



Fresh Del Monte Produce Inc.  
2016 Annual Report

*A Global Diversified Food Company*

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

---

**FORM 10-K**

---

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 30, 2016

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 1-14706

---

**FRESH DEL MONTE PRODUCE INC.**

(Exact Name of Registrant as Specified in Its Charter)

---

The Cayman Islands  
(State or Other Jurisdiction of  
Incorporation or Organization)

N/A  
(I.R.S Employer  
Identification No.)

c/o Intertrust SPV (Cayman) Limited  
190 Elgin Avenue  
George Town, Grand Cayman, KY1-9005  
Cayman Islands

(Address of Registrant's Principal Executive Offices)

N/A  
(Zip Code)

(305) 520-8400  
(Registrant's telephone number including area code)

Please send copies of notices and communications from the Securities and Exchange Commission to:

c/o Del Monte Fresh Produce Company  
241 Sevilla Avenue  
Coral Gables, Florida 33134  
(Address of Registrant's U.S. Executive Offices)

---

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class  
Ordinary Shares, par value \$0.01 per share

Name of Each Exchange on Which Registered  
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

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 ☒

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 ☒ 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of Ordinary Shares held by non-affiliates at July 1, 2016, the last business day of the registrant's most recently completed second quarter, and was \$1,777,243,901 based on the number of shares held by non-affiliates of the registrant and the reported closing price of Ordinary Shares on July 1, 2016 of \$54.02.

As of February 10, 2017, there were 51,271,200 ordinary shares of Fresh Del Monte Produce Inc. issued and outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's definitive Proxy Statement for the 2017 Annual General Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year are incorporated by reference in Part III of this report.

## TABLE OF CONTENTS

	<b>Page</b>
<b>PART I</b>	
Item 1. Business	1
Item 1A. Risk Factors	15
Item 1B. Unresolved Staff Comments	21
Item 2. Properties	22
Item 3. Legal Proceedings	23
Item 4. Mine Safety Disclosure	23
<b>PART II</b>	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	24
Item 6. Selected Financial Data	27
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	28
Item 7A. Quantitative and Qualitative Disclosures about Market Risk	47
Item 8. Financial Statements and Supplementary Data	48
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	111
Item 9A. Controls and Procedures	111
Item 9B. Other Information	111
<b>PART III</b>	
Item 10. Directors, Executive Officers and Corporate Governance	112
Item 11. Executive Compensation	112
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	112
Item 13. Certain Relationships and Related Transactions, and Director Independence	112
Item 14. Principal Accountant Fees and Services	112
<b>PART IV</b>	
Item 15. Exhibits and Financial Statement Schedules	113
Item 16. Form 10-K Summary	117
EXHIBIT INDEX	117
SIGNATURES	118

## Forward-Looking Statements

In this Annual Report (the “Report”), references to “\$” and “dollars” are to United States dollars. References in this Report to “Fresh Del Monte”, “we”, “our” and “us” refer to Fresh Del Monte Produce Inc. and its subsidiaries, unless the context indicates otherwise. Percentages and certain amounts contained herein have been rounded for ease of presentation. Any discrepancies in any table between totals and the sums of amounts listed are due to rounding. As used herein, references to our results for 2014, 2015 and 2016 or for the years ended 2014, 2015 and 2016 are to fiscal years ended December 26, 2014, January 1, 2016 and December 30, 2016, respectively.

*This report, information included in future filings by us and information contained in written material, press releases and oral statements, issued by or on behalf of us contains, or may contain, statements that constitute forward-looking statements. In this report, these statements appear in a number of places and include statements regarding the intent, beliefs or current expectations of us or our officers (including statements preceded by, followed by or that include the words “believes”, “expects”, “anticipates” or similar expressions) with respect to various matters, including our plans and future performance. These forward-looking statements involve risks and uncertainties. Fresh Del Monte’s actual plans and performance may differ materially from those in the forward-looking statements as a result of various factors, including (i) the uncertain global economic environment and the timing and strength of a recovery in the markets we serve, and the extent to which adverse economic conditions continue to affect our sales volume and results, including our ability to command premium prices for certain of our principal products, or increase competitive pressures within the industry, (ii) the impact of governmental initiatives in the United States and abroad to spur economic activity, including the effects of significant government monetary or other market interventions on inflation, price controls and foreign exchange rates, (iii) the impact of governmental trade restrictions, including adverse governmental regulation that may impact our ability to access certain markets such as uncertainty surrounding the recent vote in the United Kingdom to leave the European Union (often referred as Brexit), including spillover effects to other Eurozone countries, (iv) our anticipated cash needs in light of our liquidity, (v) the continued ability of our distributors and suppliers to have access to sufficient liquidity to fund their operations, (vi) trends and other factors affecting our financial condition or results of operations from period to period, including changes in product mix or consumer demand for branded products such as ours, particularly as consumers remain price-conscious in the current economic environment; anticipated price and expense levels; the impact of crop disease, severe weather conditions, such as flooding, or natural disasters, such as earthquakes, on crop quality and yields and on our ability to grow, procure or export our products; the impact of prices for petroleum-based products and packaging materials; and the availability of sufficient labor during peak growing and harvesting seasons, (vii) the impact of pricing and other actions by our competitors, particularly during periods of low consumer confidence and spending levels, (viii) the impact of foreign currency fluctuations, (ix) our plans for expansion of our business (including through acquisitions) and cost savings, (x) our ability to successfully integrate acquisitions into our operations, (xi) the impact of impairment or other charges associated with exit activities, crop or facility damage or otherwise, (xii) the timing and cost of resolution of pending and future legal and environmental proceedings or investigations, (xiii) the impact of changes in tax accounting or tax laws (or interpretations thereof), and the impact of settlements of adjustments proposed by the Internal Revenue Service or other taxing authorities in connection with our tax audits, and (xiv) the cost and other implications of changes in regulations applicable to our business, including potential legislative or regulatory initiatives in the United States or elsewhere directed at mitigating the effects of climate change. All forward-looking statements in this report are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements.*

*The forward-looking statements are not guarantees of future performance and involve risks and uncertainties. It is important to note that our actual results may differ materially from those in the forward-looking statements as a result of various factors. The accompanying information contained in this Report, identifies important factors that could cause our actual results to differ materially from those in the forward-looking statements.*

The volume data included in this Report has been obtained from our records. Except for volume data for Fresh Del Monte, the market share, volume and consumption data contained in this Report have been compiled by us based upon data and other information obtained from third-party sources, primarily from the Food and Agriculture Organization of the United Nations (the “FAO”), and from our surveys of customers and other company-compiled data. Except as otherwise indicated, volume data contained in this Report is shown in millions of 40-pound equivalent boxes.

## PART I

### Item 1. Business

#### *History and Development of Fresh Del Monte*

Our legal name is Fresh Del Monte Produce Inc., and our commercial name is Del Monte Fresh Produce. We are an exempted holding company, incorporated under the laws of the Cayman Islands on August 29, 1996. At December 30, 2016, the close of our most recent fiscal year, members of the Abu-Ghazaleh family directly owned approximately 35.6% of our outstanding Ordinary Shares.

Our principal executive office is located at 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands. The address of our U.S. executive office is Del Monte Fresh Produce Company, 241 Sevilla Avenue, Coral Gables, Florida 33134. Our telephone number at our U.S. executive office is (305) 520-8400. Our Internet address is <http://www.freshdelmonte.com>. The electronic version of this Annual Report on Form 10-K, along with other information about us, our operations and our results and other documents filed with the Securities and Exchange Commission ("SEC") can be found on our Web site. Information on our Web site is not a part of this Report on Form 10-K.

Our global business, conducted through our subsidiaries, is primarily the worldwide sourcing, transportation and marketing of fresh and fresh-cut produce together with prepared food products in Europe, Africa and the Middle East. We source our fresh produce products (bananas, pineapples, melons, tomatoes, grapes, apples, pears, peaches, plums, nectarines, cherries, citrus, avocados, blueberries and kiwi) primarily from Central and South America, Africa, the Philippines, North America and Europe. We source our prepared food products primarily from Africa, Europe and the Middle East. Our products are sourced from company-owned operations, through joint venture arrangements and through supply contracts with independent producers. We distribute our products in North America, Europe, Asia, the Middle East, Africa and South America.

On April 28, 2016, we acquired the remaining 60% noncontrolling interest in one of our *Del Monte Gold*<sup>®</sup> *Extra Sweet* pineapple producers for \$45.0 million in cash. The purchase of the noncontrolling interest in this pineapple producer allows us to take management control and facilitates its expansion and integration with our operations and improve efficiency.

During June 2016, we purchased a blueberry farm in Chile of approximately 320 acres, which includes agricultural production land, packing houses and farm equipment. The purchase price for this business was \$7.1 million. During November and December 2016, we also acquired two apple and grape farms in Chile for approximately \$3.5 million. These three non-tropical fruit acquisitions allow us to increase our company-owned production and improve the efficiency of our operation.

Our capital expenditures totaled \$146.7 million in 2016. Approximately \$75.7 million of our 2016 capital expenditures were related to the banana segment. Banana segment capital expenditures consisted primarily of approximately \$34.8 million for expansion of our production operations in the Philippines and approximately \$20.8 million for expansion and improvements to our production operations in Central America and Brazil. The remainder of our banana segment capital expenditures of approximately \$20.1 million were principally for a new distribution center in South Korea and additional ripening room capacity and other improvements to our distribution centers in North America and the Middle East, including information technology expenditures. Approximately \$63.1 million of our 2016 capital expenditures were related to the other fresh produce segment. This consisted principally of \$23.6 million for expansion of pineapple operations in Costa Rica and the Philippines and \$12.0 million for expansion and improvements to our non-tropical fruit operation in Chile. Also, included in our capital expenditures for the other fresh produce segment in 2016 were approximately \$22.5 million for expansion and improvements to our fresh-cut operation and distribution facilities in North America and the Middle East and a new tomato operation in Jordan and approximately \$5.0 million for new fresh-cut operations in France and South Korea. Approximately \$7.9 million of our 2016 capital expenditures were related to our prepared food segment, consisting principally of improvements to our production facilities in Kenya and the Middle East.

Our capital expenditures totaled \$131.6 million in 2015. Approximately \$59.1 million of our 2015 capital expenditures were related to the banana segment. Banana segment capital expenditures consisted primarily of approximately \$26.1 million for improvements and expansion of our production operations in Central America and approximately \$21.6 million for expansion of our production operations in the Philippines. The remainder of our banana segment capital expenditures of approximately \$11.4 million were principally for additional ripening room capacity and other improvements to our distribution centers in North America and Asia. Approximately \$46.6 million of our 2015 capital expenditures were related to the other fresh produce segment. This consisted principally of \$30.0 million for expansion and improvements to our fresh-cut fruit operations in North America, the Middle East and Asia and our production operations in Chile. Also, included in our capital expenditures related to the other fresh produce segment was \$16.6 million for improvements and expansion of our pineapple operation in Costa Rica and the Philippines.

Approximately \$25.9 million of our capital expenditures in 2015 were related to the prepared food segment, consisting principally of \$13.5 million for improvements to production facilities in Kenya and Greece, \$6.9 million for a juice plant in Costa Rica and \$5.5 million for improvements to our production facilities in the Middle East. Included in the capital expenditures above were approximately \$5.5 million for information technology systems.

The principal capital expenditures planned for 2017 consist primarily of the expansion and improvement of production facilities in Costa Rica, the Philippines, Chile, Guatemala, Mexico, Kenya and Panama. In addition, we also plan capital expenditures for expansion and improvements of our distribution and fresh-cut facilities in the United States, Europe and the Middle East.

### ***Business Overview***

We are one of the world's leading vertically integrated producers, marketers and distributors of high-quality fresh and fresh-cut fruit and vegetables, as well as a leading producer and distributor of prepared fruit and vegetables, juices, beverages and snacks in Europe, Africa and the Middle East. We market our products worldwide under the DEL MONTE® brand, a symbol of product innovation, quality, freshness and reliability since 1892. Our global sourcing and logistics network allows us to provide consistent delivery of high-quality fresh produce, juices, beverages, processed fruit and vegetables and value-added services to our customers.

