoption of the new standard will have on our financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases, which requires a dual approach
accounting under which a lessee would account for leases as finance leases or operating lea
leases and operating leases may result in the lessee recognizing a right-of use asset and a co
lease liability. For finance leases, the lessee would recognize interest expense and amortiza
right-of-use asset, and for operating leases, the lessee would recognize a straight-line total l
expense. The guidance also requires qualitative and specific quantitative disclosures to sup
amounts recorded in the financial statements so that users can understand more about the na
entity’s leasing activities, including significant judgments and changes in judgments. This A
effective for us beginning the first day of our 2019 fiscal year. Early adoption is permitted.
evaluating the impact of adoption of this ASU on our financial condition, results of operatio
flows, and, as such, we are not able to estimate the effect the adoption of the new standard v
financial statements.

In May 2014, the FASB issued an ASU, Revenue from Contracts with Customers, and has
issued several supplemental and/or clarifying ASUs (collectively, "ASC 606"), which presc
comprehensive new revenue recognition standard that will supersede existing revenue guid
principle is that a company will recognize revenue when it transfers promised goods or serv
customers for an amount that reflects the consideration to which the company expects to be
exchange for those goods or services. The standard outlines a five-step model, whereby rev
recognized as performance obligations within a contract are satisfied. The standard also req
expanded disclosures regarding revenue recognition. ASC 606 will be effective for us begin
day of our 2018 fiscal year. Early adoption is permitted. We have made substantial progres
implementation analysis including contract reviews under the ASC 606 framework and ide
revenue streams. Our analysis includes reviewing current accounting policies and practices
potential differences that would result from applying the requirements under this new stand

reviewed a sample of contracts with our customers that we believe is representative of our r
The standard permits the use of either the retrospective or modified retrospective transition
adopt the new standard using the modified retrospective transition method, under which the
effect of initially applying the new guidance is recognized as an adjustment to the opening
retained earnings on the first day of our 2018 fiscal year.

While we have made substantial progress, we are continuing our evaluation of certain aspe
standard. We currently do not anticipate the adoption of the standard will have a material in
financial position, results of operations and cash flows; however, our assessment will be fin
first quarter of 2018.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Asset Impairment and Other Charges, Net

We incurred asset impairment and other charges, net totaling $1.8 million for 2017, $27.2 r
and $3.4 million for 2015.

The following represents the detail of asset impairment and other charges, net for the year e
December 29, 2017 by reportable segment (U.S. dollars in millions):

	Long-lived and other asset impairmen
Banana segment:	
Philippine floods	$ 0.8
Underutilized assets in Central America	0.6
Prepared food segment:	
Write-off of investment venture in Africa	1.5
Other fresh produce segment:	
Chile insurance recoveries on current and previously announced floods	—
Chile floods	0.8
Adjustment of Kunia Well Site environmental reserve in Hawaii and other charges	—
Total asset impairment and other charges (credits), net	$ 3.7

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Asset Impairment and Other Charges, Net (continued)

The following represents the detail of asset impairment and exit activity and other charges, ended December 30, 2016 by reportable segment (U.S. dollars in millions):

	Long-live and other asset impairme
Banana segment:	
United Kingdom contract termination costs	$ —
Brazil exit activities due to drought conditions	2.2
Philippines plantation conversion to pineapple	2.5
Underutilized assets in Central America	1.2
Other fresh produce segment:	
Adjustment of Kunia Well Site environmental reserve in Hawaii and other charges	—
Other fresh produce segment charges	0.1
Other:	
Former President/COO transition	—
Total asset impairment and other charges, net	$ 6.0

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Asset Impairment and Other Charges, Net (continued)

The following represents the detail of asset impairment and exit activity charges (credits), r
ended January 1, 2016 by reportable segment (U.S. dollars in millions):

	Long-live and other asset impairme
Banana segment:	
Guatemala banana production assets held for sale	$ 1.0
European Union Antitrust settlement gain	—
United Kingdom contract termination on leased facilities	—
Other fresh produce segment:	
Chile farm asset impairment due to adverse weather conditions	1.9
Adjustment of previously accrued environmental liability in Hawaii, net of other charges	—
Other fresh produce segment charges	—
Prepared food segment:	
Other prepared food segment charges	0.2
Total asset impairment and other charges, net	$ 3.1

The following represents the roll forward of exit activity and other reserves for the year enc
December 29, 2017 (U.S. dollars in millions):

	Exit activity and other reserves balance at December 30, 2016	Cash Paid	Fo Ex Im
Contract termination costs for underutilized facility in the United Kingdom charges	1.0	(0.6)	(0.
	$ 1.0	$(0.6)	$ (

Exit activity and other reserves are recorded in the Consolidated Balance Sheets in account
accrued expenses, for the current portion and other noncurrent liabilities for the noncurrent

There were no contract termination expenses for the underutilized facility in the United Kin
Contract termination expenses were $0.7 million and $0.4 million for the years ended 2016

do not expect additional charges related to the exit and other activities mentioned above tha
significantly impact our results of operations or financial condition.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Investments in Unconsolidated Companies

Investments in unconsolidated companies accounted for under the equity method amounted
for both years, December 29, 2017 and December 30, 2016, these amounts are included in
assets, and consisted of the following:

Company	Business	Owne Intere
Melones De Costa Rica, S.A.	Land lessor	50%
Hacienda Filadelfia, S.A.	Land lessor	50%
Del Monte Chilled Fruit Snacks LLC	Fruit Snacks	49%
Del Monte Avo LLC	Guacamole	49%

There were no purchases from unconsolidated companies in 2017, 2016 and 2015. Our por
(losses) in unconsolidated companies were not significant and are included in other expens
were no dividends received from unconsolidated subsidiaries in 2017, 2016 and 2015.

5. Variable Interest Entities ("VIE")

One of our Del Monte Gold® Extra Sweet pineapple producers met the definition of a VIE
ASC guidance on “Consolidation” and is consolidated. Our variable interest in this entity i
investment and certain debt guarantees. All of this VIE's pineapple production was sold to
criteria of this ASC, as amended, we were the primary beneficiary of this VIE’s expected r
losses in excess of our ownership interest.

On April 28, 2016, we acquired the remaining 60% noncontrolling interest of this VIE for
which we paid using operating cash flows and available borrowings under the Credit Facili
Note 11 “Long-Term Debt and Capital Lease Obligations”).

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Property, Plant and Equipment, Net

Property, plant and equipment consisted of the following (U.S. dollars in millions):

	December 29, 2017	December 30, 2016
Land and land improvements	$716.9	$ 675.0
Buildings and leasehold improvements	561.3	525.6
Machinery and equipment	547.3	529.8
Maritime equipment (including containers)	148.6	176.2
Furniture, fixtures and office equipment	94.3	87.9
Automotive equipment	77.0	62.2
Construction-in-progress	85.1	86.1
	2,230.5	2,142.8
Less: accumulated depreciation and amortization	(902.2)	(870.8)
Property, plant and equipment, net	$1,328.3	$ 1,272.0

Depreciation expense on property, plant and equipment, including assets under capital lease
million for 2017, $76.8 million for 2016 and $71.1 million for 2015.

Shipping containers, machinery and equipment and automotive equipment under capital lea
million at December 29, 2017 and $3.1 million at December 30, 2016. Accumulated amorti
under capital leases was $1.4 million at December 29, 2017 and $1.5 million at December

The loss (gain) on disposal of property, plant and equipment was a net loss of $3.0 million
for 2016 and a net gain of $2.1 million for 2015. In 2017, the loss (gain) on disposal of pro
equipment primarily included charges related to losses on disposal of low-yielding banana
Rica and Guatemala in order to replant and improve productivity, asset disposals in the Mi
South America partially offset by gains on maritime equipment sales. In 2016, the loss (gai
property, plant and equipment consisted primarily of losses on the disposal of low-yielding
Costa Rica and Guatemala in order to replant and improve productivity, disposal of decidu
Chile and a loss on the sale of a refrigerated ship, offset by the sale of lands in Central Am
the gain of $2.1 million consisted primarily of the sales of two refrigerated ships.

Acquisitions and Asset Purchase

During June 2016, we purchased a blueberry farm in Chile of approximately 320 acres, wh
agricultural production land, packing houses and farm equipment. The purchase price for th
$7.1 million and was funded using operating cash flows and available borrowings under th
(as defined in Note 11 “Long-Term Debt and Capital Lease Obligations”). Goodwill repres
purchase price above the fair market value of the net assets acquired.
We recorded $0.8 million of goodwill in our Other Fresh Produce segment as a result of th

During November and December 2016, we purchased two non-tropical fruit farms in Chile
agricultural production land and farm equipment. The purchase price for these businesses w
of which $1.9 million was funded using operating cash flows and available borrowings und
Facility and the remaining $1.6 million was paid using the forgiveness of previous advance
growers.

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6. Property, Plant and Equipment, Net (continued)

On February 6, 2018, we entered into a definitive agreement to acquire Mann Packing for a
$361 million.

See Note 7, "Goodwill and Other Intangible Assets" and Note 11, "Long-Term Debt and Ca
Obligations" for further information.

7. Goodwill and Other Intangible Assets

The following table reflects our indefinite-lived intangible assets, including goodwill and o
intangible assets along with related accumulated amortization by major category (U.S. doll

	December 29, 2017	December 30, 2016
Goodwill	$ 261.9	$ 260.9
Indefinite-lived intangible assets:		
Trademarks	43.3	44.0
Definite-lived intangible assets:		
Definite-lived intangible assets	10.7	10.7
Accumulated amortization	(8.1)	(7.3)
Definite-lived intangible assets, net	2.6	3.4
Goodwill and other intangible assets, net	$ 307.8	$ 308.3

Indefinite-lived and definite-lived intangible assets are included in other noncurrent assets i
Consolidated Balance Sheets.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Goodwill and Other Intangible Assets (continued)

The following table reflects the changes in the carrying amount of goodwill by business seg
dollars in millions):

	Bananas	Other fresh produce	Prepared food	Totals
Goodwill	$ 64.6	$ 284.6	$ 78.3	$ 427.5
Accumulated impairment losses	—	(88.1)	(75.7)	(163.8)
Balance at January 1, 2016	$ 64.6	$ 196.5	$ 2.6	$ 263.7
Acquisition of blueberry farm	—	0.8	—	0.8
Poultry goodwill impairment			$ (2.6)	$ (2.6)
Foreign exchange and other	(0.4)	(0.6)	—	(1)
Goodwill	$ 64.2	$ 284.8	$ 78.3	$ 427.3
Accumulated impairment losses	—	(88.1)	(78.3)	(166.4)
Balance at December 30, 2016	$ 64.2	$ 196.7	$ —	$ 260.9
Foreign exchange and other	0.5	0.5	—	1.0
Goodwill	$ 64.7	$ 285.3	$ —	$ 350.0
Accumulated impairment losses	—	(88.1)	—	(88.1)
Balance at December 29, 2017	$ 64.7	$ 197.2	$ —	$ 261.9

[(1)] See Note 6, "Property, Plant and Equipment, Net" for further discussion on acquisitions.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Goodwill and Other Intangible Assets (continued)

Results of Impairment Tests

In accordance with the ASC guidance on “Goodwill and Other Intangible Assets,” we revie
impairment on an annual basis or earlier if indicators of impairment arise.

During 2017, based on the annual impairment review of trade names and trademarks perfor
day of our fourth quarter and due to the underperformance of our prepared ambient juice bu
United Kingdom, we incurred an impairment of our trade name and trademark of approxim
million included in asset impairment and other charges, net in our Consolidated Statements

During 2016, we incurred $2.6 million in goodwill impairment representing 100% of the go
associated with the poultry business in Jordan in the prepared food segment. This impairme
principally due to underperformance.

Based on the annual impairment review of goodwill performed as of the first day of our fou
2015 and due to the failure of the tomato and vegetable business in North America to meet
we wrote-off $66.1 million of goodwill, which was related to the 2003 tomato and vegetabl
acquisition. We determined that there was no remaining implied fair value of goodwill for t
vegetable business utilizing the discounted cash flow method, an income approach valuatio
indicates the fair value of a business based on the cash flows that the business can be expec
The implied fair value of goodwill, if any, is determined by comparing the value of the bus
discounted cash flow method to the fair value of the net assets of that business.

The fair value of the banana reporting unit's goodwill and the prepared food unit’s trade na
trademarks are highly sensitive to differences between estimated and actual cash flows and
related discount rate used to evaluate the fair value of these assets. If the banana and the pre
reporting unit do not perform to expected levels, the banana goodwill and the trade names a
associated with the prepared reporting unit may also be at risk for impairment in the future.