We have leading market positions in the following product categories. We believe we are:

- the largest marketer of fresh pineapples worldwide;
- the third-largest marketer of bananas worldwide;
- a leading marketer of branded fresh-cut fruit in the United States, Japan, the United Kingdom, United Arab Emirates and Saudi Arabia;
- a leading year-round marketer of branded grapes in the United States;
- a leading marketer of avocados in the United States;
- a leading grower, re-packer and marketer of tomatoes in the United States;
- a leading marketer of branded non-tropical fruit in selected markets; and
- a leading marketer for branded canned fruit in the European Union (the "EU"), other European markets, and the Middle East.

We source and distribute our fresh produce products globally. Our products are grown primarily in Central and South America, Africa and the Philippines. We also source products from North America and Europe. Our products are sourced from company-controlled farms and independent growers. At year end 2016, we transported our fresh produce to markets using our fleet of 12 owned and six chartered refrigerated vessels, and we operated four port facilities in the United States. We also operated 40 distribution centers, generally with cold storage and banana ripening facilities in our key markets worldwide, including the United States, Japan, South Korea, the United Arab Emirates, Saudi Arabia, Hong Kong, Germany and France. We also operate 18 fresh-cut facilities in the United States, the United Kingdom, France, Japan, the United Arab Emirates and Saudi Arabia, some of which are located within our distribution centers. Through our vertically integrated network, we manage the transportation and distribution of our products in a continuous temperature-controlled environment. This enables us to preserve quality and freshness, and to optimize product shelf life, while ensuring timely and year-round distribution. Furthermore, our position as a volume producer and shipper of bananas allows us to lower our average per-box logistics cost and to provide regular deliveries of our premium fresh fruit to meet the increasing demand for year-round supply.

We market and distribute our products to retail stores, club stores, wholesalers, distributors and foodservice operators in more than 100 countries around the world. North America is our largest market, accounting for 55% of our net sales in 2016. Europe, the Middle East and Asia regions are our other major markets, accounting for 17%, 14% and 12% of our net sales in 2016, respectively. Our distribution centers and fresh-cut facilities address the growing demand from supermarket chains, club stores, foodservice providers, mass merchandisers and independent grocers to provide value-added services, including the preparation of fresh-cut produce, ripening, customized sorting and packing, just-in-time and direct-store-delivery and in-store merchandising and promotional support. Large national chains are increasingly choosing fewer suppliers who can serve all of their needs on a

national basis. We believe that there is a significant opportunity for a company like ours with a full fresh and fresh-cut produce line, a well-recognized brand, a consistent supply of quality produce and a national distribution network to become the preferred supplier to these large retail and convenience store chains, and foodservice customers. We believe that we are uniquely positioned as a preferred supplier, and our goal is to expand this status by increasing our leading position in fresh-cut produce, expanding our banana and pineapple business and diversifying our other fresh produce selections. We are a multinational company offering a variety of fresh produce in all major markets along with fresh-cut produce in selected markets and a prepared food product line that includes prepared fruit and vegetables, juices, beverages and snacks in Europe, Africa, the Middle East and countries formerly part of the Soviet Union.

Our strategy is a combination of maximizing revenues from our existing infrastructure, entering new markets and strict cost control initiatives. We plan to continue to capitalize on the growing global demand for fresh produce and expand our reach into existing and new markets. We expect sales growth of fresh produce in key markets by increasing our sales volume and per unit sales prices as permitted by market conditions. Our strategy includes increasing volumes from existing production and distribution facilities in order to improve operating efficiencies and reduce per unit costs. We plan additional investments in production facilities in order to expand our product offering in established markets and continue with our recent expansion in growth markets, such as the Middle East, Africa and countries formerly part of the Soviet Union. We also plan additional investments in our North America, Middle East and Europe distribution and fresh-cut fruit facilities to support our planned growth in these markets.

### ***Products Sourcing and Production***

Our products are grown and sourced primarily in Central and South America, Africa and the Philippines. We also source products from North America and Europe. In 2016, 45% of the fresh produce we sold was grown on company-controlled farms and the remaining 55% was acquired primarily through supply contracts with independent growers. Costa Rica is our most significant sourcing location representing approximately 34% of our total sales volume of fresh produce products and where 40% of our property, plant and equipment was located in 2016.

We produce, source, distribute and market a broad array of fresh produce throughout the world, primarily under the DEL MONTE® brand, as well as under other proprietary brands, such as UTC® and Rosy®. We also produce, distribute and market prepared fruits and vegetables, juices, beverages and snacks under the DEL MONTE® brand, as well as other proprietary brands, such as Fruit Express™, Just Juice®, Fruitini® and other regional trademarks in Europe, Africa, the Middle East and countries formerly part of the Soviet Union.

The following table indicates our net sales by product for the last three years:

	Year ended					
	December 30, 2016		January 1, 2016		December 26, 2014	
	(U.S. dollars in millions)					
Net sales by product category:						
Banana	\$ 1,811.5	45%	\$ 1,867.6	46%	\$ 1,804.7	46%
Other fresh produce:						
Gold pineapples	495.1	12%	524.8	13%	577.2	15%
Fresh-cut produce	516.9	13%	467.0	12%	381.1	10%
Non-tropical fruit	256.8	6%	271.1	7%	283.9	7%
Avocados	229.6	6%	174.8	4%	130.0	3%
Melons	111.6	3%	122.9	3%	126.8	3%
Tomatoes	81.2	2%	107.3	3%	109.9	3%
Vegetables	49.3	1%	52.2	1%	52.2	1%
Other fruit, products and services	112.1	3%	106.2	3%	83.6	2%
Total other fresh produce	1,852.6	46%	1,826.3	45%	1,744.7	44%
Prepared food	347.4	9%	362.6	9%	378.1	10%
Total	\$ 4,011.5	100%	\$ 4,056.5	100%	\$ 3,927.5	100%



See Note 22, “*Business Segment Data*”, to the Consolidated Financial Statements included in Item 8. *Financial Statements and Supplementary Data* for further information.

### ***Bananas***

Bananas are the leading internationally traded fresh fruit in terms of volume and dollar sales and one of the best-selling fresh fruit in the United States. Europe and North America are the world’s largest banana markets and the Middle East has now surpassed Asia as the third largest market. According to the latest published statistics from the FAO, in 2013, Europe, North America, the Middle East and Asia consumed 20.2, 11.2, 4.7 and 3.2 billion pounds of bananas, respectively. Bananas are a key produce department product due to its high turnover and the premium margins obtained by retailers.

Bananas have a relatively short growing cycle and are grown in tropical locations with humid climates and heavy rainfall, such as Central and South America, the Caribbean, the Philippines and Africa. Bananas are grown throughout the year in these locations, although demand and prices fluctuate based on the relative supply of bananas and the availability of seasonal and alternative fruit.

We believe that we are the world’s third-largest marketer of bananas, based on internally generated data. Our banana sales in North America, Europe, Asia and the Middle East accounted for approximately 48%, 17%, 20% and 14% of our net sales of bananas in 2016, respectively. We produced approximately 39% of the banana volume we sold in 2016 on company-controlled farms, and we purchased the remainder from independent growers.

Bananas are one of the best-selling fresh produce items, as well as a high-margin product for many of our customers. Accordingly, our ability to provide our customers with a year-round supply of high-quality DEL MONTE® bananas is important to maintaining our existing customer relationships and attracting new customers. Our position as a volume shipper of bananas has also allowed us to make regular shipments of a wide array of other fresh produce, such as pineapples, melons and plantains, reducing our average per-box logistics costs and maintaining higher quality produce with a longer shelf life.

We produce bananas on company-controlled farms in Costa Rica, Guatemala, the Philippines and Brazil and we purchase bananas from independent growers in Costa Rica, Ecuador, Colombia, Guatemala, Cameroon and the Philippines. Although our supply contracts are primarily long-term, we also make purchases in the spot market, primarily in Ecuador. In Ecuador and Costa Rica there are minimum export prices for the sale of bananas which are established and reviewed on a periodic basis by the respective governments.

Due in part to limitations in the Philippines on foreign ownership of land, we purchase the majority of bananas in the Philippines through long-term contracts with independent growers. Approximately 74% of our Philippine-sourced bananas are supplied by one grower, representing 15% of the Philippines banana industry volume in 2016. In the Philippines, we have leased approximately 5,600 hectares of land where we have planted approximately 4,500 hectares of bananas for the Asia and the Middle East markets.

### ***Gold Pineapples***

Pineapples are grown in tropical and sub-tropical locations, including the Philippines, Costa Rica, Hawaii, Thailand, Malaysia, Brazil, Indonesia and various countries in Africa. In contrast to bananas, pineapples have a long growing cycle of 18 months, and require re-cultivation after one to two harvests. Pineapple growing requires a higher level of capital investment, as well as greater agricultural expertise as compared to growing bananas.

The premium pineapples, such as our *Del Monte Gold® Extra Sweet* pineapple, which has an enhanced taste, golden shell color, bright yellow flesh and higher vitamin C content, has replaced the Champaka and other traditional pineapple varieties in popularity and demand and has led to increased competition.

We believe that we are the leading marketer of fresh pineapples worldwide, based on internally generated data. Pineapple sales in North America, Europe, Asia and the Middle East accounted for 66%, 18%, 11% and 5%, respectively, of our net sales of pineapples in 2016. From 1996 to 2016, our volume of the *Del Monte Gold® Extra Sweet* pineapple increased from 2.5 million boxes to 27.1 million boxes. Based on the latest available FAO data, for the 10-year period from 2003 to 2013, the volume of pineapple sales in Europe, North America, the Middle East and Asia increased by 96%, 104%, 823% and 70%, respectively. We believe that a substantial portion of this growth is due to our introduction of the *Del Monte Gold® Extra Sweet* pineapple. As a result of our continued expansion and improvements of our existing pineapple operations, we expect to continue to increase the sales volume of our extra sweet pineapples in the near future with extra sweet pineapples grown in Costa Rica and the Philippines.

The principal production and procurement areas for our gold pineapples are Costa Rica and the Philippines. Given the complexity of pineapple cultivation relative to our bananas, a higher percentage of the fresh pineapples we sell (82% by volume in 2016) is produced on company-controlled farms.

### ***Fresh-Cut Produce***

Fresh-cut produce first gained prominence in many U.S. and European markets with the introduction of washed and cut vegetables. While packaged salads continue to lead the category of fresh-cut produce sales, the category has expanded significantly to include pineapples, melons, mangoes, grapes, citrus and assorted vegetable produce items that are washed, cut and packaged in a ready-to-use form. Market expansion has been driven largely by consumer demand for convenient, fresh, healthy and ready-to-eat food alternatives, as well as significant demand from foodservice operators. Within this market, we believe that there has been increasing differentiation between companies active primarily in the packaged salad market and other companies, like us, that can offer a wide variety of fresh-cut fruit and vegetable items.

The majority of fresh-cut produce is sold to consumers through retail and club store settings, as well as non-conventional settings such as convenience stores, gas stations and airports. We believe that outsourcing by food retailers will increase, particularly as food safety regulations become more stringent and retailers demand more value-added services. We believe that this trend should benefit large branded suppliers like us, who are better positioned to invest in state of the art fresh-cut facilities and food safety systems and to service regional and national chains and foodservice operators, as well as supercenters, mass merchandisers, club stores and convenience stores. We also believe that large branded suppliers benefit from merchandising, branding and other marketing strategies for fresh-cut products, similar to those used for branded processed food products, which depend substantially on product differentiation.