The following table highlights the sensitivities of the indefinite-lived intangibles at risk as o
2017 (U.S. dollars in millions):

	Banan Repor Unit Good
Carrying value of indefinite-lived intangible assets	$ 64.7
Approximate percentage by which the fair value exceeds the carrying value based on the annual impairment test as of first day of the fourth quarter	23.0

Amount that a one percentage point increase in the discount rate and a 5% decrease in cash flows would cause the carrying value to exceed the fair value and trigger an impairment	$ 19.7

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Goodwill and Other Intangible Assets (continued)

The estimated amortization expense related to definite-lived intangible assets for the five su
is as follows (U.S. dollars in millions):

Year	Estimated amortization expense
2018	0.4
2019	0.1
2020	0.1
2021	0.1
2022	0.1

8. Financing Receivables

Financing receivables are defined as a contractual right to receive money, on demand or on
determinable dates and is recognized as an asset in the creditor's balance sheet.

Other accounts receivable less allowances are recognized on our accompanying Consolidat
Sheets at net realizable value, which approximates fair value. Other accounts receivable inc
value-added taxes receivable, seasonal advances to growers and suppliers, which are usuall
nature, and other financing receivables.

We source our products from various independent growers primarily in Central and South A
and the Philippines. We also source products from North America and Europe. A significar
fresh produce we sell is acquired through supply contracts with independent growers. In or
consistent high quality of our products and packaging, we make advances to independent g
suppliers. These growers and suppliers typically sell all of their production to us and make
their advances as a deduction to the agreed upon selling price of the fruit or packaging mate
majority of the advances to growers and suppliers are for terms less than one year and typic
growing season. In certain cases, there may be longer term advances with terms of up to 10

These advances are collateralized by property liens and pledges of the season's produce; ho
factors such as the impact of weather, crop disease and financial stability could impact the a
growers to repay their advance. Occasionally, we agree to a payment plan or take steps to r
advance via established collateral. Reserves for uncollectible advances are determined on a
basis depending on the production for the season and other contributing factors.

The following table details the advances to growers and suppliers along with the related all
advances to growers and suppliers (U.S. dollars in millions):

	December 29, 2017		December 30, 2016	
	Current	Noncurrent	Current	Noncurren

Gross advances to growers and suppliers	$ 38.9	$ 1.6	$ 35.8	$ 0.2
Allowance for advances to growers and suppliers	(2.8)	(0.1)	(1.5)	—
Net advances to growers and suppliers	$ 36.1	$ 1.5	$ 34.3	$ 0.2

The current and noncurrent portions of the financing receivables included above are classif
Consolidated Balance Sheets in other accounts receivable and other noncurrent assets, resp

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Financing Receivables (continued)

The following table details the credit risk profile of the above listed financing receivables (
millions):

	Current Status	Fully Reserved	Total
Gross advances to growers and suppliers:			
December 29, 2017	$ 37.6	$ 2.9	$40.5
December 30, 2016	34.5	1.5	36.0

The allowance for advances to growers and suppliers and the related financing receivables
ended December 29, 2017 and December 30, 2016 were as follows (U.S. dollars in million

	December 29, 2017	December 30, 2016
Allowance for advances to growers and suppliers:		
Balance, beginning of period	$ 1.5	$ 2.1
Provision for uncollectible amounts	1.4	—
Deductions to allowance including recoveries	—	(0.6)
Balance, end of period	$ 2.9	$ 1.5

9. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following (U.S. dollars in million

	December 29, 2017	December 30, 2016
Trade payables	$ 182.9	$ 162.5
Accrued fruit purchases	18.8	17.2
Ship and port operating expenses	21.4	18.5
Warehouse and distribution costs	22.5	20.8
Payroll and employee benefits	61.3	67.0
Accrued promotions	22.1	21.6
Other accrued expenses	53.4	52.9
Accounts payable and accrued expenses	$ 382.4	$ 360.5

Other accrued expenses are primarily composed of accruals for purchases received but not
other accruals, none of which individually exceed 5% of current liabilities.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Income Taxes

The provision for income taxes consisted of the following (U.S. dollars in millions):

	Year ended		
	December 29, 2017	December 30, 2016	January 1, 2016
Current:			
U.S. federal income tax	$8.4	$ 7.6	$ 4.7
State	1.5	1.4	0.5
Non-U.S.	13.4	11.0	7.6
	23.3	20.0	12.8
Deferred:			
U.S. federal income tax	2.1	(3.3)	1.6
State	0.5	(0.6)	0.3
Non-U.S.	(1.0)	(4.3)	(1.0)
	1.6	(8.2)	0.9
	$24.9	$ 11.8	$ 13.7

Income (loss) before income taxes consisted of the following (U.S. dollars in millions):

	Year ended		
	December 29, 2017	December 30, 2016	January 1, 2016
U.S.	$31.1	$ 16.0	$ (49.4)
Non-U.S.	113.0	221.4	129.5
	$144.1	$ 237.4	$ 80.1

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Income Taxes (continued)

The differences between the reported provision for income taxes and income taxes comput
statutory federal income tax rate are explained in the following reconciliation (U.S. dollars

	Year ended	
	December 29, 2017	December 2016
Income tax provision (benefit) computed at the U.S. statutory federal rate	$50.4	$ 83.1
Effect of tax rates on non-U.S. operations	(67.4)	(98.8
Provision for uncertain tax positions	0.7	(0.5
Non-deductible interest	2.4	2.0
Foreign exchange	2.3	15.1
Non-deductible intercompany charges	—	1.2
Non-deductible differences	6.0	1.7
Non-taxable income/loss	0.3	11.8
Non-deductible goodwill impairment	—	0.4
Adjustment to deferred balances	0.1	—
Other	(0.9)	0.9
Other taxes in lieu of income	1.8	1.9
Change in deferred rate	11.7	(3.4
Increase (decrease) in valuation allowance [1]	17.5	(3.6
Provision for income taxes	$24.9	$ 11.8

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[1] The increase in valuation allowance includes effects of foreign exchange and adjustmen
balances which were fully offset by valuation allowance.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Income Taxes (continued)

Deferred income tax assets and liabilities consisted of the following (U.S. dollars in millior

Deferred tax liabilities:	December 29, 2017	December 30, 2016
Allowances and other accrued liabilities	$ —	$ (2.1)
Inventories	(15.3)	(14.8)
Property, plant and equipment	(63.2)	(63.9)
Equity in earnings of unconsolidated companies	(0.1)	(0.2)
Pension obligations	(2.1)	(2.6)
Other noncurrent deferred tax liabilities	(5.6)	(8.1)
Total noncurrent deferred tax liabilities	$ (86.3)	$ (91.7)
Deferred tax assets:		
Allowances and other accrued assets	$ 10.6	$ 12.8
Inventories	5.3	7.1
Pension obligations	24.9	22.9
Property, plant and equipment	1.5	1.6
Post-retirement benefits other than pension	1.1	1.1
Net operating loss carryforwards	249.7	225.5
Capital loss carryover	2.6	2.4
Other noncurrent assets	20.5	24.9
Total noncurrent deferred tax assets	316.2	298.3
Valuation allowance	(257.1)	(232.1)
Total deferred tax assets, net	$ 59.1	$ 66.2
Net deferred tax liabilities	$ (27.2)	$ (25.5)

The valuation allowance increased by $25.0 million in 2017 and by $6.3 million in 2016. T
2017 and 2016 relates primarily to valuation allowance on additional net operating loss car
by the effect of a change in judgment about our ability to realize deferred tax assets in futur
our current and foreseeable operations.

At December 29, 2017, the valuation allowance includes $0.4 million for which subsequen
tax benefits will be recognized directly in contributed capital.

At December 29, 2017, undistributed earnings of the Company's foreign subsidiaries amou
million. Those earnings are considered to be either indefinitely reinvested, or the earnings c
distributed tax free. Accordingly, no taxes have been provided thereon. To the extent the ea
considered indefinitely reinvested, determination of the amount of unrecognized deferred ta
practicable due to the complexities associated with its hypothetical calculation.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Income Taxes (continued)

At December 29, 2017, we had approximately $918.8 million of federal and foreign tax op
carryforwards expiring as follows (U.S. dollars in millions):

Expires:	
2018	$3.4
2019	4.4
2020	16.5
2021	12.8
2022 and beyond	13.9
No expiration	867.8
	$918.8

A reconciliation of the beginning and ending amount of uncertain tax positions excluding i
penalties is as follows (U.S. dollars in millions):

	December 29, 2017	December 30, 2016	January 1, 2016
Beginning balance	$ 3.2	$ 3.9	$ 3.5
Gross decreases - tax position in prior period	—	—	—
Gross increases - current-period tax positions	0.1	0.1	0.8
Settlements	—	—	—
Lapse of statute of limitations	(0.1)	(0.8)	(0.4)
Ending balance	$ 3.2	$ 3.2	$ 3.9

We had accrued $4.2 million in 2017 and $3.6 million in 2016, for uncertain tax positions,
and penalties that, if recognized would affect the effective income tax rate.

The tax years 2012-2016 remain subject to examination by taxing authorities throughout th
jurisdictions, such as Costa Rica, Luxembourg, Switzerland and the United States.

We classify interest and penalties on uncertain tax positions as a component of income tax
Consolidated Statements of Income. Accrued interest and penalties related to uncertain tax
$1.1 million and $0.9 million for December 29, 2017 and December 30, 2016, respectively
in other noncurrent liabilities.

In connection with a current examination of the tax returns in two foreign jurisdictions, the
authorities have issued income tax deficiencies related to transfer pricing of approximately
(including interest and penalties) for tax years 2012 through 2015. We strongly disagree w
adjustments and have filed a protest with each of the taxing authorities as we believe that th
adjustments are without technical merit. We will continue to vigorously contest the adjustr
to exhaust all administrative and judicial remedies necessary to resolve the matters, which

lengthy process. We regularly assesses the likelihood of adverse outcomes resulting from such as these to determine the adequacy of our tax reserves. Accordingly, we have not accr additional amounts based upon the proposed adjustments. There can be no assurance that t be resolved in our favor, and an adverse outcome of either matter, or any future tax examin similar assertions, could have a material effect on our financial condition, results of operati flows.

Tax reform

On December 22, 2017, the United States enacted significant changes to tax law following signing of The Tax Cuts and Jobs Act ("the Act").

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Income Taxes (continued)

We are subject to the provisions of the ASC guidance on Income Taxes, which requires tha
deferred tax assets and liabilities of a change in tax rates be recognized in the period the tax
enacted. Among other items, the legislation permanently reduces the U.S. federal corporate
35% to 21% effective January 1, 2018. As a result, this caused our U.S. net deferred tax ass
revalued. Our deferred tax assets represent a decrease in corporate taxes expected to be paid
The reduction in the federal corporate tax rate reduces these benefits. As a result of the dec
corporate tax rate, in the fourth quarter we incurred a one-time, non-cash increase to incom
$2.1 million for the year ended December 29, 2017.
The Act includes a transition rule that provides for a mandatory repatriation tax imposed on
with certain foreign subsidiaries (the "Transition Tax").
We have two subsidiaries for which the Transition Tax may apply. The SEC has issued Sta
Bulletin ("SAB") No. 118 which allows us to record provisional amounts during a measure
which is similar to the measurement period used when accounting for business combinatio
fact that these two subsidiaries are equity-method investments which have not historically b
there is a lack of information available to us at this time in order to calculate this Transition
no tax liability for the repatriation tax has been recorded at this time. We will continue to a
data for these subsidiaries as it becomes available, and will revise the provisional estimate f
Tax if needed as required by SAB 118.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Long-Term Debt and Capital Lease Obligations

The following is a summary of long term-debt and capital lease obligations (U.S. dollars in

	December 29, 2017	Dece 2016
Senior unsecured revolving credit facility (see Credit Facility below)	$ 356.2	$ 23
Capital lease obligations	1.4	1.8
Total long-term debt and capital lease obligations	357.6	232.3
Less: Current portion	(0.6)	(0.6
Long-term debt and capital lease obligations	$ 357.0	$ 23

Credit Facility

On April 16, 2015, we entered into a five-year $800 million syndicated senior unsecured re
facility maturing on April 15, 2020 (the "Credit Facility") with Bank of America, N.A. as a
agent and Merrill Lynch, Pierce, Fenner & Smith Inc. as sole lead arranger and sole book r
Borrowings under the Credit Facility bear interest at a spread over LIBOR that varies with
ratio. The Credit Facility also includes a swing line facility, a letter of credit facility and a f
allows, with bank approval, an increase in availability of up to an additional $300.0 million
costs of $0.8 million are included in other nonconcurrent assets on our Consolidated Balan

We have a renewable 364-day, $25.0 million commercial and stand-by letter of credit facil
Rabobank Nederland.

The following is a summary of the material terms of the Credit Facility and other working
at December 29, 2017 (U.S. dollars in millions):

	Term	Maturity Date	Interest Rate at December 29, 2017	Borrowin Limit
Bank of America credit facility	5.0 years	April 15, 2020	2.79%	$ 800.0
Rabobank letter of credit facility	364 days	June 19, 2018	Varies	25.0
Other working capital facilities	Varies	Varies	Varies	23.3
				$ 848.3

The current margin for LIBOR advances is 1.25%. The Credit Facility requires us to compl
and other covenants, including limitations on capital expenditures, the amount of dividends
in the future, the amount and types of liens and indebtedness, material asset sales and merg
December 29, 2017, we were in compliance with all of the covenants contained in the Cred
Credit Facility is unsecured as long as we maintain a certain leverage ratio and is guarantee
our subsidiaries. The Credit Facility permits borrowings under the revolving commitment v

rate determined based on our leverage ratio and spread over LIBOR. In addition, we pay a
commitments.

At December 29, 2017, we applied $7.5 million to the Rabobank Nederland letter of credit
respect of certain contingent obligations and other governmental agency guarantees combi
guarantees for purchases of raw materials and equipment and other trade related letters of c
had $16.6 million in other letter of credit and bank guarantees not included in the Raboban
America letter of credit facilities.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Long-Term Debt and Capital Lease Obligations (continued)

Maturities of long-term debt and capital lease obligations during the next five years are (U.
millions):

Fiscal Years	Long-Term Debt
2018	$ 9.8
2019	12.8
2020	371.4
2021	—
2022	—
	394.0
Less: Amounts representing interest [1]	(37.8)
	356.2
Less: Current portion	$ —
Totals, net of current portion of long-term debt and capital lease obligations	$ 356.2

[1] We utilize a variable interest rate on our long-term debt, and for presentation purposes w
assumed rate of 3%.

Cash payments of interest on long-term debt, net of amounts capitalized, were $5.8 million
million for 2016 and $3.6 million for 2015. Capitalized interest expense was $1.0 million f
million for years 2016 and 2015.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Net Income Per Ordinary Share

Basic net income per share is computed using the weighted average number of common sh
for the period.
Basic and diluted net income per ordinary share is calculated as follows (U.S. dollars in mi
share and per share data):

	Year ended		
	December 29, 2017	December 30, 2016	January 1 2016
Numerator:			
Net income attributable to Fresh Del Monte Produce Inc.	$120.8	$ 225.1	$ 62.4
Denominator:			
Weighted average number of ordinary shares - Basic	50,247,881	51,507,755	52,750,2
Effect of dilutive securities - employee stock options	340,827	454,440	449,321
Weighted average number of ordinary shares - Diluted	50,588,708	51,962,195	53,199,5
Antidilutive Options and Awards [1]	96,115	—	40,506
Net income per ordinary share attributable to Fresh Del Monte Produce Inc.:			
Basic	$2.40	$ 4.37	$ 1.18
Diluted	$2.39	$ 4.33	$ 1.17

[1] Options to purchase shares of common stock and unvested RSUs and PSUs are not inclu
calculation of Net income per ordinary share because the effect would have been anti-diluti

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Accumulated Other Comprehensive (Loss) Income

The following table includes the changes in accumulated other comprehensive income (los
under the ASC on “Comprehensive Income” for the years ended December 29, 2017 and D
(U.S. dollars in millions):

	Changes in Accumulated O Comprehensive (Loss) Inco Component [1]		
	Changes in Fair Value of Effective Cash Flow Hedges	Foreign Currency Translation Adjustment	Ret Ber Adj
Balance at January 1, 2016	$11.9	$ (14.8)	$ (
Other comprehensive income (loss) before reclassifications	1.5	(10.6) [2]	(5.3
Amounts reclassified from accumulated other comprehensive loss	(8.0)	—	1.2
Net current period other comprehensive loss	(6.5)	(10.6)	(4.1
Balance at December 30, 2016	$5.4	$ (25.4)	$ (
Other comprehensive (loss) income before reclassifications	(7.7)	18.7 [2]	0.5
Amounts reclassified from accumulated other comprehensive loss	0.9	—	1.2
Net current period other comprehensive (loss) income	(6.8)	18.7	1.7
Balance at December 29, 2017	$(1.4)	$ (6.7)	$ (

[1] All amounts are net of tax and noncontrolling interests.
[2] Includes a gain of $5.6 million and a gain of $2.2 million on intra-entity foreign currenc
that are of a long-term-investment nature for the years ended December 29, 2017 and Dece
There was no noncontrolling interest impact for the year ended December 29, 2017 and a g
million for the year ended December 30, 2016 related to noncontrolling interest.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Accumulated Other Comprehensive (Loss) Income (continued)

The following table includes details about amounts reclassified from accumulated other co
income (loss) by component for the years ended December 29, 2017 and December 30, 201
in millions):

Details about accumulated other comprehensive (loss) income components	December 29, 2017 Amount reclassified from accumulated other comprehensive (loss) income	December 30, 2016 Amount reclassified from accumulated other comprehensive (loss) income	Affected line item i where net income is
Changes in fair value of effective cash flow hedges:			
Foreign currency cash flow hedges	$ 1.2	$ (7.5)	Sales
Foreign currency cash flow hedges	(0.3)	(0.5)	Cost of sales
Total	$ 0.9	$ (8.0)	
Amortization of retirement benefits:			
Actuarial losses	$ 0.8	$ 0.8	Selling, general and expenses
Actuarial losses	0.4	0.4	Cost of sales
Total	$ 1.2	$ 1.2	

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Retirement and Other Employee Benefits

We sponsor a number of defined benefit pension plans and post-retirement plans. The mos
these plans cover employees in the United States, United Kingdom, Costa Rica and Guaten
are accounted for consistent with the ASC guidance related to "Compensation – Retiremen

The benefit obligation is the projected benefit obligation for defined benefit pension plans a
accumulated post-retirement benefit obligation for post-retirement benefit plans other than

U.S.-Based Defined Benefit Pension Plans

We sponsor a defined benefit pension plan, which covers a portion of our U.S.-based emplo
collective bargaining agreement. As a result of the accelerated closing of our Hawaii facilit
2006, the ILWU Local 42 collective bargaining agreement was not re-negotiated and expir
such the U.S.-based defined benefit pension plan has ceased accruing benefits. Our funding
plan is to contribute amounts sufficient to meet the minimum funding requirements of the E
Retirement Income Security Act of 1974, as amended, or such additional amounts as deterr
to assure that the assets of the plan would be adequate to provide benefits. Substantially all
assets are invested in mutual funds.

United Kingdom Defined Benefit Pension Plan

We sponsor a defined benefit pension plan, which covers a portion of our employees in the
(the "U.K. plan"). The U.K. plan provides benefits based on the employees' years of servic
compensation and has ceased accruing benefits. Benefit payments are based on a final pay
November 30, 2005 and are adjusted for inflation annually. Our funding policy for the U.K
contribute amounts into the plan in accordance with a recovery plan agreed by the Trustees
Company in order to meet the statutory funding objectives of occupational trust-based arrar
United Kingdom or such additional amounts as determined appropriate to assure that assets
are adequate to provide benefits. Substantially all of the U.K. plan's assets are primarily inv
income and equity funds.

Central American Plans

We provide retirement benefits to a portion of our employees of certain Costa Rican and G
subsidiaries ("Central American plans"). Generally, benefits under these programs are base
length of service and level of compensation. These programs are commonly referred to as t
indemnities, which provide retirement benefits in accordance with regulations mandated by
governments. Funding generally occurs when employees cease active service.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Retirement and Other Employee Benefits (continued)

The following table sets forth a reconciliation of benefit obligations, plan assets and funded
defined benefit pension plans and post-retirement plans as of December 29, 2017 and Dece
which are also their measurement dates (U.S. dollars in millions):

	Pension plans [1]				Post-
	December 29, 2017		December 30, 2016		Dece 2017
	U.S.	U.K.	U.S.	U.K.	Cent Ame
Change in Benefit Obligation:					
Beginning benefit obligation	$17.0	$57.0	$17.6	$58.8	$61.
Service cost	—	—	—	—	5.6
Interest cost	0.6	1.5	0.7	1.9	4.4
Actuarial loss	0.5	2.9	0.1	10.8	0.4
Benefits paid	(1.4)	(2.0)	(1.4)	(4.3)	(6.0
Exchange rate changes [2]	—	5.5	—	(10.2)	0.8
Plan amendment	—	(0.3)	—	—	—
Ending benefit obligation	16.7	64.6	17.0	57.0	67.1
Change in Plan Assets:					
Beginning fair value	13.1	50.5	13.4	53.4	—
Actual return on plan assets	1.8	5.9	0.8	8.7	—
Company contributions	0.4	1.8	0.3	1.9	6.0
Benefits paid	(1.4)	(2.0)	(1.4)	(4.3)	(6.0
Exchange rate changes [2]	—	5.1	—	(9.2)	—
Ending fair value	13.9	61.3	13.1	50.5	—
Amounts recognized in the Consolidated Balance Sheets:					
Accounts payable and accrued expenses (current liability)	—	—	—	—	7.5
Retirement benefits liability (noncurrent liability)	2.8	3.3	3.9	6.5	59.6
Net amount recognized in the Consolidated Balance Sheets	$2.8	$3.3	$3.9	$6.5	$67.
Amounts recognized in Accumulated other comprehensive loss[3]:					
Net actuarial loss	(8.7)	(1.7)	(9.4)	(2.8)	(14.
Net amount recognized in accumulated other comprehensive loss	$(8.7)	$(1.7)	$(9.4)	$(2.8)	$(14

[1] The accumulated benefit obligation is the same as the projected benefit obligation.
[2]

The exchange rate difference included in the reconciliation of the change in benefit obli
change in plan assets above results from currency fluctuations of the U.S. dollar relative
pound for the U.K. plan and the U.S. dollar versus Central American currencies such as
colon and Guatemalan quetzal for the Central American plans as of December 29, 2017
December 30, 2016, when compared to the previous year.

(3) We had accumulated other comprehensive income of $5.7 million as of December 29, 2
million as of December 30, 2016 related to tax effect of unamortized pension gains.

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Retirement and Other Employee Benefits (continued)

The following table provides a roll forward of the accumulated other comprehensive incom
balances (U.S. dollars in millions):

	Pension plans Year ended				Post-r Year
	December 29, 2017		December 30, 2016		Decer 2017
Reconciliation of AOCI	U.S.	U.K.	U.S.	U.K.	Centr Amer
AOCI (loss) gain at beginning of plan year	$(9.4)	$(2.8)	$(9.3)	$2.1	$(14.
Amortization of net losses recognized during the year	0.4	—	0.3	—	0.9
Net (losses) gains occurring during the year	0.3	1.0	(0.4)	(4.7)	(0.5
Currency exchange rate changes	—	0.1	—	(0.2)	
AOCI (loss) at end of plan year	$(8.7)	$(1.7)	$(9.4)	$(2.8)	$(14.