We believe that the fresh-cut produce market continues to be one of the fastest-growing categories in the fresh produce segment, largely due to consumer trends favoring healthy and conveniently packaged ready-to-eat foods. We established a platform in this industry through acquisitions and by building upon our existing fresh-cut pineapple business. We believe that our experience in this market coupled with our sourcing and logistics capabilities and the DEL MONTE® brand have enabled us to achieve a leading position in this highly fragmented market. We believe that we are the leading supplier of fresh-cut fruit to the supermarket, convenience and club store channels in the United States. Our fresh-cut fruit products include *Del Monte Gold® Extra Sweet* pineapples, melons, grapes, citrus, apples, mangoes, kiwis and other fruit items. The fruit we use in our fresh-cut operations are sourced within our integrated system of company-controlled farms and from GAP-certified (good agricultural practices) independent growers. We also offer fresh-cut vegetables for prepared salads. We purchase our vegetables for these purposes from GAP-certified independent growers principally in the United States, Europe and in the Middle East. Our purchase contracts for both fruit and vegetables are typically short-term and vary by produce item. Our fresh-cut products are sold in the United States, Canada, the United Kingdom, the Middle East, Japan and Korea. Worldwide, our fresh-cut product sales volumes increased by 11% during the past year.

### ***Non-Tropical Fruit***

Non-tropical fruit includes grapes, apples, pears, peaches, plums, nectarines, cherries, citrus and kiwis. Generally, non-tropical fruit grows on trees, bushes or vines that shed their leaves seasonally. Approximately 40% of our non-tropical fruit net sales are from grapes. Fresh grapes are a favorite quick, easy and healthy snack among consumers young and old. In addition to their taste, a growing body of research on fresh grapes suggests that grapes may offer significant health benefits. Fresh grapes are a well-known fruit worldwide, fitting into almost any lifestyle. For 2016, *The Packer*, an industry publication, reported that fresh grapes remained a preferred fruit for snacking with nine out of ten consumers surveyed stating that they used grapes as a snack during the past 12 months. The same publication reports that 63% of U.S. customers purchased grapes within the past 12 months. According to the United States Department of Agriculture ("USDA") Economic Research Service, the per capita consumption of fresh grapes in 2015 was 7.9 pounds. Fresh grapes are also processed for the production of wine, raisins, juices and canned products. The higher production cost and higher product value of fresh grapes result from more intensive production practices than are required for grapes grown for processing. While California supplies the majority of total grape volume, imports have made fresh grapes available year-round in the United States, with shipments mostly from South America. Most U.S. production is marketed from May to October. Chilean grapes dominate the market from December to April.

We sell a variety of non-tropical fruit, including all of the types referred to above. In 2016, non-tropical fruit sales in North America, Europe, the Middle East, Asia and South America accounted for approximately 30%, 4%, 42%, 15% and 9%, respectively, of our total net sales of non-tropical fruit. We obtain our supply of non-tropical fruit from company-owned farms in Chile and from independent growers principally in Chile and the United States. In Chile, we purchase non-tropical fruit from independent growers and also produce a variety of non-tropical fruit on approximately 6,100 acres of company-owned or leased land. Purchase contracts for non-tropical fruit are typically made on an annual basis.

## ***Avocados***

Avocados are one of the fastest growing produce items in the United States. According to the latest published statistics from the USDA, for the 10-year period from 2006 to 2016, avocado imports to the United States increased by 238%. Per capita consumption of avocados in the United States also increased significantly in the last 10 years. According to the USDA Economic Research Service, per capita consumption of avocados reached approximately 6.9 pounds in 2015, resulting in approximately 2.3 billion pounds of avocados being consumed in the United States. The Packer, reported that avocados were the leading item that 25% of U.S. consumers said they were buying now that they did not buy previously. As a result of this higher consumer demand, our avocado sales volumes have increased significantly in the past few years. During 2016, our avocado sales volumes increased by approximately 21% as compared to the prior year. Our avocados are sourced principally from Mexico. We also obtain our supply of avocados from independent growers in the United States, Chile and Peru. In Mexico, we have our own sourcing operations, ensuring a consistent supply of high-quality avocados during the growing season.

## ***Melons***

According to the latest available FAO data, for the 10-year period from 2003 to 2013, the volume of imports of cantaloupes and other melons increased (decreased) in Europe, North America, Asia and the Middle East by 17%, (2%), 84% and 6%, respectively. Based on USDA Economic Research Service, during 2015, total per capita consumption of melons in the United States was approximately 24 pounds, of which seven pounds were cantaloupes. The Packer reported that the likelihood of a cantaloupe purchase increased according to both income and age and 43% of customers purchased cantaloupes within the past 12 months. Melons are one of the highest volume fresh produce items, and this category includes many varieties, such as cantaloupe, honeydew, specialty melons and watermelon. During the summer and fall growing seasons in the United States, Canada and Europe, demand is met in large part by local suppliers of unbranded or regionally branded melons. By contrast, in North America and Europe, imports significantly increase, and melons generally command premium pricing from November to May. Melons are grown in temperate and tropical locations and have a relatively short growing cycle.

We sell a variety of melons including cantaloupe, honeydew, watermelon and specialty melons. Cantaloupes represented approximately 70% of our melon sales volume in 2016. We are a significant producer and distributor of melons from November to May in North America by sourcing melons from our company-controlled farms and independent growers in Central America, where production generally occurs during this period. Melons sold in North America and Europe from November to May generally command a higher price due to fewer operators and the lack of availability of alternative fruit. Melon sales in North America accounted for 99% of our net sales of melons in 2016. Based on volume, we produced 93% of the melons we sold in 2016 on company-controlled farms and purchased the remainder from independent growers.

We are able to provide our customers in North America with a year-round supply of melons from diverse sources. For example, we supply the North America market during its summer season with melons from Arizona, California and the East Coast of the United States. In Arizona, we have our own melon growing operation on approximately 2,300 acres of leased land.

We have devoted significant research and development efforts towards maintaining our expertise in melons, especially cantaloupes. Melon crop yields are highly sensitive to weather conditions and are adversely affected by high levels of rain during the growing period. We have developed specialized melon growing technology that we believe reduce our exposure to the risk of unfavorable weather conditions and significantly increase our yields.

## ***Tomatoes***

The United States is the second largest producer of tomatoes in the world, behind China. Mexico and Canada are also important suppliers of fresh tomatoes within North America. For 2016, The Packer, reported that 72% of consumers surveyed purchased tomatoes during the past 12 months. In 2015, the per capita consumption of tomatoes in the United States was approximately 21 pounds.

We source our tomatoes mainly from the United States, Mexico, Canada and Guatemala. The tomato category is highly fragmented with many growers, re-packers and wholesalers in various geographic regions of the United States. As a high volume item, tomatoes are important for our network of distribution and re-packing facilities. This product category allows us to add value through leveraging our purchase volumes to reduce costs and perform the sorting, packaging and custom labeling locally, in addition to delivering on a just-in-time basis to retail chains and foodservice customers. With our fresh-cut fruit and vegetable facilities, we add additional value by incorporating tomatoes into our consumer-packaged products. We have a greenhouse tomato operation in Guatemala where we source volume for the North America market. We also have tomato growing operations in Florida and Virginia on owned land. During 2016, our tomato production in Florida was reduced principally due to market

conditions. We are focused on improving this business and increasing our operational efficiencies in order to lower our costs, improve quality and increase our profitability.

### ***Vegetables***

We distribute and market a variety of vegetables including potatoes, onions, bell peppers and cucumbers. While we sell bulk product, we also use our size and distribution network to find opportunities that add value such as sorting and packaging. We source our vegetables from independent growers in North and Central America and from our own greenhouse operation in Costa Rica. We also use our agricultural production land in Florida and Virginia to grow vegetables for the North America market.

### ***Other Fruit, Products and Services***

We produce, distribute and market a variety of other fruit, including strawberries, plantains and mangos, as well as various other varieties of fruit. We source these other fruit items from company controlled farms and independent growers in Costa Rica, Colombia, Guatemala and the United States.

Included in Other Fruit, Products and Services is also our third-party ocean freight business and our third-party plastics and box manufacturing business. Our third-party ocean freight business allows us to generate incremental revenue on vessels' return voyages to our product sourcing locations and when space is available on outbound voyages to our major markets, which reduces our overall shipping costs. Our plastics and box manufacturing business produces bins, trays, bags and boxes. The box manufacturing business is intended mainly to satisfy internal packaging requirements. In the case of the plastic manufacturing business, we principally sell these products to third parties and also use a portion for our own internal packaging requirements.

### ***Prepared Food***

We have a royalty-free perpetual license to use the DEL MONTE® Trademark in connection with the production, manufacture, sale and distribution of prepared foods and beverages in over 100 countries throughout Western, Eastern and Central Europe, Africa, the Middle East and countries formerly part of the Soviet Union. In Europe, Del Monte is a premier prepared food brand with an approximate 90 year history associated with fruit-based or fruit-derived products and is the leading brand for canned fruit and pineapple in many Western European markets. The DEL MONTE® brand has had a presence in the United Kingdom, the EU's largest market for prepared food and beverage, since 1926 and is perceived to be a quality brand with high consumer awareness. The DEL MONTE® brand has a reputation with both consumers and retailers for value, quality and reliability.

We produce, distribute and market prepared pineapple, peaches, fruit cocktail, pears, tomatoes, fruit juices and other fruit and vegetables. Our prepared pineapple products are sourced from our own facility in Kenya. Our deciduous prepared food products, which include peaches, fruit cocktail, pears and apricots are principally sourced from our own facility in Greece and from independent producers. Our tomato products are sourced from our own facility in Greece and from independent producers in Europe. We also distribute and market beverages, including ambient juices and juice drinks as well as various snacks. Our prepared food products are sold primarily under the DEL MONTE® label and under the buyers' own label for major retailers. We also produce and market industrial products that are composed of fruit that has been processed in our production facilities in the form of purees, pulps and concentrates for further processing (juice, yogurt, cake manufacture and pizza) and for sale to the foodservice industry worldwide. We expect to continue investing in new product development to increase revenue, maintain our premium price position and market leadership in our product categories. We plan to expand our offerings in the snack category by offering multiple varieties and sizes of fruit and vegetables in plastic pots and pouches with new and improved recipes and various juices, targeting the convenience store and foodservice trade in addition to the traditional retail stores in selected European and Middle East markets. We are focused on improving the European prepared food business and on our higher growth markets in the Middle East and Africa.

Our prepared food segment also includes our Jordanian food business. This business includes a state-of-the-art vertically integrated poultry business, including poultry farms, hatcheries, a feed mill, a slaughterhouse and a meat processing plant in Jordan. Our Jordanian poultry business is the leading provider of poultry products to retail stores and foodservice operators in that country. The meat processing operation provides meat products for the Jordanian market and to other Middle East and North African markets.

## ***Logistics Operations***

We market and distribute our products to retail stores, foodservice operators, wholesalers and distributors in over 100 countries around the world. As a result, we conduct complex logistics operations on a global basis, transporting our products from the countries in which they are grown to the many markets in which they are sold worldwide. Maintaining fresh produce at the appropriate temperature is an important factor in preventing premature ripening and optimizing product quality and freshness. Consistent with our reputation for high-quality fresh produce, we must preserve our fresh produce in a continuous temperature-controlled environment, from the harvest through its distribution.

We have an integrated logistics network, which includes land and sea transportation through a broad range of refrigerated environments in vessels, port facilities, containers, trucks and warehouses. Our objective is to maximize utilization of our logistics network to lower our average per-box logistics cost, while remaining sufficiently flexible to redeploy capacity or shipments to meet fluctuations in demand in our key markets. We believe that our control of the logistics process is a competitive advantage because we are able to continuously monitor and maintain the quality of our produce and ensure timely and regular distribution to customers on a year-round basis. Because logistics costs are also our largest expense other than our cost of products, we devote substantial resources to optimizing our logistic network.