The amounts in AOCI expected to be amortized as a component of net period cost in the up
(U.S. dollars in millions):

	Pension plans		Post-retirement plans
	U.S.	U.K.	Central America
2018 amortization of net losses	$0.4	$ —	$ 0.8

The following table sets forth the net periodic pension cost of our defined benefit pension a
post-retirement benefit plans (U.S. dollars in millions):

	Pension plans Year ended						Post-retirement plans Year ended		
	December 29, 2017		December 30, 2016		January 1, 2016		December 29, 2017	December 30, 2016	J 2
	U.S.	U.K.	U.S.	U.K.	U.S.	U.K.	Central America	Central America	C A
Service cost	$—	$—	$ —	$ —	$—	$—	$5.6	$ 5.2	$
Interest cost	0.6	1.5	0.7	1.9	0.7	2.2	4.4	3.8	3
Expected return on assets	(1.0)	(2.4)	(1.0)	(2.6)	(1.0)	(2.9)	—	—	–
Net amortization	0.4	—	0.3	—	0.4	—	0.8	0.8	1
Net periodic cost (income)	$—	$(0.9)	$ —	$ (0.7)	$0.1	$(0.7)	$10.8	$ 9.8	$

There are no amounts of plan assets expected to be refunded to us over the next 12 months.
return on assets is calculated using the fair value of plan assets for both the U.S. and U.K. p

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Retirement and Other Employee Benefits (continued)

Actuarial Assumptions

The assumptions used in the calculation of the benefit obligations of our U.S. and U.K. def
pension plans and Central American plans consisted of the following:

	December 29, 2017			December 30, 2016			January
	Pension plans		Post-retirement plans	Pension plans		Post-retirement plans	Pensio
	U.S.	U.K.	Central America	U.S.	U.K.	Central America	U.S.
Weighted average discount rate	3.45%	2.45%	6.50 %	3.85%	2.60%	7.29 % [1]	4.00%
Rate of increase in compensation levels	— %	2.40%	4.75 %	— %	2.50%	4.75 %	— %

The assumptions used in the calculation of the net periodic pension costs for our U.S. and U
benefit pension plans and Central American plans consisted of the following:

	December 29, 2017			December 30, 2016			January
	Pension plans		Post-retirement plans	Pension plans		Post-retirement plans	Pensio
	U.S.	U.K.	Central America	U.S.	U.K.	Central America	U.S.
Weighted average discount rate	3.85%	2.60%	7.10 %	4.00%	3.70%	7.23 % [1]	3.70%
Rate of increase in compensation levels	— %	2.50%	4.75 %	— %	2.20%	4.64 %	— %
Expected long-term rate of return on assets	7.50%	4.50%	— %	7.50%	5.47%	— %	7.50%

[1] The increase or decrease in the weighted average discount rate assumption for the benef
net periodic pension costs increased due to an increase or decrease in inflation assumpti
country-specific investments.

Effective December 29, 2017, we utilized updated mortality tables for our U.S. Plan. The c
updated mortality tables has caused a decrease of our projected benefit obligation for this p
million and is included in accumulated other comprehensive income in our Consolidated B
This change is treated as a change in assumption, which affects the net actuarial (loss) gain
over the remaining service period of the plan participants. The annual amortization will im

cost in 2018.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Retirement and Other Employee Benefits (continued)

Cash Flows

	Pension plans		Post-retirement plans
	U.S.	U.K.	Central America
Expected benefit payments for:			
2018	$1.4	$1.8	$ 7.5
2019	1.4	1.8	7.0
2020	1.3	1.8	6.6
2021	1.3	1.8	6.2
2022	1.2	1.9	6.3
Next 5 years	5.4	11.3	31.4
Expected benefit payments over the next 10 years	$12.0	$20.4	$ 65.0

For 2018, expected contributions are $0.2 million for the U.S. pension plans and $1.8 milli
pensions plans. Contributions for the U.S. and U.K. pension plans are actuarially determine
funding regulations.

U.S.-Based Defined Benefit Pension Plans

Plan Assets

Our overall investment strategy is to achieve a mix of between 50%-70% equity securities
growth and 30%-50% fixed income securities for near-term benefit payments. Asset alloca
promote optimal expected return and volatility characteristics given the long-term time hor
the obligations of the pension plans. Selection of the targeted asset allocation for U.S. plan
upon a review of the expected return and risk characteristics of each asset class, as well as t
returns among asset classes.

The fair values of our U.S. plan assets by asset category are as follows:

Fair Value Measurements at December 29, 2017 (U.S. dollars in millions)		
Quoted Prices in Active Markets for Identical	Significant Observable Inputs	Significant Unobservable Inputs

Asset Category	Total	Assets (Level 1)	(Level 2)	(Level 3)
Mutual Funds:				
Fixed income securities	$5.7	$ 5.7	$ —	$ —
Value securities	3.8	3.8	—	—
Growth securities	4.4	4.4	—	—
Total	$13.9	$ 13.9	$ —	$ —

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Retirement and Other Employee Benefits (continued)

The fair values of our U.S. plan assets by asset category are as follows:

		Fair Value Measurements at December 30, 2016 (U.S. dollars in millions)		
		Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs	Significant Unobservable Inputs
Asset Category	Total	(Level 1)	(Level 2)	(Level 3)
Mutual Funds:				
Fixed income securities	$1.8	$ 1.8	$ —	$ —
Bond securities	3.6	3.6	—	—
Value securities	4.2	4.2	—	—
Growth securities	3.5	3.5	—	—
Total	$13.1	$ 13.1	$ —	$ —

Mutual Funds – This category includes investments in mutual funds that encompass both e
income securities that are designed to provide a diverse portfolio. The plan’s mutual funds
track exchange indices, and invest in diverse industries. Some mutual funds are classified a
investment companies. Investment managers have the ability to shift investments from valu
strategies, from small to large capitalization funds, and from U.S. to international investme
investments are valued at the closing price reported on the active market on which the indiv
are traded. These investments are classified within Level 1 of the fair value hierarchy.

Investment managers agree to operate the plan's investments within certain criteria that dete
and ineligible securities, diversification requirements and credit quality standards, where ap
exceptions have been approved, investment managers are prohibited from buying or selling
futures or option contracts, as well as from short selling of securities. Furthermore, investm
agree to obtain written approval for deviations from stated investment style or guidelines. W
historical returns and the future expectations for returns for each asset class as well as the ta
allocation of plan assets to develop the expected long-term rate of return on assets assumpt

The expected long-term rate of return assumption for U.S. plan assets is based upon the targ
allocation and is determined using forward-looking assumptions in the context of historical
volatilities for each asset class, as well as correlations among asset classes. We evaluate the
assumption on an annual basis.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Retirement and Other Employee Benefits (continued)

United Kingdom Defined Benefit Pension Plan

Plan Assets

The fair values of our U.K. plan assets by asset category are as follows:

		Fair Value Measurements at December 29, 2017 (U.S. dollars in millions)		
Asset Category	Total Fair Value at December 29, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	$ 0.2	$ 0.2	$ —	$ —
Equity securities:				
United Kingdom companies	5.5		5.5	—
Diversified growth funds	20.8		20.8	—
Other international companies	18.5		18.5	—
Fixed income securities:				
United Kingdom government bonds	7.1		7.1	—
Liability-driven investments	9.2		9.2	—
Total	$ 61.3	$ 0.2	$ 61.1	$ —

		Fair Value Measurements at December 30, 2016 (U.S. dollars in millions)		
Asset Category	Total Fair Value at December 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	$ 0.4	$ 0.4	$ —	$ —

Equity securities:				
United Kingdom companies	4.8		4.8	—
Diversified growth funds	17.4		17.4	—
Other international companies	17.1		17.1	—
Fixed income securities:				
United Kingdom government bonds	4.4		4.4	—
Liability-driven investments	6.4		6.4	—
Total	$ 50.5	$ 0.4	$ 50.1	$ —

Equity securities – This category includes pooled investments in various U.S., U.K. and oth
equities over diverse industries. The portfolio of stocks is invested in diverse industries an
concentration of 22% in financial institutions, 13% in consumer goods, 13% in industrials,
technology, 11% in health care, 11% in consumer services and the remaining 17% in vario
industries. The diversified growth fund includes a portfolio of investment allocations of 35
predominantly in the United States and Asia, 41% in fixed income securities including corp
government bonds, 11% cash and 13% in other investments such as property and infrastruc
pooled investment accounts are not traded on an exchange or in an active market; however,
based on the underlying investments of the units and are classified as Level 2 investments o
hierarchy.

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Retirement and Other Employee Benefits (continued)

Fixed income securities –This category includes pooled investments in U.K. index-linked g
U.K. corporate bonds, U.K. and overseas equity-linked government bonds and liability-driv
investments. These investments are valued at the closing price reported on the active mark
individual securities are traded. Units of the pooled investment accounts are not traded on
in an active market; however, valuation is based on the underlying investments of the units
classified as Level 2 investments of the fair value hierarchy.

The expected long-term rate of return assumption for U.K. plan assets is adjusted based on
and is determined by reference to U.K. long dated government bond yields.

According to the plan's investment policy, approximately 34% of the U.K. plan's assets are
diversified growth funds, 30% are invested in other international equities and 9% are invest
equity securities. Approximately 15% are invested in liability-driven investments and 12%
assets are invested in U.K. index-lined government bonds. Fund managers have no discretio
allocation decisions with the exception of the diversified growth fund. The trustees try to re
discrepancies through selective allocations of future contributions. Performance benchmark
class are based on various FTSE indices and inflation measures. Investment performance is
quarterly.

Other Employee Benefits

We also sponsor a defined contribution plan established pursuant to Section 401(k) of the I
Code. Subject to certain dollar limits, employees may contribute a percentage of their salar
and we will match a portion of each employee's contribution. This plan is in effect for U.S.
only. The expense pertaining to this plan was $1.2 million for 2017, $1.1 million for 2016 a
for 2015.

On August 31, 1997, one of our subsidiaries ceased accruing benefits under its salary conti
covering certain of our Central American management personnel. At December 29, 2017 w
million accrued for this plan, including $0.6 million in accumulated other comprehensive in
related to unamortized pension gains. At December 30, 2016 we had $5.4 million accrued f
including $0.8 million in accumulated other comprehensive loss related to unamortized pen
periodic pension costs were $0.1 million for the year ended December 29, 2017, $0.1 millio
December 30, 2016 and $0.1 million for the year ended January 1, 2016. Expected benefit
the plan for 2018 through 2022 total $3.4 million. For 2023 through 2027 the expected bene
under the plan total $2.0 million.

We sponsor a service gratuity plan covering certain of our Kenyan personnel. At December
$6.1 million accrued for this plan, including a $1.3 million in accumulated other comprehen
to unamortized pension losses. At December 30, 2016 we had $6.1 million accrued for this
$1.8 million in accumulated other comprehensive loss related to unamortized pension losse
pension costs were $1.2 million for the year ended December 29, 2017, $1.1 million for the
December 30, 2016 and $0.9 million for the year ended January 1, 2016. Expected benefit p

the plan from 2018 through 2022 total $3.7 million. Benefit payments under the plan from
2027 are expected to total $4.4 million.

We provide retirement benefits to certain employees who are not U.S.-based. Generally, be
these programs are based on an employee's length of service and level of compensation. In
retirement benefits on our consolidated balance sheets is $12.9 million at December 29, 20
million at December 30, 2016 related to these programs. The unamortized pension losses re
non-U.S.-based plans included in accumulated other comprehensive income (loss), a comp
shareholders' equity was $1.7 million for the year ending December 29, 2017 and $2.2 mil
ending December 30, 2016. We also offer certain post-employment benefits to former exec
$2.7 million at December 29, 2017 and $2.7 million at December 30, 2016 in retirement be
consolidated balance sheets related to these benefits.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Share-Based Compensation

We maintain various compensation plans for officers, other employees, and non-employee
Board of Directors.
Share-based compensation expense included in selling, general and administrative expense
options, restricted stock awards ("RSAs"), restricted stock units ("RSUs") and performance
("PSUs") is included in the accompanying Consolidated Statements of Income as follows (
millions):

Types of Awards	Year ended December 29, 2017	December 30, 2016	January 1, 2016
Stock options	$ 0.5	$ 2.4	$ 3.9
RSUs/PSUs	10.7	21.6	12.2
RSAs	0.9	0.9	0.7
Total	$ 12.1	$ 24.9	$ 16.8

Proceeds of $1.6 million were received from the exercise of stock options for 2017, $12.2 r
and $35.3 million for 2015.

On April 30, 2014, our shareholders approved and ratified the 2014 Omnibus Share Incenti
“2014 Plan”). The 2014 Plan allows the Company to grant equity-based compensation awa
options, restricted stock awards, restricted stock units and performance stock units. Under t
Board of Directors is authorized to award up to 3,000,000 ordinary shares. The 2014 Plan r
superseded the 2011 Omnibus Share Incentive Plan (the "2011 Plan"), and the 2010 Non-E
Directors Equity Plan, collectively referred to as Prior Plans.

Under the 2014 Plan and Prior Plans, 20% of the options usually vest immediately, and the
options vest in equal installments over the next four years. Options under the 2014 Plan and
be exercised over a period not in excess of 10 years from the date of the grant. Prior Plan p
applicable to outstanding options and awards under those plans. There were no stock option
years ended December 29, 2017, December 30, 2016, and January 1, 2016.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Share-Based Compensation (continued)

Stock Options Awards

The fair value for stock options was estimated at the date of grant using the Black-Scholes
model, which requires us to make certain assumptions. Volatility is estimated based on the
volatility of our stock over the past five years. The risk-free interest rate is based on U.S. T
zero-coupon issues with a remaining term equal to the expected term of grant. The dividend
estimated over the expected life based on our dividend policy, historical cash dividends and
cash dividends. The expected term of grant was based on the contractual term of the stock o
expected employee exercise and post-vesting employment termination trends. Forfeitures a
based on historical experience.

The following table summarizes stock option activity for the years ended December 29, 20
2016 and January 1, 2016:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value
Options outstanding at December 26, 2014	2,115,606	$ 26.41	$ 8.65
Exercised	(1,320,103)	26.76	9.05
Canceled	(35,000)	29.63	11.43
Options outstanding at January 1, 2016	760,503	25.65	7.84
Exercised	(471,653)	25.77	8.04
Canceled	(6,000)	15.78	5.53
Options outstanding at December 30, 2016	282,850	25.64	7.55
Exercised	(59,000)	27.80	8.00
Canceled	(5,000)	28.09	8.46
Options outstanding at December 29, 2017	218,850	$ 25.00	$ 7.40
Exercisable at January 1, 2016	202,303	$ 22.66	$ 7.69
Exercisable at December 30, 2016	126,250	$ 22.61	$ 7.86
Exercisable at December 29, 2017	186,650	$ 24.33	$ 7.60

15. Share-Based Compensation (continued)

Information about stock options outstanding at December 29, 2017 was as follows:

Exercise Price	Remaining Contractual Life	Outstanding	Outstanding Intrinsic Value	Exercisable	Exercisable Intrinsic Value
$14.77	1.3 years	24,000	$ 0.8	24,000	$ 0.8
$19.83	1.1 years	6,250	0.2	6,250	0.2
$21.72	1.6 years	13,000	0.3	13,000	0.3
$22.25	0.6 years	21,000	0.5	21,000	0.5
$23.76	3.6 years	11,000	0.3	11,000	0.3
$24.29	4.6 years	23,000	0.5	23,000	0.5
$26.52	5.1 years	32,200	0.7	32,200	0.7
$28.01	5.6 years	17,150	0.3	17,150	0.3
$28.09	5.6 years	600	—	600	—
$28.89	6.3 years	64,400	1.2	32,200	0.6
$33.97	0.2 years	6,250	0.1	6,250	0.1
		218,850	$ 4.9	186,650	$ 4.3

The total intrinsic value of options exercised during the year ended December 29, 2017 was
and $13.6 million and for the year ended December 30, 2016. There were no options grante
ended December 29, 2017 and no options granted for the year ended December 30, 2016. T
value of options vesting during the years ended December 29, 2017 was $0.9 million with a
weighted-average fair value of $7.52 and $3.3 million for 2016 with a weighted-average fa
per option. As of December 29, 2017, the total remaining unrecognized compensation cost
non-vested stock options amounted to $0.1 million, which will be amortized over the weigh
remaining requisite service period of 0.3 years.

15. Share-Based Compensation (continued)

Restricted Stock Awards (RSA)

A share of "restricted stock" is one of our ordinary shares that has restrictions on transferab
vesting conditions are met.

For RSAs under the 2014 Plan and Prior Plans, 50% of each award of our restricted stock v
it was granted. The remaining 50% of each award vests upon the six-month anniversary of
which the recipient ceases to serve as a member of our Board of Directors. RSA awarded d
ended December 29, 2017 and December 30, 2016 allow directors to retain all of their awa
cease to serve as a member of our Board of Directors and is considered a nonsubstantive se
in accordance with the guidance provided by the ASC on "Compensation – Stock
Compensation." Accordingly, we recognize compensation cost immediately for restricted s
granted to non-management members of the Board of Directors.

The following table lists the RSA for the years ended December 29, 2017 and December 30

Date of Award	Shares of Restricted Stock Awarded	Price Per Share
January 3, 2017	14,294	$61.21
January 4, 2016	22,946	$38.13

Restricted Stock Units (RSU)/ Performance Stock Units (PSU)

Each RSU/PSU represents a contingent right to receive one of our ordinary shares. The PSU
meeting minimum performance criteria set by our Compensation Committee of our Board o
actual number of shares the recipient receives is determined based on the results achieved v
performance goals. Those performance goals are based on exceeding a measure of our earn
on the results achieved, the actual number of shares that an award recipient receives at the e
may range from 0% to 100% of the award units granted. Provided such criteria are met, the
three equal annual installments on each of the next three anniversary dates provided that th
remains employed with us. For PSU's each anniversary date vesting tranche is considered t
grant-date and requisite service period. The RSUs will vest 20% on the award date and 20%
next four anniversaries. For RSU's there is only one grant-date and requisite service period
year vesting period, one vesting tranche. We recognize expense related to RSUs and PSUs
market value, as determined on the date of award, ratably over each vesting tranche, provid
performance condition, if any, is probable.

RSUs/PSUs do not have the voting rights of ordinary shares, and the shares underlying the
not considered issued and outstanding. However, shares underlying RSUs/PSUs are include
calculation of diluted earnings per share to the extent the performance criteria are met.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Share-Based Compensation (continued)

The fair market value for RSUs/PSUs is based on the closing price of our stock on the awar
Forfeitures are estimated based on population of employees and historical experience.

The following table lists the various RSUs/PSUs awarded under the 2014 Plan and Prior Pl
ended December 29, 2017 and December 30, 2016 (U.S. dollars in millions except share an
data):

Date of Award	Type of Award	Units Awarded	Price Per Share
August 2, 2017	RSU	48,700	$49.75
February 22, 2017	PSU	100,000	56.52
February 22, 2017	RSU	50,000	56.52
September 2, 2016 [1]	RSU	50,000	58.94
August 3, 2016	RSU	226,500	59.83
February 24, 2016	PSU	140,000	38.99
February 24, 2016	RSU	50,000	38.99

[1] New grant related to the former President/COO transition

RSUs are eligible to earn Dividends Equivalent Units ("DEUs") equal to the cash dividend
shareholders. DEUs are subject to the same performance and/or service conditions as the u
RSUs/PSUs and are forfeitable.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Share-Based Compensation (continued)

The following table summarizes RSUs/PSUs activity for the years ended December 29, 20
2016, January 1, 2016:

	Number of Shares	Weighted Average Grant Date Fair Value
RSUs/PSUs outstanding at December 26, 2014	675,932	$ 27.29
Granted	471,767	36.44
Converted	(157,933)	32.38
Canceled	(1,224)	29.99
RSUs/PSUs outstanding at January 1, 2016	988,542	30.94
Granted	427,624	49.91
Converted	(472,841)	37.77
Canceled	(11,289)	37.89
RSUs/PSUs outstanding at December 30, 2016	932,036	36.09
Granted	208,743	54.17
Converted	(336,112)	34.91
Canceled	(43,515)	43.77
RSUs/PSUs outstanding at December 29, 2017	761,152	41.13
Vested at January 1, 2016	249,797	$ 25.53
Vested at December 30, 2016	304,940	$ 26.49
Vested at December 29, 2017	235,332	$ 28.01

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Share-Based Compensation (continued)

Information about RSUs/PSUs outstanding at December 29, 2017 was as follows:

Grant Date Market Value	Outstanding	Outstanding Intrinsic Value	Vested	Vested Intrinsic Value
$40.03	60,483	$ 0.5	—	$ —
$56.52	97,149	—	—	—
$56.52	40,479	—	—	—
$59.83	96,116	—	—	—
$49.75	39,210	—	—	—
$38.99	80,433	0.7	17,513	0.8
$38.99	30,674	0.3	—	—
$33.44	79,397	1.1	41,164	2.0
$33.44	20,708	0.3	—	—
$25.52	63,146	1.4	63,147	3.0
$29.99	39,849	0.7	—	—
$26.52	64,290	1.4	64,290	3.1
$24.68	49,218	1.1	49,218	2.3
	761,152	$ 7.5	235,332	$ 11.2

As of December 29, 2017, the total remaining unrecognized compensation cost related to n
RSUs/PSUs amounted to $18.2 million, which will be amortized over the weighted-averag
requisite service period of two years.

16. Commitments and Contingencies

We lease agricultural land and certain property, plant and equipment, including office facil
refrigerated containers, under operating leases. We also enter into ship charter agreements f
of our fresh produce to markets worldwide using seven chartered refrigerated ships. The re
for ship charter agreements range between one to five years. The aggregate minimum payr
operating leases and ship charter agreements with initial terms of one year or more at Dece
are as follows (U.S. dollars in millions):

2018	$44.1
2019	38.0
2020	16.8
2021	10.2
2022	8.7
Thereafter	27.8
	$145.6

Total expense for all operating leases and ship charter agreements, including leases with in
than one year, amounted to $92.1 million for 2017, $96.4 million for 2016 and $103.9 milli

We also have agreements to purchase the entire or partial production of certain products of
growers primarily in Guatemala, Costa Rica, Philippines, Ecuador, Chile, and Colombia th
quality standards. Total purchases under these agreements amounted to $815.0 million for 2
million for 2016 and $887.2 million for 2015.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Commitments and Contingencies (continued)

In addition, on December 22, 2017, we entered into a definitive agreement for the building
refrigerated container ships for $58.0 million to be delivered in 2020. The agreement requi
approximately $11.4 million in 2018, $5.7 million in 2019 and $40.9 million in 2020 for th
part of this ship building agreement, we have two options for two additional ships on each

17. Litigation

DBCP Litigation

Beginning in December 1993, certain of our U.S. subsidiaries were named among the defe
number of actions in courts in Texas, Louisiana, Hawaii, California and the Philippines inv
numerous non-U.S. plaintiffs alleging that they were injured as a result of exposure to a ne
containing the chemical dibromochloropropane ("DBCP") during the period 1965 to 1990.
settlement entered into in December 1998, the remaining unresolved DBCP claims against
subsidiaries are pending or subject to appeal in Hawaii, Delaware and the Philippines.

On October 14, 2004, two of our subsidiaries were served with a complaint in an action sty
Abarca, et al. v. Dole Food Co., et al. filed in the Superior Court of the State of California
Los Angeles on behalf of more than 2,600 Costa Rican banana workers who claim injury fr
DBCP. On January 2, 2009, three of our subsidiaries were served with multiple complaints
actions styled Jorge Acosta Cortes, et al. v. Dole Food Company, et al. filed in the Superio
State of California for the County of Los Angeles on behalf of 461 Costa Rican residents.
of the plaintiffs in the Abarca and Cortes actions found that a substantial number of the p
claimants in prior DBCP actions in Texas and may have participated in the settlement of th
June 27, 2008, the court dismissed the claims of 1,329 plaintiffs who were parties to prior
On June 30, 2008, our subsidiaries moved to dismiss the claims of the remaining Abarca pl
grounds of forum non conveniens in favor of the courts of Costa Rica. On September 22, 2
granted the
motion to dismiss and on November 16, 2009 entered an order conditionally dismissing the
remaining plaintiffs who allege employment on farms in Costa Rica exclusively affiliated
subsidiaries. Those dismissed plaintiffs re-filed their claim in Costa Rica on May 17, 2012.
2013, all remaining plaintiffs in California filed Requests for Dismissal effecting the dismi
claims without prejudice. On September 25, 2013, our subsidiaries filed an answer to the c
the courts of Costa Rica. Two additional DBCP-related lawsuit were filed in Costa Rica in
which the Company has not yet been served.

On May 31 and June 1, 2012, eight actions were filed against one of our subsidiaries in the
District Court for the District of Delaware on behalf of approximately 3,000 plaintiffs alleg
DBCP on or near banana farms in Costa Rica, Ecuador, Panama, and Guatemala. We and o
have never owned, managed or otherwise been involved with any banana growing operatio
were not involved with any banana growing operations in Ecuador during the period when
use. The plaintiffs include 229 claimants who had cases pending in the United States Distri
Eastern District of Louisiana which were dismissed on September 17, 2012. On August 30,

subsidiary joined a motion to dismiss the claims of those plaintiffs on the grounds that they
claims pending in the United States District Court for the Eastern District of Louisiana. The
granted on March 29, 2013 and appealed to the United States Court of Appeals for the Thir
September 21, 2012, our subsidiary filed an answer with respect to the claims of those plai
not already filed in Louisiana. On May 27, 2014, the court granted a motion made by a co-
entered summary judgment against all remaining plaintiffs based on the September 19, 201
the United States Court of Appeals for the Fifth Circuit of the dismissal on statute of limita
related cases by the United States District Court for the Eastern District of Louisiana. On J
subsidiary joined in a motion for summary judgment on statute of limitations grounds as to
plaintiffs on the basis of the court's May 27, 2014 ruling.