We transport our fresh produce to markets worldwide using our fleet of 12 owned and six chartered vessels, comprised of four refrigerated vessels and two container vessels with refrigerated container capacity. Additionally, we transport our fruit to destinations around the world using third-party container lines that cover the array of destinations that we do not service directly with our own ships. We also spot charter refrigerated vessels during the year based on seasonal requirements. The majority of our chartered vessels are chartered for terms of one to 10 years. We believe that our fleet of owned vessels, combined with longer-term charters, is effective in reducing our ocean freight costs and mitigates our exposure to the volatility of the charter market. We also operate a fleet of approximately 6,000 refrigerated containers, 8% are owned and the remaining 92% are under operating leases. Our logistics system is supported by various information systems. As a vertically integrated food company, managing the entire distribution chain from the field to the customer requires the technology and infrastructure to meet our customers' complex delivery needs.

## ***Sales and Marketing***

The DEL MONTE® brand has been used to identify premium produce products for 125 years and is recognized by consumers worldwide for quality, freshness and reliability. We employ a variety of marketing tools, including but not limited to advertising, public relations and promotions, to reinforce our brand equity with consumers and the trade. Depending on the product and market, we also provide technical, logistical and merchandising support aimed at safeguarding the superior quality of our products to the ultimate consumer. Our sales and marketing activities are conducted by our sales force located at our sales offices worldwide and at each of our distribution centers. Our commercial efforts are supported by marketing professionals located in key markets and regional offices. A key element of our sales and marketing strategy is to use our distribution centers and fresh-cut facilities to provide value-added services to our customers.

We actively support our customers through technical training in the handling of fresh produce, in-store merchandising support, joint promotional activities, market research and inventory and other logistical support. Since most of our customers carry only one branded product for each fresh produce items, our marketing and promotional efforts for fresh produce emphasize trade advertising and in-store promotions.

We have an exclusive worldwide license to the Controlled Ripening Technology ("CRT"), one of the most recent innovations in banana packaging. CRT packaging was created for individual single-serve packages, a 10-pound institutional pack and 40-pound bulk as well as bagged banana boxes. This packaging utilizes state-of-the-art technology to help improve the ripening and handling process while helping retailers increase banana sales, reduce product losses and maximize profits by extending the product's yellow shelf life.

The level of marketing investment necessary to support the prepared food business is significantly higher than that required for the fresh produce and fresh-cut fruit and vegetable business. We utilize a variety of promotional tools to build the DEL MONTE® brand and engage consumers in key markets in Europe, Africa and the Middle East. In certain European markets, we utilize distributors to perform product distribution, sales and marketing activities for the prepared food business. Under these distribution agreements, the sales, warehousing, logistics, marketing and promotion functions are all performed by the distributor. This strategy of utilizing independent distributors enables us to reduce distribution and sales and marketing expenses. In addition, we plan to expand our prepared food business by entering new markets in Eastern Europe, Africa and the Middle East and by expanding our offerings in the snack category, targeting the convenience store and foodservice trade in selected European and Middle East markets.

During 2016, one customer, Wal-Mart, Inc. (including its affiliates), accounted for approximately 11% of our total net sales. These sales are reported in our banana, other fresh produce and prepared food segments. No other customer accounted for 10% or more of our net sales. In 2016, the top 10 customers accounted for approximately 31% of our net sales.

Note 22, “*Business Segment Data*” included in Item 8. *Financial Statements and Supplementary Data* contains information regarding net sales to external customers attributable to each of our reportable segments and geographic regions, gross profit by each of our reportable segments, total assets attributable to each of our geographic regions, and information concerning the dependence of our reportable segments on foreign operations, for each of the years 2016, 2015 and 2014.

### ***North America***

In 2016, 55% of our net sales were in North America. In North America, we have established a highly integrated sales and marketing network that builds on our ability to control transportation and distribution throughout our extensive logistics network. We operate a total of 23 distribution centers and fresh-cut facilities. Our distribution centers have ripening capabilities and/or other value-added services. We also operate four port facilities, which include cold storage facilities.

Our logistics network provides us with a number of sales and marketing advantages. For example, because we are able to maintain the quality of our fresh produce in a continuous temperature-controlled environment, we are under less pressure to fully sell a shipment prior to its arrival at port. We are thus better able to manage the timing of our sales to optimize our margins. Our ability to off-load shipments for cold storage and distribution throughout our network also improves ship utilization by minimizing in-port docking time. Our logistics network also allows us to manage our inventory among distribution centers to effectively respond to changes in customer demand.

We have sales professionals in locations throughout the United States and Canada. We sell to leading grocery stores and other retail chains, wholesalers, mass merchandisers, supercenters, foodservice operators, club stores, convenience stores and distributors in North America. These large customers typically take delivery of our products at the port facilities, which we refer to as FOB delivery. We also service these customers, as well as an increasing number of smaller regional chains and independent grocers, through our distribution centers.

### ***Europe***

In 2016, 17% of our net sales were in Europe. We distribute our fresh produce and prepared food products throughout Europe. Our fresh produce products are distributed to leading retail chains, smaller regional customers as well as to wholesalers and distributors through direct sales and distribution centers. In the United Kingdom, we have a sales and marketing office in Staines, England and operate a fresh-cut facility in Wisbech, England. In Germany, we have a sales and marketing office in Hamburg and operate a distribution center in the Frankfurt area. In France, we have a distribution center with banana ripening capabilities and a fresh-cut facility in the Paris area to service our expanding customer base. In the Netherlands, Spain, Portugal, Italy and Poland, we have sales and marketing entities that perform direct sales of our fresh produce products.

Our prepared food products are distributed through independent distributors throughout most of Europe. In the United Kingdom, our prepared food products are distributed using a combination of both independent distributors and our own marketing entity.

### ***Middle East and North Africa***

In 2016, 14% of our net sales were in the Middle East and North Africa. We distribute our products through independent distributors and company-operated distribution facilities. In recent years, we have increased our sales in the Middle East market through distributors and established our own direct sales initiatives. Our distribution/manufacturing center in Dubai, United Arab Emirates (“UAE”) is a state-of-the-art facility with just-in-time delivery capabilities that includes banana ripening and cold storage facilities, fresh-cut fruit and vegetable operations, an ultra-fresh juice manufacturing operation and prepared food manufacturing. We distribute these products in the UAE and export them to other Middle East countries. We also operate a distribution center in Abu-Dhabi, UAE that includes banana ripening and cold storage facilities and we operate a lettuce farm on leased land in Ras Al Khaimah, UAE. In Saudi Arabia, through our 60%-owned joint venture, we own two distribution centers with banana ripening, cold storage facilities, fresh-cut fruit and vegetable operations, and prepared food manufacturing capabilities for juices, potatoes and sandwiches. One of the distribution centers is located in Riyadh, the capital city of Saudi Arabia, and the other distribution center is located in Jeddah, the second largest city in the country. These strategically located distribution centers distribute our fresh produce and prepared food products to these growing markets. In Saudi Arabia, we also operate a vegetable farm on leased land that supplies our fresh-cut operations. In the UAE and in Saudi Arabia, we also distribute our products using our own

innovative retail concept through our Food and Beverage (F&B) stores. These F&B stores are small retail kiosks selling our fresh-cut produce, juice and other prepared food products and are strategically located in airports, schools, hospitals and inside hyper-markets.

In addition, we market and distribute prepared food products in the UAE, Jordan, Saudi Arabia and various other Middle East and North African markets. In Jordan, we own a state-of-the-art vertically integrated poultry business including poultry farms, hatcheries, feed mill, slaughterhouse and a meat processing plant. We are the leading provider of poultry products to retail stores and foodservice operators in that country. In Jordan, we also own a meat processing operation that provides meat products for the local market and for export to other Middle East and North African markets. As part of our vertical integration and expansion strategy in this region, in Jordan, we developed a 10 hectares ultra-modern hydroponically grown tomato operation which provides a consistent supply of tomatoes year round.

In Qatar and Russia, we have sales and marketing offices. In Turkey, our sales office located in Mersin is responsible for sourcing various types of fruit serving our units across the region. We believe that the Middle East, North Africa and countries formerly part of the Soviet Union represent an area for sales growth and development of our fresh and prepared food products. Utilizing our extensive knowledge of this region, we plan to capitalize on this opportunity with increased focus and investments in these markets.

### ***Asia***

In 2016, 12% of our net sales were in Asia. We distribute our products in Asia through direct marketing and large distributors. Our principal markets in this region are Japan, South Korea, mainland China and Hong Kong. In Japan, we distribute 100% of the products we sold in 2016 through our own direct sales and marketing organization. In Japan, we operate two fresh-cut facilities. Our products are distributed from four distribution centers located at strategic ports in Japan with cold storage and banana ripening operations.

We also engage in direct sales and marketing activities in South Korea and Hong Kong. In other Asian markets, including mainland China, we sell to local distributors. We have one distribution center and banana ripening facility in Hong Kong. In South Korea, we have three distribution centers that utilize state-of-the-art ripening technology which increase our ability to offer value-added services to our customers. In July 2016, we opened a new owned distribution center with our first fresh-cut fruit facility in South Korea.

### ***South America***

In South America, we have direct sales and marketing activities in Chile and also utilize local distributors in this region. Our sales in these markets focus mainly on non-tropical fruit including grapes, apples, pears, peaches, plums, cherries, kiwi and nectarines. In Chile, we also distribute our Costa Rican grown *Del Monte Gold<sup>®</sup> Extra Sweet* pineapple. In Brazil, we utilize local distributors for our banana sales.

### ***Competition***

We compete based on a variety of factors, including the appearance, taste, size, shelf life and overall quality of our fresh produce, price and distribution terms, the timeliness of our deliveries to customers and the availability of our produce items. The fresh produce business is highly competitive, and the effect of competition is intensified because our products are perishable. Competition in the sale of bananas, pineapples, melons and the other fresh fruit and vegetables that we sell comes from competing producers and distributors. Our sales are also affected by the availability of seasonal and alternative produce. While historically our main competitors have been multinational banana and pineapple producers, our significantly increased product offering in recent years has resulted in additional competition from a variety of companies. These companies include local and regional producers and distributors in each of our fresh produce and fresh-cut product categories.

The extent of competition varies by product. In the pineapple and non-tropical fruit markets, we believe that the high degree of capital investment and cultivation expertise required, as well as the longer length of the growing cycle, makes it relatively difficult to enter the market. Increased competition in the production and sale of *Del Monte Gold<sup>®</sup> Extra Sweet* pineapples could adversely affect our results. We expect these competitive pressures to continue.

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

In the melon market, we compete with producers and distributors of both branded and unbranded melons. From June to October, the peak North American and European melon-growing season, many growers enter the market with less expensive unbranded or regionally branded melons due to the relative ease of growing melons during this period, the short growth cycle and reduced transportation costs resulting from the proximity of the melon farms to the markets. These factors permit many smaller domestic growers to enter the market. During the offshore growing season from November to May, we compete with growers principally in Central America.

The fresh-cut produce market is highly fragmented, and we compete with a wide variety of local and regional distributors of branded and unbranded fresh-cut produce and, in the case of certain fresh-cut vegetables, a small number of large, branded producers and distributors. However, we believe that our principal competitive challenge is to capitalize on the growing trend of retail chains and independent grocers to outsource their own on-premises fresh-cut operations. We believe that our sales strategy, which emphasizes not only our existing sources of fresh produce, but also a full range of value-added services, strict compliance with food safety standards and our national distribution capability, positions us to increase our share of this market.

The processed fruit and beverage markets are mature markets characterized by high levels of competition and consumer awareness. Consumer choices are driven by price and/or quality. Large retailers with their “buyers own label” (“BOL”) products appeal to price-conscious consumers, while brand names are the key differentiator for quality-focused consumers. In the processed food and beverage markets in Europe, Africa and the Middle East, we compete with various local producers, large retailers with their BOL products, as well as with large international branded companies. It is in the branded section that our processed foods products, specifically, canned fruit and pineapple in many European countries, hold a leading position in these markets. The mature state of the market in Western Europe, together with the strength and sophistication of the large retailers there, account in part for the increasing presence of BOL products in many food and beverage categories. In the past few years, we have faced increased competitive pressure, particularly in the U.K. market, for branded processed food and beverage products. At the same time, our marketing and distribution costs in these European markets have increased. In order to reduce our costs and increase our competitiveness in the processed food business, we use distributors in certain key European markets to perform product distribution and sales and marketing activities. Under these arrangements, the sales, warehousing, logistics, marketing and promotion functions are all performed by the distributor. In the United Kingdom, we have also outsourced our beverage production. This strategy takes advantage of lower cost and established marketing and distribution networks and enables us to reduce costs and increase our competitiveness in these mature markets.