Plaintiffs agreed that judgment be entered in favor of all defendants for the claims still pen
United States District Court for the District of Delaware on the basis of the summary judgn
May 27, 2014 and the district court entered judgment dismissing all plaintiffs' claims on Se
2014. On October 21, 2014, a notice of appeal was filed with the United States Court of Ap
Third Circuit expressly limited the appeal to the claims of 57 (out of the more than 2,600) p
not previously filed claims in Louisiana. On August 11, 2015, a panel of the Court of Appe
dismissal of the claims of these plaintiffs. Plaintiffs filed a Motion for Rehearing en Banc v
Circuit, which was granted on September

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Litigation (continued)

22, 2015. On September 2, 2016, the Third Circuit en banc reversed the District Court's dis
first-filed doctrine grounds of the claims of approximately 229 of the plaintiffs and remand
to the District Court for further proceedings. The United States Court of Appeals for the Th
canceled the hearing previously scheduled for March 9, 2017 to hear oral argument in the a
grant of summary judgment to defendants on the statute of limitations issue and has advise
parties that its decision on the appeal, which remains pending, will be issued on the basis o
pleadings filed by the
parties. On June 2, 2017, the Third Circuit issued a Petition for Certification of State Law t
Supreme Court to resolve the complex procedural question pending on appeal regarding th
the first-filed doctrine for tolling the
statute of limitations on class actions claims. The Delaware Supreme Court has accepted ce
pending question of law and the parties have filed their respective briefs with the court. Or
before the court took place on January 17, 2018.

In Hawaii, plaintiffs filed a petition for certiorari to the Hawaii Supreme Court based upon
of Appeals affirmance in March 2014 of a summary judgment ruling in defendants' favor a
level. The Hawaii Supreme Court accepted the petition and oral argument was held on Sept
with respect to whether the claims of the six named plaintiffs were properly dismissed on s
limitations grounds. On October 21, 2015, the Hawaii Supreme Court reversed the Hawaii
and the Hawaii state trial court's grant of partial summary judgment against the DBCP plai
limitations grounds. The Hawaii Supreme Court remanded the claims of six remaining pla
Hawaii state trial court for further proceedings.

Kunia Well Site

In 1980, elevated levels of certain chemicals were detected in the soil and ground-water at
leased by one of our U.S. subsidiaries in Honolulu, Hawaii (the "Kunia Well Site"). Shortly
subsidiary discontinued the use of the Kunia Well Site and provided an alternate water sou
users and the subsidiary commenced its own voluntary cleanup operation.

In 1993, the Environmental Protection Agency ("EPA") identified the Kunia Well Site for
the National Priorities List ("NPL") under the Comprehensive Environmental Response, C
Liability Act of 1980, as amended. On December 16, 1994, the EPA issued a final rule add
Well Site to the NPL.

On September 28, 1995, our subsidiary entered into an order (the "Order") with the EPA to
remedial investigation and the feasibility study of the Kunia Well Site. Under the terms of t
subsidiary submitted a remedial investigation report in November 1998 and a final draft fe
December 1999 (which was updated from time to time) for review by the EPA. The EPA a
remedial investigation report in February 1999 and the feasibility study on April 22, 2003.

As a result of communications with the EPA in 2001, we recorded a charge of $15.0 millio
quarter of 2001 to increase the recorded liability to the estimated expected future cleanup c

Well Site to $19.1 million. Based on conversations with the EPA in the third quarter of 200
consultation with our legal counsel and other experts, we recorded a charge of $7.0 million
quarter of 2002 to increase the accrual for the expected future clean-up costs for the Kunia
$26.1 million.

On September 25, 2003, the EPA issued the Record of Decision ("ROD"). The EPA estima
the remediation costs associated with the cleanup of the Kunia Well Site will range from $1
$25.4 million and will last approximately 10 years. It remains to be determined how long th
will actually last.

On January 13, 2004, the EPA deleted a portion of the Kunia Well Site (Northeast section)
On May 2, 2005, our subsidiary signed a Consent Decree with the EPA for the performanc
work for the Kunia Well Site. On September 27, 2005, the U.S. District Court for Hawaii a
entered the Consent Decree. Based on findings from remedial investigations at the Kunia W
subsidiary continues to evaluate with the EPA the clean-up work currently in progress in ac
the Consent Decree.

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17. Litigation (continued)

We increased the liability by $0.4 million during 2017 and 2016 and reduced the liability b
during 2015 due to changes to the remediation work being performed related to the Kunia
clean-up. We included these charges/(credits) in asset impairment and other charges, net or
Consolidated Statements of Income. The estimates are between $13.7 million and $28.7 mi
estimate on which our accrual is based, totals $13.9 million. As of December 29, 2017, the
million included in other noncurrent liabilities and $0.4 million included in accounts payab
expenses in the Consolidated Balance Sheets for the Kunia Well Site clean-up, which we e
in the next 12 months. We expect to expend approximately $0.4 million in 2018, $1.1 milli
from 2019 through 2021 and $0.9 million in 2022.

Additional Information

In addition to the foregoing, we are involved from time to time in various claims and legal
to our operations, both as plaintiff and defendant. In the opinion of management, after cons
counsel, none of these other claims are currently expected to have a material adverse effect
operations, financial position or our cash flows.

We intend to vigorously defend ourselves in all of the above matters.

18. Derivative Financial Instruments

Our derivative financial instruments reduce our exposure to fluctuations in foreign exchang
predominantly designate our derivative financial instruments as cash flow hedges.

Counterparties expose us to credit loss in the event of non-performance on hedges. We mo
exposure to counterparty non-performance risk both at inception of the hedge and at least q
thereafter. However, because the contracts are entered into with highly rated financial insti
not anticipate non-performance by any of these counterparties. The exposure is usually the
unrealized gains, if any, in such contracts.

Because of the high degree of effectiveness between the hedging instrument and the underl
being hedged, fluctuations in the value of the derivative instruments are generally offset by
cash flows or fair value of the underlying exposures being hedged. In addition, we perform
of hedge effectiveness, both at inception and at least quarterly thereafter, to determine whet
instruments that are used in hedging transactions are effective at offsetting changes in the c
value of the related underlying exposures. A cash flow hedge requires that the change in th
derivative instrument be recognized in other comprehensive income, a component of sharel
and reclassified into earnings in the same period or periods during which the hedged transa
earnings and is presented in the same income statement line item as the earnings effect of t

Certain of our derivative instruments contain provisions that require the current credit relat
us and our counterparty to be maintained throughout the term of the derivative instruments.
relationship changes, certain provisions could be triggered, and the counterparty could requ
collateralization of derivative instruments in net liability position above a certain threshold.
derivative instruments with a credit-risk-related contingent feature that are in a liability pos
December 29, 2017. As of December 29, 2017, no triggering event has occurred and thus w
required to post collateral. If the credit-risk-related contingent features underlying these ag
triggered on December 29, 2017, we would not be required to post collateral to its counterp
collateralization threshold has not been met.

Foreign Currency Hedges

We are exposed to fluctuations in currency exchange rates against the U.S. dollar on our re
operations and financial condition and we mitigate that exposure by entering into foreign cu
contracts. Certain of our subsidiaries periodically enter into foreign currency forward contr
hedge portions of forecasted sales or cost of sales denominated in foreign currencies with f
and options, which generally expire within one year. At December 29, 2017, our foreign cu
contracts will hedge a portion of our 2018 foreign currency exposure.

We designate our foreign currency forward contracts as single-purpose cash flow hedges o
flows.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Derivative Financial Instruments (continued)

We had the following outstanding foreign currency forward contracts as of December 29, 2

Foreign Currency Contracts Qualifying as Cash Flow Hedges:		Notional Amount	
Euro	€	85.0	million
Korean won	KRW	31,735.0	million

The following table reflects the fair values of derivative instruments as of December 29, 20
in millions):

Derivatives Designated as Hedging Instruments [1]

Balance Sheet Location:	Foreign exchange contracts December 29, 2017	December 30, 2016
Asset derivatives:		
Prepaid expenses and other current assets	$ —	$ 5.4
Total asset derivatives	$ —	$ 5.4
Liability derivatives:		
Accounts payable and accrued expenses	$ 1.4	$ —
Total liability derivatives	$ 1.4	$ —

[1] See Note 19, "Fair Value Measurements," for fair value disclosures.
[2] We expect that $1.4 million of the fair value of hedges recognized as a net loss in AOCI
transferred to earnings during the next 12 months along with the effect of the related foreca

The fair value of our derivatives changed from an asset of $5.4 million as of December 30,
liability of $1.4 million as of December 29, 2017, related to our foreign currency cash flow
foreign currency hedges, these fluctuations are primarily driven by the strengthening or wea
U.S. dollar compared to currencies being hedged relative to the contracted exchange rates a
a number of contracts throughout 2017. During 2017, certain derivative contracts to hedge
Japanese yen relative to our sales were settled; certain derivative contracts to hedge the Ko
to our cost of sales were also settled. The change in 2017 was primarily related to the settli
majority of the contracts throughout 2017.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table reflects the effect of derivative instruments on the Consolidated Statem
for the years ended December 29, 2017 and December 30, 2016 (U.S. dollars in millions):

Derivatives in Cash Flow Hedging Relationships	Amount of (Loss) Gain Recognized in Other Comprehensive Income on Derivatives (Effective Portion)		Location of (Loss) Gain Reclassified from AOCI into Income (Effective Portion)	Amo Gain from AOC (Effe
	Year ended			Year
	December 29, 2017	December 30, 2016		Dece 2017
Foreign exchange contracts	$ (5.4)	$ (7.2)	Net sales	$ (1.
Foreign exchange contracts	(1.4)	0.7	Cost of products sold	0.3
Total	$ (6.8)	$ (6.5)		$ (0.

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19. Fair Value Measurements

Fair Value of Derivative Instruments

We mitigate the risk of fluctuations in currency exchange rates on our results of operations
condition by entering into foreign currency cash flow hedges. We use an income approach
outstanding foreign currency cash flow hedges, which consists of a discounted cash flow m
into account the present value of future cash flows under the terms of the contracts using cu
information as of the measurement date such as foreign currency spot and forward rates. A
include an element of default risk based on observable inputs in the fair value calculation. I
that certain inputs to fair value these derivative instruments can be observed, these derivati
as Level 2.

The following table provides a summary of the fair values of our derivative financial instru
on a recurring basis under "Fair Value Measurements and Disclosures" (U.S. dollars in mil

	Fair Value Measurements Foreign currency hedge (liabilities) assets	
	December 29, 2017	December 30, 2016
Quoted Prices in Active Markets for Identical Assets (Level 1)	$ —	$ —
Significant Other Observable Inputs (Level 2)	(1.4)	5.4
Significant Unobservable Inputs (Level 3)	—	—

Refer to Note 14, "Retirement and Other Employee Benefits" for further fair value disclosu
pension assets.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Fair Value Measurements (continued)

In estimating our fair value disclosures for financial instruments, we use the following metl
assumptions:

Cash and cash equivalents: The carrying amount of these items approximates fair value due
nature and are classified as Level 1.

Trade accounts receivable and other accounts receivable, net: The carrying value reported i
Consolidated Balance Sheets for these items is net of allowances for doubtful accounts, wh
degree of counterparty non-performance risk and are classified as Level 2.

Accounts payable and other current liabilities: The carrying value reported in the Consolida
Sheets for these items approximates their fair value, which is the likely amount for which tl
short settlement periods would be transferred to a market participant with a similar credit st
and are classified as Level 2.

Capital lease obligations: The carrying value of our capital lease obligations reported in the
Balance Sheets approximates their fair value based on current interest rates, which contain
default risk. The fair value of our capital lease obligations is estimated using Level 2 input
quoted prices for those or similar instruments.
Refer to Note 11, "Long-Term Debt and Capital Lease Obligations."

Long-term debt: The carrying value of our long-term debt reported in the Consolidated Bal
approximates their fair value since they bear interest at variable rates or fixed rates which c
element of default risk. The fair value of our long-term debt is estimated using Level 2 inp
quoted prices for those or similar instruments.
Refer to Note 11, "Long-Term Debt and Capital Lease Obligations."

Fair Value of Non-Financial Assets

The following is a tabular presentation of the non-recurring fair value measurement along v
within the fair value hierarchy in which the fair value measurement in its entirety falls (U.S
millions):

Fair Value Measurements for the year ended December 29, 2017			
Total	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)

		(Level 1)		
U.K. Beverage trademark impairment	$1.8	$ —	$ —	$ 1.8
	$1.8	$ —	$ —	$ 1.8

During 2017, based on the annual impairment review of trade names and trademarks perfor
day of our fourth quarter in 2017 and due to the underperformance of our prepared ambient
the United Kingdom, we incurred a trade name and trademark impairment of $0.9 million.
the prepared food unit's U.K. Beverage trademark is $1.8 million. We utilized the royalty s
an income approach, to determine the fair value of the U.K. Beverage trade names and trad
royalty savings method estimated the fair value of an intangible asset by capitalizing the ro
because the Company owns the intangible asset. In other words, the owner of the intangible
benefit from owning the intangible asset rather than licensing or paying a royalty for the us
We corroborate other inputs used in the royalty savings method with market participant ass
royalty rates and discount rates utilized, however due to the mix of unobservable inputs uti
value of the trademarks are classified as Level 3 of the fair value hierarchy.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Fair Value Measurements (continued)

The following is a tabular presentation of the non-recurring fair value measurement along w
within the fair value hierarchy in which the fair value measurement in its entirety falls (U.S
millions):

	Fair Value Measurements for the year ended December 30, 2016			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Underutilized assets in Central America	$1.0	$ —	$ —	$ 1.0
Philippines plantation conversion to pineapple	0.3	—	—	0.3
	$1.3	$ —	$ —	$ 1.3

During the second and third quarters of 2016, we recognized $1.2 million in asset impairme
charges related to certain underutilized assets in Central America. The asset impairment co
write-down of $1.2 million related to the assets with a carrying value of $2.2 million. We e
value of these assets of $1.0 million using the market approach. The fair value of these asse
as Level 3 of the fair value hierarchy due to the mix of unobservable inputs utilized.

During the second quarter of 2016, we recognized $2.5 million in asset impairment and oth
result of our decision to convert a banana plantation in the Philippines to a pineapple planta
next three years. The asset impairment consisted of a write-down of $2.5 million related to
with a carrying value of $2.8 million. The plantation was written down to a fair value of $0
estimated the fair value of this asset using an income based approach, whereby our cash
flows were adjusted for a market premium risk. The fair value of the plantation of $0.3 mil
as Level 3 of the fair value hierarchy due to the mix of unobservable inputs utilized.

Refer to Note 3, “Asset Impairment and Other Charges, Net” for further discussion related
charges.

20. Related Party Transactions

Receivables from related parties were $0.1 million in 2017 and $0.3 million in 2016. Payab
parties were $1.2 million in 2017 and $1.1 million in 2016.

Cash distributions to noncontrolling interests were $4.6 million in 2017 and $0.2 million in
receipts from noncontrolling interests were $1.8 million in 2015. We have reflected the cas
contributions from (distributions to) noncontrolling interests under financing activities in th
Statements of Cash Flows. We have $17.8 million as of December 29, 2017 and $22.9 mill
December 30, 2016 in other noncurrent liabilities in our Consolidated Balance Sheets relate
noncontrolling interests.

We incurred expenses of approximately $2.4 million for 2017, $2.9 million for 2016 and $2
2015 for air transportation services for chartering an aircraft that is indirectly owned by our
Chief Executive Officer. Other purchases from related parties were $9.3 million in 2017 co
million and $9.4 million in 2016 and 2015 respectively. Sales to related party transactions a
million in 2017 compared to $0.1 million in 2016 and 2015.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Unaudited Quarterly Financial Information

Our fiscal quarter-ends correspond to the last Friday of the 13-week period, beginning the c
fiscal year end. The following summarizes certain quarterly operating data (U.S. dollars in
per share data):

	Quarter ended			
	March 31, 2017	June 30, 2017	September 29, 2017	Dec 29, (2)
Net sales	$1,032.4	$1,147.1	$ 952.7	$ 95
Gross profit	99.1	123.2	58.3	51.0
Net income (loss)	45.6	69.8	10.5	(6.7
Net income (loss) attributable to Fresh Del Monte Produce Inc.	46.4	69.2	11.5	(6.3
Net income (loss) per ordinary share attributable to Fresh Del Monte Produce Inc. – basic[1]	$0.91	$1.37	$ 0.23	$ (0
Net income (loss) per ordinary share attributable to Fresh Del Monte Produce Inc. – diluted[1]	$0.90	$1.36	$ 0.23	$ (0
Dividends declared per ordinary share	$0.150	$0.150	$ 0.150	$ 0.
	April 1, 2016	July 1, 2016	September 30, 2016	Dec 30,
Net sales	$1,018.1	$1,088.6	$ 950.2	$ 95
Gross profit	140.7	145.4	118.8	56.5
Net income	81.2	97.7	36.2	10.5
Net income attributable to Fresh Del Monte Produce Inc.	81.7	96.2	35.2	12.0
Net income per ordinary share attributable to Fresh Del Monte Produce Inc. – basic[1]	$1.58	$1.88	$ 0.68	$ 0.
Net income per ordinary share attributable to Fresh Del Monte Produce Inc. – diluted[1]	$1.57	$1.86	$ 0.68	$ 0.
Dividends declared per ordinary share	$0.125	$0.125	$ 0.150	$ 0.

(1) Basic and diluted earnings per share for each of the quarters presented above is based or
weighted average number of shares for the quarters. The sum of the quarters may not ne
equal to the full year basic and diluted earnings per share amounts due to rounding.

(2) Diluted earnings per share for the quarter ended December 29, 2017 excludes the
antidilutive share-based payment awards for 275,688 ordinary shares, as they we

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Business Segment Data

We are principally engaged in one major line of business, the production, distribution and r
bananas, other fresh produce and prepared food. Our products are sold in markets througho
with our major producing operations located in North, Central and South America, Europe,

Our operations are aggregated into business segments on the basis of our products: bananas
produce and prepared food. Other fresh produce includes pineapples, melons, non-tropical
grapes, apples, citrus, blueberries, strawberries, pears, peaches, plums, nectarines, cherries
avocados, fresh-cut products, other fruit and vegetables, a third-party ocean freight busines
product and box manufacturing business. Prepared food includes prepared fruit and vegetal
beverages, snacks, poultry and meat products.

We evaluate performance based on several factors, of which net sales and gross profit by pr
primary financial measures (U.S. dollars in millions):

	Year ended December 29, 2017		December 30, 2016		January 1, 2016	
	Net Sales	Gross Profit	Net Sales	Gross Profit	Net Sales	Gross Profit
Banana	$1,775.1	$113.4	$1,811.5	$159.5	$1,867.6	$76.5
Other fresh produce	1,997.2	179.2	1,852.6	236.7	1,826.3	208.7
Prepared food	313.6	39.0	347.4	65.2	362.6	57.1
Totals	$4,085.9	$331.6	$4,011.5	$461.4	$4,056.5	$342.3

Net sales by geographic region:	Year ended December 29, 2017	December 30, 2016	January 1, 2016
North America	$2,382.4	$ 2,221.5	$ 2,236.1
Europe	665.9	673.1	721.6
Middle East	518.8	569.8	586.6
Asia	460.2	477.2	441.4
Other	58.6	69.9	70.8
Total net sales	$4,085.9	$ 4,011.5	$ 4,056.5

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Business Segment Data (continued)

Property, plant and equipment, net:	December 29, 2017	December 30, 2016
North America	$ 169.9	$ 151.7
Europe	52.5	45.9
Middle East	139.9	148.5
Africa	44.2	45.9
Asia	159.3	131.1
Central America	642.1	625.7
South America	91.2	88.7
Maritime equipment (including containers)	18.3	21.3
Corporate	10.9	13.2
Total property, plant and equipment, net	$ 1,328.3	$ 1,272.0

Identifiable assets:	December 29, 2017	December 30, 2016
North America	$ 441.5	$ 401.3
Europe	325.0	301.3
Middle East	300.0	320.2
Africa	133.6	122.2
Asia	270.1	232.2
Central America	1,011.7	977.8
South America	185.1	178.9
Maritime equipment (including containers)	35.0	40.1
Corporate	64.9	79.3
Total identifiable assets	$ 2,766.9	$ 2,653.3

North America accounted for approximately 58% of our net sales for 2017 and 55% for 20
2015. Our earnings are heavily dependent on operations located worldwide; however, our
dependent on any particular country other than the United States, with no other country acc
greater than 10% of our net sales for 2017, 2016 and 2015. These operations are a significa
economies of some of the countries in which we operate and are subject to the risks that are
operating in such countries, including government regulations, currency and ownership rest
of expropriation. Management reviews assets on the basis of geographic region and not by
segment, which more closely aligns our capital investment with demand for our products.
most significant sourcing location, representing approximately 38% of our property, plant a
of December 29, 2017. No foreign country other than Costa Rica accounts for greater than
property, plant and equipment.

One customer accounted for approximately 11% of net sales in 2016 and 2015. These sales
the banana and other fresh produce segments. No customer accounted for 10% or more of c
2017. In 2017, our top 10 customers accounted for approximately 32% of net sales as comp
during 2016 and 30% for 2015. Identifiable assets by geographic area represent those assets
operations of each geographic area. Corporate assets consist of goodwill, building, leasehol

and furniture and fixtures.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Shareholders' Equity

Our shareholders have authorized 50,000,000 preferred shares at $0.01 par value, of which
or outstanding, and 200,000,000 ordinary shares of common stock at $0.01 par value, of wh
are issued and outstanding at December 29, 2017.

The ordinary share activity for the years ended December 29, 2017 and December 30, 2016
as follows:

	Year ended December 29, 2017	December 30, 2016
Ordinary shares issued/(retired) as a result of:		
Stock option exercises	59,000	471,653
Restricted stock awards	14,294	22,946
Restricted and performance stock units	251,303	544,577
Ordinary share repurchase and retirement	(2,822,022)	(2,325,235)

On July 29, 2015, our Board of Directors approved a three-year stock repurchase program o
million of our ordinary shares. We have repurchased $240.4 million of our ordinary shares,
ordinary shares, under the aforementioned repurchase program and retired all the repurchas
have a maximum dollar amount value of $59.6 million shares that may yet be purchased un
repurchase program approved on July 29, 2015.

The following represents a summary of repurchase activity during years ended December 2
December 30, 2016 (U.S. dollars in millions, except share and per share data):

	Year ended December 29, 2017			December 30, 2016		
	Shares	USD	Average price per share	Shares	USD	Average price per share
Year ended:	2,822,022	$ 142.0	$ 50.31	2,325,235	$ 106.6	$ 45.85

Subsequent to the year ended December 29, 2017, we repurchased 106,300 ordinary shares
price of $44.82 per share.

The following is a summary of the dividends declared per share for the years ended Decem
December 30, 2016:

Year ended December 29, 2017		December 30, 2016	
Dividend Declared Date	Cash Dividend	Dividend Declared Date	Cash Dividend

	Declared, per Ordinary Share		Declared, per Ordinary Share
December 8, 2017	$ 0.15	December 9, 2016	$ 0.15
September 8, 2017	$ 0.15	September 9, 2016	$ 0.15
June 2, 2017	$ 0.15	June 3, 2016	$ 0.125
March 31, 2017	$ 0.15	April 1, 2016	$ 0.125

We paid $30.1 million in dividends during the year ended December 29, 2017 and $28.2 m
year ended December 30, 2016.

Schedule II - Valuation and Qualifying Accounts
Fresh Del Monte Produce Inc. and Subsidiaries
(U.S. dollars in millions)

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Charged to Other Accounts		Deductio
Year ended December 29, 2017					
Deducted from asset accounts: Valuation accounts:					
Trade accounts receivable	$ 11.3	$2.9	$ —		$ (1.3
Advances to growers and other receivables	7.8	1.4	—		(0.4
Deferred tax asset valuation allowance	232.1	35.4	(1.8	)	(8.6
Current and noncurrent accrued liabilities:					
Provision for Kunia Well Site	13.7	—	(0.2	)	0.4
Total	$ 264.9	$39.7	$ (2.0	)	$ (9.9
Year ended December 30, 2016:					
Deducted from asset accounts:					
Valuation accounts:					
Trade accounts receivable	$ 9.3	$4.0	$ —		$ (2.0
Advances to growers and other receivables	7.9	1.4	—		(1.5
Deferred tax asset valuation allowance	225.8	27.5	0.2		(21.4
Current and noncurrent accrued liabilities:					
Provision for Kunia Well Site	13.7	—	(0.4	)	0.4
Total	$ 256.7	$32.9	$ (0.2	)	$ (24.5
Year ended January 1, 2016:					
Deducted from asset accounts:					
Valuation accounts:					
Trade accounts receivable	$ 10.7	$0.4	$ —		$ (1.8
Advances to growers and other receivables	4.5	4.8	—		(1.4
Deferred tax asset valuation allowance	179.5	62.8	0.2		(16.7
Current and noncurrent accrued liabilities:					
Provision for Kunia Well Site	14.6	0.3	(0.3	)	(0.9
Total	$ 209.3	$68.3	$ (0.1	)	$ (20.8

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disc

None.