### ***Quality Assurance***

To ensure the consistent high quality of our products, we have a quality assurance group that maintains detailed quality specifications for all our products so that they meet or exceed minimum regulatory requirements. Our specifications require extensive sampling of our fresh produce at each stage of the production and distribution process to ensure high quality and proper sizing, as well as to identify the primary sources of any defects. Our fresh produce is evaluated based on both external appearance and internal quality, using size, color, porosity, translucence and sweetness as criteria. Only fresh produce meeting our stringent quality specifications is sold under the DEL MONTE® brand.

We are able to maintain the high quality of our products by growing a substantial portion of our own produce and working closely with our independent growers. We insist that all produce supplied by our independent growers meet the same stringent quality requirements as the produce grown on our farms. Accordingly, we monitor our independent growers to ensure that their produce will meet our agricultural and quality control standards, offer technical assistance on certain aspects of production and packing and, in some cases, manage the farms. The quality assurance process begins on the farms and continues as harvested products enter our packing facilities. Where appropriate, we cool the fresh produce at our packing facilities to maximize quality and optimize shelf life. As an indication of our worldwide commitment to quality, food safety, and sustainability, many of our operations are third party certified in globally recognized standards developed for the safe and sustainable production and distribution of quality foods. These standards include the International Organization for Standardization’s ISO 22000 and the Global Food Safety (GFS) Initiative benchmarked standards of Primus GFS, GlobalG.A.P, and Safe Quality Food Level 2 for food quality and food safety. They also include SCS Global Services’ Sustainably Grown Certified and the Sustainable Agriculture Network’s Rain Forest Alliance for sustainable agriculture and food production. In 2015, our Costa Rica Banana operation was certified as Carbon Neutral by SCS Global Services. All of our operations that produce or handle high risk foods (tomatoes, melons or leafy greens) achieved certification to the Hazard Analysis & Critical Control Points (“HACCP”) based safe quality food standard. HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product. Taken together, these certifications reflect our commitment to quality and the strictest standards of food safety.



## ***Government Regulation***

Agriculture and the sale and distribution of fresh produce are subject to extensive regulation by government authorities in the countries where the produce is grown and the countries where it is marketed. We have internal policies and procedures to comply with the most stringent regulations applicable to our products, as well as a technical staff to monitor pesticide usage and compliance with applicable laws and regulations. We believe we are in material compliance with these laws and regulations.

We are also subject to various government regulations in countries where we market our products. The countries in which we market a material amount of our products are the United States, Canada, the countries of the EU, Japan, China, South Korea, Jordan, the UAE and Saudi Arabia. These government regulations include:

- sanitary regulations, particularly in the United States and the EU;
- regulations governing pesticide use and residue levels, particularly in the United States, United Kingdom, Germany and Japan; and
- regulations governing traceability, packaging and labeling, particularly in the United States and the EU.

Any failure to comply with applicable regulations could result in an order barring the sale of part or all of a particular shipment of our products or, in an extreme case, the sale of any of our products for a specified period. In addition, we believe there has been an increasing emphasis on the part of consumers, as well as retailers, wholesalers, distributors and foodservice operators, on food safety issues, which could result in our business and operations being subject to increasingly stringent food safety regulations or guidelines.

### ***European Union Banana Import Regulations***

In December 2007, most of the African, Caribbean and Pacific countries (ACP), including Cameroon, signed a bilateral agreement with the EU that allows ACP bananas duty free access to the EU market without quantitative limitation commencing January, 1, 2008. Our Cameroon sourced bananas fall under this agreement.

In December 2009, the EU entered into an agreement with certain Latin America banana exporting countries to settle a long running dispute over banana import tariffs. This agreement was ratified in May 2010. Under this agreement, the EU will gradually reduce import tariffs on bananas from Latin America on an annual basis from the current level of €127 per ton in 2016 to €114 per ton by 2019, except for countries under Free Trade Agreements (FTA's). Countries under FTA's that signed bilateral agreements with the EU in 2012 are benefiting from accelerated but gradual reduction of import duties. The FTA's are in effect for Central American countries, Colombia, and Peru. The duty for FTA countries was €103 per ton in 2016, and the duty is €96 per ton for 2017 and will be reduced to €75 per ton by January 1, 2020. Our Colombia and Central America sourced bananas benefit from this FTA agreement.

### ***Environmental Proceedings***

The management, use and disposal of some chemicals and pesticides are inherent aspects of our production operations. These activities and other aspects of production are subject to various environmental laws and regulations, depending upon the country of operation. In addition, in some countries of operation, environmental laws can require the investigation and, if necessary, remediation of contamination related to past or current operations. We are not a party to any dispute or legal proceeding relating to environmental matters where we believe that the risk associated with the dispute or legal proceeding would be material, except as described in Item 3. *Legal Proceedings* and Note 17, "*Litigation*" to the Consolidated Financial Statements included in Item 8. *Financial Statements and Supplementary Data* in connection with the Kunia Well Site.

On May 10, 1993, the U.S. Environmental Protection Agency (the "EPA") identified a certain site at our plantation in Hawaii for potential listing on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended. See Item 3. *Legal Proceedings* and Note 17, "*Litigation*" to the Consolidated Financial Statements included in Item 8. *Financial Statements and Supplementary Data*.

### ***Research and Development, Patents and Licenses, Etc.***

Our research and development programs have led to improvements in agricultural and growing practices and product packaging technology. These programs are directed mainly at reducing the cost and risk of pesticides, using natural biological agents to control pests and diseases, testing new varieties of our principal fruit varieties for improved crop yield and resistance to

wind damage and improving post-harvest handling. We have also been seeking to increase the productivity of low-grade soils for improved banana growth and experimenting with various other types of fresh produce. Our research and development efforts are conducted by our staff of professionals and include studies conducted in laboratories, as well as on-site field analysis and experiments. Our research and development professionals are located at our production facilities and in the United States, and we provide our growers with access to improved technologies and practices. We operate research and development facilities in the United States and Costa Rica where we conduct various research activities relating to the development of new fruit varieties.

Some of the research and development projects include:

- the development of the *Del Monte Gold*<sup>®</sup> *Extra Sweet* pineapple and other pineapple and melon varieties; and
- improved irrigation methods and soil preparation for melon planting.

Our total corporate research and development expenses were \$3.3 million for 2016, \$3.9 million for 2015 and \$4.1 million for 2014, and are included in selling, general and administrative expenses in the Consolidated Financial Statements.

We have the exclusive right to use the DEL MONTE<sup>®</sup> brand for fresh fruit, fresh vegetables and other fresh and fresh-cut produce and certain other specified products on a royalty-free basis under a worldwide, perpetual license from Del Monte Corporation, an unaffiliated company that owns the DEL MONTE<sup>®</sup> trademark. Del Monte Corporation and several other unaffiliated companies manufacture, distribute and sell under the DEL MONTE<sup>®</sup> brand canned or processed fruit, vegetables and other produce, as well as dried fruit, snacks and other products. Our licenses allow us to use the trademark “DEL MONTE<sup>®</sup>” and the words “DEL MONTE<sup>®</sup>” in association with any design or logotype associated with the brand. The licenses also give us certain other trademarks and trademark rights, on or in connection with the production, manufacture, sale and distribution of fresh fruit, fresh vegetables, other fresh produce and certain other specified products. In addition, the licenses allow us to use certain patents and trade secrets in connection with the production, manufacture, sale and distribution of our fresh fruit, fresh vegetables, other fresh produce and certain other specified products.

We also have a royalty-free perpetual license to use the DEL MONTE<sup>®</sup> trademark in connection with the production, manufacture, sale and distribution of all food and beverage products in Europe, Africa, the Middle East and countries formerly part of the Soviet Union.

We also sell produce under several other brands for which we have obtained registered trademarks, including UTC<sup>®</sup>, Rosy<sup>®</sup>, Fruit Express<sup>®</sup>, Just Juice<sup>®</sup>, Fruitini<sup>®</sup> and other regional brands.

## Seasonality

In part, as a result of seasonal sales price fluctuations, we have historically realized a greater portion of our net sales and of our gross profit during the first two calendar quarters of the year. The sales price of any fresh produce item fluctuates throughout the year due to the supply of and demand for that particular item, as well as the pricing and availability of other fresh produce items, many of which are seasonal in nature. For example, the production of bananas is continuous throughout the year and production is usually higher in the second half of the year, but the demand for bananas varies because of the availability of other fruit. As a result, demand for bananas is seasonal and generally results in higher sales prices during the first six months of the calendar year. We make most of our sales of non-tropical fruit from October to May. In the melon market, the entry of many growers selling unbranded or regionally branded melons during the peak North American and European melon growing season results in greater supply, and therefore lower selling prices, from June to October. As a result of greater demand during the fourth quarter, the prepared food business is expected to have higher net sales and gross profit during this period. These seasonal fluctuations are illustrated in the following table, which presents certain unaudited quarterly financial information for the periods indicated:

	Year ended	
	December 30, 2016	January 1, 2016
<b>Net sales:</b>		
First quarter	\$ 1,018.1	\$ 1,008.4
Second quarter	1,088.6	1,134.1
Third quarter	950.2	936.1
Fourth quarter	954.6	977.9
Total	<u>\$ 4,011.5</u>	<u>\$ 4,056.5</u>
<b>Gross profit:</b>		
First quarter	\$ 140.7	\$ 100.4
Second quarter	145.4	114.0
Third quarter	118.8	83.3
Fourth quarter	56.5	44.6
Total	<u>\$ 461.4</u>	<u>\$ 342.3</u>

## Employees

At year end 2016, we had approximately 38,000 employees worldwide, substantially all of whom are year-round employees. Approximately 88% of these persons are employed in production locations. We believe that our overall relationship with our employees and unions is satisfactory.

## Organizational Structure

We are organized under the laws of the Cayman Islands and, as set forth in our Amended and Restated Memorandum of Association, we are a holding company for the various subsidiaries that conduct our business on a worldwide basis. Our significant subsidiaries, all of which are directly or indirectly wholly owned, are:

Subsidiary	Country of Incorporation
Corporacion de Desarrollo Agricola Del Monte S.A.	Costa Rica
Del Monte Fresh Produce Company	United States
Del Monte Fresh Produce International Inc.	Liberia
Del Monte Fresh Produce N.A., Inc.	United States
Del Monte Fund B.V.	Curacao
Del Monte International GmbH	Switzerland
Del Monte Fresh Produce Sarl	Luxembourg

## **Web site Access to Reports**

We file annual, quarterly and current reports, and amendments to those reports, proxy statements and other information with the SEC. You may access and read our filings without charge through the SEC's Web site at [www.sec.gov](http://www.sec.gov). You may also read and copy any document we file with the SEC at the SEC's Public Reference Room located at 100 F Street, NE, Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room.

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports can be viewed on the Company's Web site at [www.freshdelmonte.com](http://www.freshdelmonte.com) as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Information on our Web site is not a part of this Annual Report on Form 10-K.

In addition, copies of our annual report may be obtained free of charge, upon written request to attention: Investor Relations, c/o Del Monte Fresh Produce Company, 241 Sevilla Avenue, Coral Gables, Florida 33134.

## **Item 1A. Risk Factors**

We are subject to many risks and uncertainties that may affect our future financial performance and our stock price. Some of the risks and uncertainties that may cause our financial performance to vary or that may materially or adversely affect our financial performance or stock price are discussed below.

***We could realize losses and suffer liquidity problems due to declines in sales prices for bananas, pineapples and other fresh produce.***

Our profitability depends largely upon our profit margins and sales volumes of bananas, pineapples and other fresh produce. In 2014, 2015 and 2016, banana sales accounted for the most significant portion of our total net sales.

Supply of bananas can be increased relatively quickly due to the banana's relatively short growing cycle and the limited capital investment required for banana growing. As a result of imbalances in supply and demand and import regulations, banana prices fluctuate; consequently, our operating results could be adversely affected.

Sales prices for bananas, pineapples and other fresh produce are difficult to predict. It is possible that sales prices for bananas and pineapples will decline in the future, and sales prices for other fresh produce may also decline. In recent years, there has been increasing consolidation among food retailers, wholesalers and distributors. We believe the increasing consolidation among food retailers may contribute to further downward pressure on our sales prices. In the event of a decline in sales prices or sales volumes, we could realize significant losses, experience liquidity problems and suffer a weakening in our financial condition. A significant portion of our costs is fixed, so that fluctuations in the sales prices have an immediate impact on our profitability. Our profitability is also affected by our production costs, which may increase due to factors beyond our control.

***Due to fluctuations in the supply of and demand for fresh produce, our results of operations are seasonal, and we realize a greater portion of our net sales and gross profit during the first two quarters of each year.***

In part as a result of seasonal sales price fluctuations, we have historically realized a greater portion of our gross profit during the first two quarters of each year. The sales price of any fresh produce item fluctuates throughout the year due to the supply of and demand for that particular item, as well as the pricing and availability of other fresh produce items, many of which are seasonal in nature. For example, the production of bananas is continuous throughout the year and production is usually higher in the second half of the year, but the demand for bananas during that period varies because of the availability of seasonal and alternative fruit. As a result, demand for bananas is seasonal and generally results in higher sales prices during the first six months of each calendar year. In the melon market, the entry of many growers selling unbranded or regionally branded melons during the peak North American and European melon growing season results in greater supply, and therefore, lower sales prices from June to October. In the North American and European regions, we realize most of our sales and gross profit for melons, grapes and non-tropical fruit from November to May.

***Crop disease, severe weather, natural disasters and other conditions affecting the environment, including the effects of climate change, could result in substantial losses and weaken our financial condition.***

Crop disease, severe weather conditions, such as floods, droughts, windstorms and hurricanes, and natural disasters, such as earthquakes, may adversely affect our supply of one or more fresh produce items, reduce our sales volumes, increase our unit production costs or prevent or impair our ability to ship products as planned. This is particularly true in the case of our premium

pineapple product, the *Del Monte Gold<sup>®</sup> Extra Sweet* pineapple, because a substantial portion of our production is grown in one region in Costa Rica. Since a significant portion of our costs are fixed and contracted in advance of each operating year, volume declines due to production interruptions or other factors could result in increases in unit production costs, which could result in substantial losses and weaken our financial condition. We have experienced crop disease, insect infestation, severe weather and other adverse environmental conditions from time to time, including hurricanes, droughts, floods and earthquakes in our sourcing locations. Severe weather conditions may occur with higher frequency or may be less predictable in the future due to the effects of climate change. When crop disease, insect infestations, severe weather, earthquakes and other adverse environmental conditions destroy crops planted on our farms or our suppliers' farms or prevent us from exporting them on a timely basis, we may lose our investment in those crops or our purchased fruit cost may increase.

***The fresh produce and prepared food markets in which we operate are highly competitive.***

The fresh produce and prepared food business is highly competitive, and the effect of competition is intensified because most of our products are perishable. In banana and pineapple markets, we compete principally with a limited number of multinational and large regional producers. In the case of our other fresh fruit and vegetable products, we compete with numerous small producers, as well as regional competitors. Our sales are also affected by the availability of seasonal and alternative fresh produce. The extent of competition varies by product. To compete successfully, we must be able to strategically source fresh produce and prepared food of uniformly high quality and sell and distribute it on a timely and regular basis. In addition, our profitability has depended significantly on the sale of our *Del Monte Gold<sup>®</sup> Extra Sweet* pineapples. Increased competition in the production and sale of *Del Monte Gold<sup>®</sup> Extra Sweet* pineapples could adversely affect our results. We expect these competitive pressures to continue.

***We are subject to material currency exchange risks because our operations involve transactions denominated in various currencies.***

We conduct operations in many areas of the world involving transactions denominated in various currencies, and our results of operations, as expressed in dollars, may be significantly affected by fluctuations in rates of exchange between currencies. Although a substantial portion of our net sales (36% in 2016) are denominated in non-dollar currencies, we incur a significant portion of our costs in dollars. Although we periodically enter into currency forward contracts as a hedge against currency exposures, we may not enter into these contracts during any particular period or these contracts may not adequately offset currency fluctuations. We generally are unable to adjust our non-dollar local currency sales prices to compensate for fluctuations in the exchange rate of the dollar against the relevant local currency. In addition, there is normally a time lag between our costs incurred and collection of the related sales proceeds. Accordingly, if the dollar appreciates relative to the currencies in which we receive sales proceeds, our operating results may be negatively affected. Our costs are also affected by fluctuations in the value, relative to the U.S. dollar, of the currencies of countries in which we have significant production operations, with a weaker dollar resulting in increased production costs.

***Our strategy of diversifying our product line, expanding into new geographic markets and increasing the value-added services that we provide to our customers may not be successful.***

We are diversifying our product line through acquisitions and internal growth. In addition, we have expanded our service offerings to include a higher proportion of value-added services, such as the preparation of fresh-cut produce, ripening, customized sorting and packing, direct-to-store delivery and in-store merchandising and promotional support. This strategy represents a significant departure from our traditional business of delivering our products to our customers at the port. In recent periods, we have made significant investments in distribution centers, new growing operations and, fresh-cut and prepared food facilities through capital expenditures and have expanded our business into new geographic markets. We may not be successful in anticipating the demand for these products and services, in establishing the requisite infrastructure to meet customer demands or the provision of these value-added services. During recent years, we incurred significant asset impairment and other charges as a result of our continuing efforts to align our diversified product lines to meet market demand. During 2016, we incurred an asset impairment of \$2.6 million representing 100% of the goodwill associated with our poultry business in Jordan. This impairment was principally due to the failure of this business to meet our expectations due to underperformance. We also incurred approximately \$7.5 million in asset impairments and other charges principally related to unfavorable weather conditions in Brazil, conversion of a banana plantation to pineapples in the Philippines, underutilized assets in Central America and contract termination and other charges.

We review goodwill and other intangible assets for impairment on an annual basis or earlier if indicators for impairment are present. The goodwill associated with our banana segment is highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of this asset. If the banana segment does not perform to expected levels, the banana segment goodwill may be at risk for impairment in the future.

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

If we are not successful in our diversification efforts, our business, financial condition or results of operations could be materially and adversely affected.

***The loss of one or more of our largest customers, or a reduction in the level of purchases made by these customers, could negatively impact our sales and profits.***

Sales to Wal-Mart, Inc., our largest customer, amounted to approximately 11% of our total net sales in 2016, and our top 10 customers collectively accounted for approximately 31% of our total net sales. We expect that a significant portion of our revenues will continue to be derived from a relatively small number of customers. We believe these customers make purchase decisions based on a combination of price, product quality, consumer demand, customer service performance, desired inventory levels and other factors that may be important to them at the time the purchase decisions are made. Changes in our customers' strategies or purchasing patterns, including a reduction in the number of brands they carry, may adversely affect our sales. Additionally, our customers may face financial or other difficulties which may impact their operations and cause them to reduce their level of purchases from us, which could adversely affect our results of operations. Customers also may respond to any price increase that we may implement by reducing their purchases from us, resulting in reduced sales of our products. If sales of our products to one or more of our largest customers are reduced, this reduction may have a material adverse effect on our business, financial condition, and results of operations. Any bankruptcy or other business disruption involving one of our significant customers also could adversely affect our results of operations.

***Increased prices for fuel, packaging materials or short-term refrigerated vessel charter rates could increase our costs significantly.***

Our costs are determined in large part by the prices of fuel and packaging materials, including containerboard, plastic, resin and tin plate. We may be adversely affected if sufficient quantities of these materials are not available to us. Any significant increase in the cost of these items could also materially and adversely affect our operating results. Other than the cost of our products (including packaging), logistics (sea and inland transportation) costs represent the largest component of cost of products sold. Third-party containerized shipping rates are also a significant component of our logistic costs. In recent years these container shipping rates have decreased. During 2015, cost of fuel decreased 41%, containerboard decreased 3% and fertilizer decreased 11%. During 2016, cost of fuel decreased 25%, containerboard decreased 4% and fertilizer decreased 13%.

In addition, we are subject to the volatility of the charter vessel market because six of our refrigerated vessels are chartered. These charters are principally for periods of one to 10 years. Charter rates have generally remained relatively stable over the past three years. As a result, significant increases in fuel, packaging material, fertilizer and charter rates would materially and adversely affect our results.

Compliance with regulation aimed at mitigating the effects of climate change, as discussed elsewhere in these Risk Factors, could also increase the cost of fuel for our shipping and logistics operations. We might be unable to adjust our product pricing to reflect our increased costs. Even if we are able to adjust our product pricing, our customer's buying patterns could change to reflect a greater reliance on local production rather than imports.

***We are subject to the risk of product contamination and product liability claims.***

The sales of our products involve the risk of injury to consumers. Such injuries may result from tampering by unauthorized personnel, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, or residues introduced during the growing, packing, storage, handling or transportation phases. While we are subject to governmental inspection and regulations and believe our facilities comply in all material respects with all applicable laws and regulations, including internal product safety policies, we cannot be sure that consumption of our products will not cause a health-related illness in the future or that we will not be subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful, the negative publicity surrounding any assertion that our products caused illness or injury could adversely affect our reputation with existing and potential customers and our brand image. In addition, claims or liabilities of this sort might not be covered by our insurance or by any rights of indemnity or contribution that we may have against others. We maintain product liability insurance in an amount that we believe is adequate. However, we cannot be sure that we will not incur claims or liabilities for which we are not insured or that exceed the amount of our insurance coverage, resulting in significant cash outlays that would materially and adversely affect our results and financial condition.

***We are subject to legal and environmental risks that could result in significant cash outlays.***

We are involved in several legal and environmental matters that, if not resolved in our favor, could require significant cash outlays and could materially and adversely affect our results of operations and financial condition. In addition, we may be subject to product liability claims if personal injury results from the consumption of any of our products.

The EPA has placed a certain site at our former plantation in Oahu, Hawaii on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980. Under an order entered into with the EPA, we completed a remedial investigation and engaged in a feasibility study to determine the extent of the environmental contamination. The remedial investigation report was finalized in January 1999 and approved by the EPA in February 1999. A final draft feasibility study was submitted for EPA review in December 1999 and updated in December 2001 and October 2002, and approved by the EPA in April 2003. In September 2003, the EPA issued the Record of Decision (“ROD”). The EPA estimated in the ROD that the remediation costs associated with the cleanup of our plantation would range from \$12.9 million to \$25.4 million. The undiscounted estimates are between \$13.7 million and \$28.7 million. As of December 30, 2016, there are \$13.3 million included in other noncurrent liabilities and \$0.4 million included in accounts payable and accrued expenses in our Consolidated Balance Sheets relating to the Kunia well site clean-up. We increased the liability by \$0.4 million during 2016 and we decreased the liability by \$0.8 million during 2015 due to changes to the remediation work being performed. Going forward, we expect to expend approximately \$0.4 million in 2017, and \$3.4 million for 2018 through 2021 on this matter. See Item 3. *Legal Proceedings* and Note 17, “*Litigation*” to the Consolidated Financial Statements included in Item 8. *Financial Statements and Supplementary Data*. In addition, we are involved in several actions in U.S. and non-U.S. courts involving allegations by numerous Central American and Philippine plaintiffs that they were injured by exposure to a nematocide containing the chemical Dibromochloropropane during the 1970’s. See Item 3. *Legal Proceedings* and Note 17, “*Litigation*” to the Consolidated Financial Statements included in Item 8. *Financial Statements and Supplementary Data*.