Item 9A. Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of managem
Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and
disclosure controls and procedures as of December 29, 2017. Based upon this evaluation, o
Executive Officer and Chief Financial Officer concluded that our disclosure controls and pr
effective as of such date to ensure that information required to be disclosed in the reports th
or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized
within the time periods specified in the Securities and Exchange Commission rules and for
also confirm that there was no change in our internal control over financial reporting durin
December 29, 2017 that has materially affected, or is reasonably likely to materially affect,
control over financial reporting.

See Management's Annual Report on Internal Control Over Financial Reporting included i
8. Financial Statements and Supplementary Data.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by Item 10 of Part III of this Annual Report on Form 10-K will be inc
definitive Proxy Statement relating to our 2018 Annual General Meeting of Shareholders w
directors, executive officers, audit committee financial experts of the Company and Sectior
ownership reporting compliance, is incorporated herein by reference in response to this iter

Code of Ethics

We have adopted a Code of Conduct and Business Ethics Policy ("Code of Conduct") that
principal executive officer, principal financial officer and principal accounting officer as w
directors, other officers and employees. Our Code of Conduct can be found on our Website
www.freshdelmonte.com. We have not waived the requirements of the Code of Conduct fo
executive officers and there were no amendments in 2017. We intend to disclose any amer
of the Code of Conduct promptly on our Website.

Item 11. Executive Compensation

Information required by Item 11 of Part III of this Annual Report on Form 10-K will be inc
definitive Proxy Statement relating to our 2018 Annual General Meeting of Shareholders w
executive compensation, is incorporated herein by reference in response to this item.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related S
Matters

Information required by Item 12 of Part III of this Annual Report on Form 10-K will be inc
definitive Proxy Statement relating to our 2018 Annual General Meeting of Shareholders w
security ownership of certain beneficial owners and management and securities authorized
under equity compensation plans, is incorporated herein by reference in response to this ite

Item 13. Certain Relationships and Related Transactions

Information required by Item 13 of Part III of this Annual Report on Form 10-K will be inc
definitive Proxy Statement relating to our 2018 Annual General Meeting of Shareholders w
certain relationships and related transactions and director independence, is incorporated her
in response to this item.

Item 14. Principal Accountant Fees and Services

Information required by Item 14 of Part III of this Annual Report on Form 10-K will be inc
definitive Proxy Statement relating to our 2018 Annual General Meeting of Shareholders w
principal accountant fees and services, is incorporated by reference in response to this item

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PART IV

Item 15. Exhibits and Financial Statement Schedules

Consolidated Statements and Other Financial Information

The following financial statements and supplemental schedule of Fresh Del Monte Produce
subsidiaries are included in Item 8. Financial Statements and Supplementary Data of this R

Consolidated Financial Statements

Report of Independent Registered Certified Public Accounting Firm on Consolidated Finan

Consolidated Balance Sheets at December 29, 2017 and December 30, 2016

Consolidated Statements of Income for the years ended December 29, 2017, December 30,
January 1, 2016

Consolidated Statements of Comprehensive Income for the years ended December 29, 201
2016 and January 1, 2016

Consolidated Statements of Cash Flows for the years ended December 29, 2017, December
January 1, 2016

Consolidated Statements of Shareholders' Equity for the years ended December 29, 2017, I
2016 and January 1, 2016

Notes to Consolidated Financial Statements

Supplemental Financial Statement Schedule

Schedule II - Valuation and Qualifying Accounts

Exhibits

The exhibits listed below are incorporated in this Report by reference, except for those indi
are filed herewith (see accompanying Exhibit Index)

Exhibit No.	Description
2.1*,****	Stock Purchase Agreement, dated as of February 5, 2018, by and among Del M Produce N.A., Inc., Mann Packing Company and the stockholders of Mann Pa party thereto.
3.1	Amended and Restated Memorandum of Association of Fresh Del Monte Prod (incorporated by reference to Exhibit 3.6 to our Registration Statement on For 333-7708)).
3.2	Amended and Restated Articles of Association of Fresh Del Monte Produce In by reference to Exhibit 3.7 to our Registration Statement on Form F-1 (File No

4.1	Specimen Certificate of Ordinary Shares of Fresh Del Monte Produce Inc. (inc reference to Exhibit 4.1 to our Registration Statement on Form F-1 (File No. 3
10.1	License Agreement, dated as of December 5, 1989, between Del Monte Corpo Limited (the "DMC-Wafer License") (incorporated by reference to Exhibit 10 Registration Statement on Form F-1 (File No. 333-7708)).

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Exhibit No.	Description
10.2	License Agreement, dated as of December 5, 1989, between Del Monte Corpo Monte Tropical Fruit Company, North America (the "NAJ License") (incorpor to Exhibit 10.4 to our Registration Statement on Form F-1 (File No. 333-7708
10.3	License Agreement, dated as of December 5, 1989, between Del Monte Corpo Monte Fresh Fruit International, Inc. (incorporated by reference to Exhibit 10. Registration Statement on Form F-1 (File No. 333-7708)).
10.4	Amendment No. 1 to DMC-Wafer License, dated as of October 12, 1992, betw Corporation and Wafer Limited (incorporated by reference to Exhibit 10.6 to o Statement on Form F-1 (File No. 333-7708)).
10.5	Amendment No. 1 to NAJ License, dated as of October 12, 1992, between Del Corporation and Del Monte Fresh Produce N.A., Inc. (incorporated by referenc 10.7 to our Registration Statement on Form F-1 (File No. 333-7708)).
10.6	Amendment No. 1 to Direct DMC-DMFFI License, dated as of October 12, 19 Monte Corporation and Del Monte Fresh Produce International, Inc. (incorpor to Exhibit 10.8 to our Registration Statement on Form F-1 (File No. 333-7708
10.7	Registration Rights Agreement, dated as of October 15, 1997, by and between and FG Holdings Limited (incorporated by reference to Exhibit 10.9 to our Re Statement on Form F-1 (File No. 333-7708)).
10.8	Strategic Alliance Agreement, dated as of August 29, 1997, by and between th IAT Group Inc. (incorporated by reference to Exhibit 10.10 to our Registration Form F-1 (File No. 333-7708)).
10.9**	Amended and Restated Fresh Del Monte Produce Inc. 1999 Share Incentive Pl of April 30, 2008 (reflects Amendment No. 1, dated May 1, 2002, Amendmen 5 dated April 27, 2005 and Amendment No. 6 dated April 30, 2008) (incorpora to Exhibit 10.1 to our Second Quarter 2008 Report on Form 10-Q).
10.10**	Fresh Del Monte Produce Inc. Long-Term Incentive Plan (incorporated by refe 10.1 to our First Quarter 2008 Report on Form 10-Q).
10.11**	2003 Performance Incentive Plan for Chairman & CEO (incorporated by refer 10.2 to our First Quarter 2008 Report on Form 10-Q).
10.12**	2004 Performance Incentive Plan for Senior Executives (incorporated by refer 10.3 to our First Quarter 2008 Report on Form 10-Q).
10.13**	2011 Performance Incentive Plan for the Chief Executive Officer ((incorporate Exhibit 10.1 to our First Quarter 2011 Report on Form 10-Q)
10.14**	Executive Retention and Severance Agreement (Chairman & CEO) (incorpora to Exhibit 10.4 to our First Quarter 2008 Report on Form 10-Q).

10.15**	Fresh Del Monte Produce Inc. 2010 Non-Employee Directors Equity Plan, eff 5, 2010 (incorporated by reference to Exhibit 10.1 to our Second Quarter 2010 10-Q).

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Exhibit No.	Description
10.16**	Amended and Restated Fresh Del Monte Produce Inc. Performance Incenti Senior Executives, effective May 5, 2010 (incorporated by reference to Exl Second Quarter 2010 Report on Form 10-Q).
10.17**	Fresh Del Monte Produce Inc. Long-Term Incentive Plan, effective January Amended May 5, 2010) (incorporated by reference to Exhibit 10.3 to our S 2010 Report on Form 10-Q).
10.18**	2011 Omnibus Share Incentive Plan (incorporated by reference to Exhibit Company's Definitive Proxy Statement on Schedule 14A filed with the Sec Exchange Commission on March 24, 2011)
10.19**	2014 Omnibus Share Incentive Plan (incorporated by reference to Exhibit Company's Definitive Proxy Statement on Schedule 14A filed with the Sec Exchange Commission on March 31, 2014)
10.20	Standard Fruit and Vegetable Co., Inc. Stock Purchase Agreement, dated a 2003, between Del Monte Fresh Produce N.A., Inc. and Standard Fruit and Inc. et al. (incorporated by reference to Exhibit 4.13 to our 2002 Annual Re 20-F).
10.21	Credit Agreement, dated as of April 16, 2015, (incorporated by reference to our Current Report on Form 8-K filed on April 21, 2015) by and among Fr Produce Inc., and certain subsidiaries named therein and the lenders and ag therein.
10.22**	Separation and Release Agreement dated as of September 26, 2016, betwe Monte Produce Inc. and Hani El-Naffy (incorporated by reference to Exhib Company's Current Report on Form 8-K filed on September 30, 2016).
10.23**	Consulting Agreement dated as of September 26, 2016, between Fresh Del Inc. and Hani El-Naffy (incorporated by reference to Exhibit 10.2 to the Co Report on Form 8-K filed on September 30, 2016).
10.24*,**	Amendment to the Fresh Del Monte Produce Inc. 2014 Omnibus Share Inc effective November 1, 2017.
21.1*	List of Subsidiaries.
23.1*	Consent of Independent Registered Certified Public Accounting Firm.
31.1*	Certification of Chief Executive Officer filed pursuant to 17 CFR 240.13a-
31.2*	Certification of Chief Financial Officer filed pursuant to 17 CFR 240.13a-1
32*	Certifications of Chief Executive Officer and Chief Financial Officer furnis 17 CFR 240.13a-14(b) and 18 U.S.C. Section 1350.

101.INS*,***	XBRL Instance Document.
101.SCH*,***	XBRL Taxonomy Extension Schema Document.
101.CAL*,***	XBRL Taxonomy Extension Calculation Linkbase Document.

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Exhibit No.	Description
101.DEF*,***	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*,***	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*,***	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith

** Management contract or compensatory plan or arrangement.

*** Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensib Reporting Language): (i) Consolidated Balance Sheets as of December 29, 2017 and I 2016 , (ii) Consolidated Statements of Income for the years ended December 29, 2017 2016 and January 1, 2016, (iii) Consolidated Statements of Comprehensive Income fo December 29, 2017, December 30, 2016, and January 1, 2016, (iv) Consolidated State Flows for the years ended December 29, 2017, December 30, 2016 and January 1, 201 to Consolidated Financial Statements.

**** Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S- Company agrees to furnish supplementary to the Securities and Exchange Commissio omitted schedule or exhibit upon request.

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Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934
has duly caused this report to be signed on its behalf by the undersigned, thereunto duly au

FRESH DEL MONTE PRODUCE INC.

Date:	February 20, 2018	By:	/s/ Youssef Zakharia
			Youssef Zakharia
			President & Chief Operating Officer
Date:	February 20, 2018	By:	/s/ Richard Contreras
			Richard Contreras
			Senior Vice President & Chief Financial Officer

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been s
the following persons on behalf of the registrant and in the capacities indicated below on th
February, 2018:

/s/ Mohammad Abu-Ghazaleh
By Mohammad Abu-Ghazaleh
Chairman & Chief Executive Officer
(Principal Executive Officer)

/s/ Richard Contreras
By Richard Contreras
Senior Vice President & Chief Financial
Officer (Principal Financial & Accounting
Officer)

/s/ Amir Abu-Ghazaleh
By Amir Abu-Ghazaleh
Director

/s/ Salvatore H. Alfiero
By Salvatore H. Alfiero
Director

/s/ Michael J. Berthelot
By Michael J. Berthelot
Director

/s/ Edward L. Boykin
By Edward L. Boykin
Director

/s/ Robert S. Bucklin
By Robert S. Bucklin
Director

/s/ Madeleine Champion
By Madeleine Champion
Director

/s/ John H. Dalton
By John H. Dalton
Director

By /s/ Hani El-Naffy
Hani El-Naffy
Director

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