***Environmental and other regulation of our business, including potential climate change regulation, could adversely impact us by increasing our production cost or restricting our ability to import certain products into the United States.***

Our business depends on the use of fertilizers, pesticides and other agricultural products. The use and disposal of these products in some jurisdictions are subject to regulation by various agencies. A decision by a regulatory agency to significantly restrict the use of such products that have traditionally been used in the cultivation of one of our principal products could have an adverse impact on us. For example, most uses of methyl bromide, a pesticide used for fumigation of imported produce (principally melons) for which there is currently no known substitute, were phased out in the United States in 2006. Also, under the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Food, Drug and Cosmetic Act and the Food Quality Protection Act of 1996, the EPA is undertaking a series of regulatory actions relating to the evaluation and use of pesticides in the food industry. Similarly, in the EU, regulation (EC) No. 1107/2009 which became effective on June 14, 2011, fundamentally changed the pesticide approval process from the current risk base to hazard criteria based on the intrinsic properties of the substance. Future actions regarding the availability and use of pesticides could have an adverse effect on us. In addition, if a regulatory agency were to determine that we are not in compliance with a regulation in that agency’s jurisdiction, this could result in substantial penalties and a ban on the sale of part or all of our products in that jurisdiction.

There has been a broad range of proposed and promulgated state, national and international regulation aimed at reducing the effects of climate change. Such regulations apply or could apply in countries where we have interests or could have interests in the future. In the United States, there is a significant possibility that some form of regulation will be enacted at the federal level to address the effects of climate change. Such regulation could take several forms that could result in additional costs in the form of taxes, the restriction of output, investments of capital to maintain compliance with laws and regulations, or required acquisition or trading of emission allowances. Climate change regulation continues to evolve, and while it is not possible to accurately estimate either a timetable for implementation or our future compliance costs relating to implementation, we do not believe that such regulation is reasonably likely to have a material effect in the foreseeable future on our business, results of operations, capital expenditures or financial position.

***We are exposed to political, economic and other risks from operating a multinational business.***

Our business is multinational and subject to the political, economic and other risks that are inherent in operating in numerous countries. These risks include those of adverse government regulation, including the imposition of import and export duties and quotas, currency restrictions, expropriation and potentially burdensome taxation. For example, banana import regulations have in prior years restricted our access to the EU banana market and increased the cost of doing business in the EU. In December 2009, the EU entered into an agreement with certain Latin America banana exporting countries to settle the long running dispute over banana import tariffs. This agreement was ratified in May 2010. Under this agreement, the EU will gradually reduce import

tariffs on bananas from Latin America on an annual basis from the current level of €127 per ton in 2016 to €114 per ton by 2019, except for countries under FTA. Countries under FTA's that have signed bilateral agreements with the EU in 2012 are benefiting from accelerated but gradual reduction of import duties. FTA's are effect for Central American countries, Columbia, and Peru. The duty for FTA countries was €103 per ton in 2016, and the duty is €96 per ton for 2017 and will be reduced to €75 by January 1, 2020. We cannot predict the impact of further changes to the banana import tariffs or new quotas on the EU banana market.

Costa Rica and Ecuador, countries in which we operate, have established “minimum” export prices for bananas that are used as the reference point in banana purchase contracts from independent producers, thus limiting our ability to negotiate lower purchase prices. These minimum export price requirements could potentially increase the cost of sourcing bananas in countries that have established such requirements.

We are also subject to a variety of government regulations in countries where we market our products, including the United States, the EU, Asia, countries of the Middle East and Africa. Examples of the types of regulation we face include:

- sanitary regulations;
- regulations governing pesticide use and residue levels; and
- regulations governing packaging and labeling.

If we fail to comply with applicable regulations, it could result in an order barring the sale of part or all of a particular shipment of our products or, possibly, the sale of any of our products for a specified period. Such a development could result in significant losses and could weaken our financial condition.

***Acts or omissions of other companies could adversely affect the value of the DEL MONTE® brand.***

We depend on the DEL MONTE® brand in marketing our products. We share the DEL MONTE® brand with unaffiliated companies that manufacture, distribute and sell canned or processed fruit and vegetables, dried fruit, snacks and other products. Acts or omissions by these companies, including an instance of food-borne contamination or disease, may adversely affect the value of the DEL MONTE® brand. As a result, our reputation and the value of the DEL MONTE® brand may be adversely affected by negative consumer perception.

***Our success depends on the services of our senior executives, the loss of whom could disrupt our operations.***

Our ability to maintain our competitive position is dependent to a large degree on the services of our senior management team. We may not be able to retain our existing senior management personnel or attract additional qualified senior management personnel.

***Our acquisition and expansion strategy may not be successful.***

Our growth strategy is based in part on growth through acquisitions or expansion, which poses a number of risks. We may not be successful in identifying appropriate acquisition candidates, consummating acquisitions on satisfactory terms or integrating any newly acquired or expanded business with our current operations. We may issue additional Ordinary Shares, incur long-term or short-term indebtedness, spend cash or use a combination of these for all or part of the consideration paid in future acquisitions or expansion of our operations. The execution of our acquisition and expansion strategy could entail repositioning or similar actions that in turn require us to record impairments, restructuring and other charges. Any such charges would reduce our earnings.

***Our indebtedness could limit our financial and operating flexibility and subject us to other risks.***

Our ability to obtain additional debt financing or refinance our debt on acceptable terms, if at all, in the future for working capital, capital expenditures or acquisitions may be limited either by financial considerations or due to covenants in existing debt agreements.

Our ability to meet our financial obligations will depend on our future performance, which will be affected by prevailing economic conditions and financial, business and other factors, some of which are beyond our control. Our ability to meet our financial obligations also may be adversely affected by the seasonal nature of our business, the cyclical nature of agricultural commodity prices, the susceptibility of our product sourcing to crop disease, severe weather and other adverse environmental conditions and other factors.



Since we are a holding company, our ability to meet our financial obligations depends primarily on receiving sufficient funds from our subsidiaries. The payment of dividends or other distributions to us by our subsidiaries may be restricted by the provisions of our credit agreements and other contractual requirements and by applicable legal restrictions on payment of dividends and other distributions.

If we were unable to meet our financial obligations, we would be forced to pursue one or more alternative strategies, such as selling assets, restructuring or refinancing our indebtedness or seeking additional equity capital, strategies which could be unsuccessful. Additional sales of our equity capital could substantially dilute the ownership interest of existing shareholders.

Our current credit facility imposes certain operating and financial restrictions on us. Our failure to comply with the obligations under this facility, including maintenance of financial ratios, could result in an event of default, which, if not cured or waived, would permit the lender to accelerate the indebtedness due under the facility.

***We are controlled by our principal shareholders.***

Members of the Abu-Ghazaleh family, including our Chairman and Chief Executive Officer and one of our directors, are our principal shareholders. As of February 10, 2017, they together directly owned 35.6% of our outstanding Ordinary Shares, and our Chairman and Chief Executive Officer holds, and is expected to continue to hold, an irrevocable annual proxy to vote all of these shares. We expect our principal shareholders to continue to use their interest in our Ordinary Shares to significantly influence the direction of our management, the election of our entire board of directors, the method and timing of the payment of dividends, subject to applicable debt covenants and to determine substantially all other matters requiring shareholder approval and to control us. The concentration of our beneficial ownership may have the effect of delaying, deterring or preventing a change in control, may discourage bids for the Ordinary Shares at a premium over their market price and may otherwise adversely affect the market price of the Ordinary Shares.

***A substantial number of our Ordinary Shares are available for sale in the public market, and sales of those shares could adversely affect our share price.***

Future sales of our Ordinary Shares by our principal shareholders, or the perception that such sales could occur, could adversely affect the prevailing market price of our Ordinary Shares. Of the 51,271,200 Ordinary Shares outstanding as of February 10, 2017, 18,119,783 Ordinary Shares are owned by the principal shareholders and are “restricted securities.” These “restricted securities” can be registered upon demand and are eligible for sale in the public market without registration under the Securities Act of 1933 (the “Securities Act”), subject to compliance with the resale volume limitations and other restrictions of Rule 144 under the Securities Act.

***Our organizational documents contain a variety of anti-takeover provisions that could delay, deter or prevent a change in control.***

Various provisions of our organizational documents and Cayman Islands law may delay, deter or prevent a change in control of us that is not approved by our board of directors. These provisions include:

- a classified board of directors;
- a prohibition on shareholder action through written consents;
- a requirement that general meetings of shareholders be called only by a majority of the board of directors or by the Chairman of the Board;
- advance notice requirements for shareholder proposals and nominations;
- limitations on the ability of shareholders to amend, alter or repeal our organizational documents; and
- the authority of the board of directors to issue preferred shares with such terms as the board of directors may determine.

In addition, a change of control would constitute an event of default under our current credit facility, which would have a material adverse effect on us. These provisions also could delay, deter or prevent a takeover attempt.

***Our shareholders have limited rights under Cayman Islands law.***

We are incorporated under the laws of the Cayman Islands, and our corporate affairs are governed by our Amended and Restated Memorandum and Articles of Association and by the Companies Law of the Cayman Islands. Principles of law relating to matters, such as the validity of corporate procedures, the fiduciary duties of our management, directors and controlling shareholders and the rights of our shareholders differ from those that would apply if we were incorporated in a jurisdiction within the United States. Further, the rights of shareholders under Cayman Islands law are not as clearly established as the rights of shareholders under legislation or judicial precedent applicable in most U.S. jurisdictions. As a result, our public shareholders may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling shareholders than they might have as shareholders of a corporation incorporated in a U.S. jurisdiction. In addition, there is doubt as to whether the courts of the Cayman Islands would enforce, either in an original action or in an action for enforcement of judgments of U.S. courts, liabilities that are predicated upon the U.S. federal securities laws.

**Item 1B. Unresolved Staff Comments**

None.

## Item 2. Properties

The following table summarizes the approximate plantation acreage under production that are owned or leased by us and the principal products grown on such plantations by location as of the end of 2016:

Location	Acres Under Production		Products
	Acres Owned	Acres Leased	
Costa Rica	42,800	6,200	Bananas, Pineapples, Melons
Guatemala	9,200	4,000	Bananas, Melons
Brazil	2,500	—	Bananas, Other Crops
Chile	4,000	2,100	Non-Tropical Fruit
Kenya	—	10,700	Pineapples
Philippines	—	19,300	Bananas, Pineapples
United States	4,200	2,300	Melons, Tomatoes and Other Crops

Our significant properties include the following:

### *North America*

We operate a total of 23 distribution centers in the United States and Canada, of which ten are also fresh-cut facilities. We own eight of our distribution centers, consisting of a 200,000 square foot distribution center in Dallas, Texas, a distribution center in Plant City, Florida and Goodyear Arizona, a repack facility in Winder, Georgia, and fresh-cut facilities in Kankakee, Illinois, Portland, Oregon and Sanger, California. We also operate a state-of-the-art distribution center with a fresh-cut facility in Ontario, Canada on owned land. The remaining 15 distribution centers are leased from third parties. All of our distribution centers have ripening capabilities and/or other value-added services. We also lease four port facilities that include cold storage capabilities.

### *Europe*

We own and operate a distribution center in the Frankfurt area of Germany. We also own and operate a fresh-cut fruit facility in Wisbech, England. In Rungis, France, a suburb of Paris, we have a leased distribution center with banana ripening capability and operate a new fresh-cut produce facility. In Larissa, Greece, we own and operate a production facility for prepared fruit, tomato products and snacks.

### *Asia*

Our products are distributed from four leased distribution centers located at strategic ports in Japan with cold storage and banana ripening operations. In Japan, we also operate two fresh-cut fruit facilities. One is owned and the other one is leased. In Hong Kong, we lease a distribution center. In addition, we lease two distribution centers in South Korea and one new facility on owned land with our first fresh-cut fruit operation in that country. Our distribution centers include state-of-the art ripening technology and other value-added services.

### *Central America*

In Costa Rica, we own a juice processing plant and an IQF (individually quick frozen) fruit processing plant. In Costa Rica and Guatemala, we own and operate greenhouses where we produce tomatoes and other vegetables for export.

### *South America*

In Brazil, we own approximately 13,100 acres of land of which 2,500 acres are under production. In Uruguay, we own approximately 7,800 acres of which 4,200 acres contain a citrus plantation that is leased to a third party.

### *Africa*

In Thika, Kenya, we own and operate a warehouse, a pineapple cannery and a juice production facility.

## ***Middle East***

In Jordan, we own an integrated poultry business including poultry farms, hatcheries, a feed mill, a poultry slaughterhouse and a meat processing plant. In Jordan, we also own a 25 acre hydroponic tomato operation. In the UAE, we own a combined distribution/manufacturing center in Dubai. This state-of-the-art facility includes banana ripening and cold storage facilities, fresh-cut fruit and vegetable operations, an ultra fresh juice manufacturing operation and prepared food manufacturing. We also operate a lettuce farm on leased land in Ras Al Khaimah, UAE. In addition, we lease and operate a distribution center in Abu-Dhabi, UAE that includes banana ripening and cold storage facilities. In Saudi Arabia, we own 60% of a joint venture that operates two owned distribution centers strategically located in Jeddah and Riyadh, with banana ripening, cold storage facilities and fresh-cut products and prepared food manufacturing capabilities. In Al Jouf, located in the norther region of Saudi Arabia, we operate a vegetable farm on leased land.

## ***Maritime and Other Equipment (including Containers)***

We own a fleet of 12 and charter another six refrigerated vessels. In addition, we own or lease other related equipment, including approximately 6,000 refrigerated container units and 350 trucks and refrigerated trailers used to transport our fresh produce in the United States. In the Middle East, we own approximately 300 trucks principally used to deliver fresh produce and prepared food products to customers.

## ***Other Properties***

We own our U.S. executive headquarters building in Coral Gables, Florida, our Central America regional headquarters building in San Jose, Costa Rica and our South America regional headquarters building in Santiago, Chile. We own our office space in Guatemala City, Guatemala and Amman, Jordan. Our remaining office space in North America, Europe, Asia, Central and South America and the Middle East is leased from third parties.

We believe that our property, plant and equipment are well maintained in good operating condition and adequate for our present needs. Except as noted in Item 3. *Legal Proceedings* and Note 17, “*Litigation*” to the Consolidated Financial Statements included in Item 8. *Financial Statements and Supplementary Data*, we know of no other environmental issues that may affect the utilization of our property, plant and equipment. For further information with respect to our property, plant and equipment, see Note 6, “*Property, Plant and Equipment*” to the Consolidated Financial Statements filed as part of this Report.

The principal capital expenditures planned for 2017 consist primarily of the expansion and improvement of production facilities in Costa Rica, the Philippines, Chile, Guatemala, Mexico, Kenya and Panama. In addition, we also plan capital expenditures for expansion and improvements of our distribution and fresh-cut facilities in the United States, Europe and the Middle East.

## **Item 3. Legal Proceedings**

See Note 17, “*Litigation*” to the Consolidated Financial Statements included in Item 8. *Financial Statements and Supplementary Data*.

## **Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### *Ordinary Share Prices and Related Matters*

Our Ordinary Shares are traded solely on the New York Stock Exchange, under the symbol FDP, and commenced trading on October 24, 1997, the date of our initial public offering.

The following table presents the high and low sales prices of our Ordinary Shares:

	High	Low
<b>2016</b>		
First quarter	\$ 42.96	\$ 36.68
Second quarter	\$ 55.41	\$ 41.70
Third quarter	\$ 60.85	\$ 53.65
Fourth quarter	\$ 66.86	\$ 56.18
<b>2015</b>		
First quarter	\$ 38.89	\$ 31.95
Second quarter	\$ 41.16	\$ 36.07
Third quarter	\$ 41.39	\$ 36.56
Fourth quarter	\$ 47.49	\$ 38.62

#### *Dividend Policy*

Our quarterly cash dividend was \$0.125 per ordinary share for the first and second quarters of 2016 and \$0.150 per ordinary share during the third and fourth quarters of 2016. Our quarterly cash dividend was \$0.125 per ordinary share during the year ended January 1, 2016. We paid an aggregate of \$28.2 million in dividends during the year ended December 30, 2016 and \$26.2 million during the year ended January 1, 2016. Because we are a holding company, our ability to pay dividends and to meet our debt service obligations depends primarily on receiving sufficient funds from our subsidiaries. Pursuant to our credit facility, we may declare and pay dividends and distributions in cash solely out of and up to 50% of our net income for the year immediately preceding the year in which the dividend or distribution is paid, or at such time the dividend is paid or declared, as the case may be, subject to certain other credit facility conditions, when the Consolidated Leverage Ratio is less than 3.25 to 1.0. It is also possible that countries in which one or more of our subsidiaries are located could institute exchange controls, which could prevent those subsidiaries from remitting dividends or other payments to us. Dividends are payable when, as, and if declared by our board of directors, and we cannot assure that dividends will be paid in the future.

#### *Shareholders*

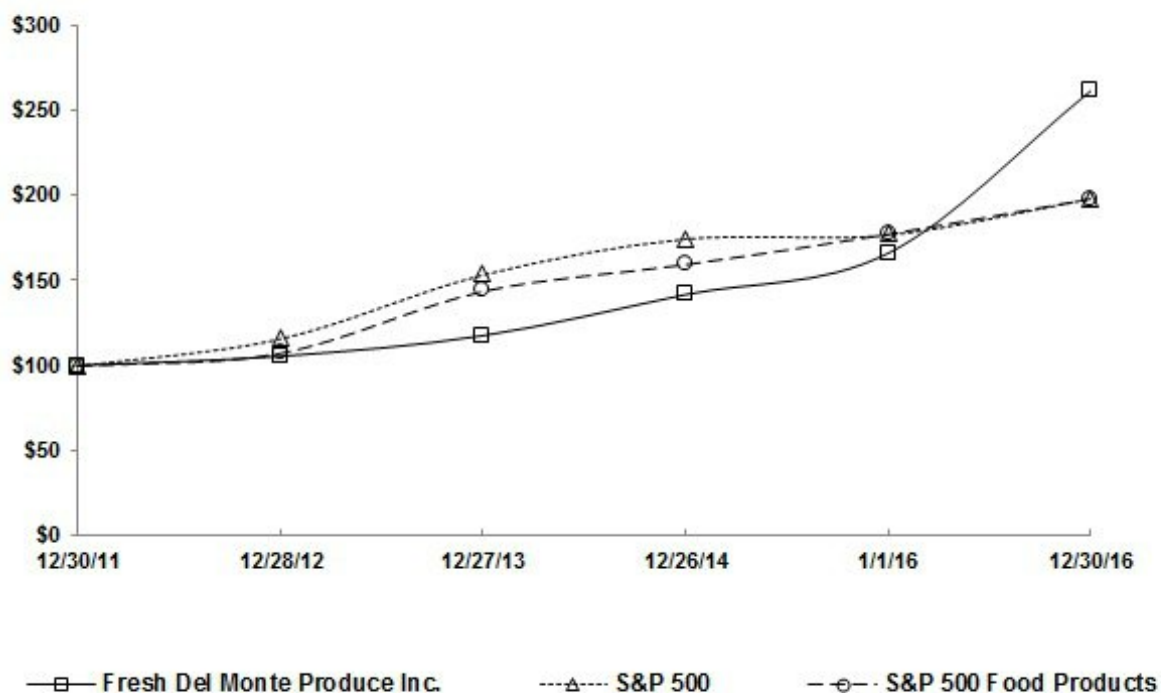
As of February 10, 2017, we had 65 shareholders of record, which excludes shareholders whose shares were held by brokerage firms, depositories and other institutional firms in "street name".

## Performance Graph

The following graph compares the cumulative five-year total return of holders of FDP ordinary shares with the cumulative total returns of the S&P 500 index and the S&P 500 Food Products index. The graph tracks the performance of a \$100 investment in our common stock and in each of the indexes (with the reinvestment of all dividends) from December 30, 2011 to December 30, 2016.

### COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*

Among Fresh Del Monte Produce Inc., the S&P 500 Index,  
and S&P 500 Food Products



\*\$100 invested on 12/30/11 in stock or 12/31/11 in index, including reinvestment of dividends.  
Indexes calculated on month-end basis.

Copyright© 2017 Standard & Poor's, a division of S&P Global. All rights reserved.

	12/30/2011	12/28/2012	12/27/2013	12/26/2014	1/1/2016	12/30/2016
<b>Fresh Del Monte Produce Inc.</b>	<b>100.00</b>	<b>105.31</b>	<b>117.42</b>	<b>141.59</b>	<b>165.83</b>	<b>258.70</b>
<b>S&amp;P 500</b>	<b>100.00</b>	<b>116.00</b>	<b>153.58</b>	<b>174.00</b>	<b>177.01</b>	<b>187.40</b>
<b>S&amp;P 500 Food Products</b>	<b>100.00</b>	<b>107.56</b>	<b>143.88</b>	<b>159.67</b>	<b>177.46</b>	<b>199.88</b>

*The stock price performance included in this graph is not necessarily indicative of future stock price performance.*

### **Share Repurchase Program**

The following table provides information regarding our purchases of Ordinary Shares during the periods indicated:

<b>Period</b>	<b>Total Number of Shares Purchased <sup>(1)</sup></b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program <sup>(2)</sup></b>
<b>October 1, 2016 through October 31, 2016</b>	—	\$ —	—	\$ 241,294,101
<b>November 1, 2016 through November 30, 2016</b>	94,500	\$ 61.60	94,500	\$ 235,472,528
<b>December 1, 2016 through December 30, 2016</b>	558,200	\$ 60.69	558,200	\$ 201,595,670
<b>Total</b>	652,700	\$ 60.82	652,700	\$ 201,595,670

- (1) For the year ended December 30, 2016, we repurchased and retired 2,325,235 of our ordinary shares.
- (2) On July 29, 2015, our Board of Directors approved a three-year repurchase program of up to \$300 million of our ordinary shares in addition to the three-year repurchase program of up to \$300 million of our ordinary shares approved on May 1, 2013.

## Item 6. Selected Financial Data

Our fiscal year end is the last Friday of the calendar year or the first Friday subsequent to the end of the calendar year, whichever is closest to the end of the calendar year.

The following selected financial data for the years ended December 28, 2012, December 27, 2013, December 26, 2014, January 1, 2016 and December 30, 2016 is derived from our audited Consolidated Financial Statements for the applicable year, prepared in accordance with U.S. generally accepted accounting principles.

The following selected financial data should be read in conjunction with Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* and our Consolidated Financial Statements and accompanying notes contained in Item 8. *Financial Statements and Supplementary Data* in this Report.

	Year ended				
	December 30, 2016	January 1, 2016	December 26, 2014	December 27, 2013	December 28, 2012
(U.S. Dollars in millions, except share and per share data)					
<b>Statement of Income Data:</b>					
Net sales	\$ 4,011.5	\$ 4,056.5	\$ 3,927.5	\$ 3,683.7	\$ 3,421.2
Cost of products sold	3,550.1	3,714.2	3,562.7	3,393.3	3,079.5
Gross profit	461.4	342.3	364.8	290.4	341.7
Selling, general and administrative expenses	187.4	183.9	175.8	176.9	177.2
Loss (gain) on disposal of property, plant and equipment	—	(2.1)	4.3	4.9	(0.2)
Goodwill and trademark impairment charges	2.6	66.1	—	99.6	—
Asset impairment and other charges, net	27.2	3.4	11.2	37.1	3.3
Operating income (loss)	244.2	91.0	173.5	(28.1)	161.4
Interest expense, net	3.4	3.7	2.6	2.2	2.3
Other expense (income), net	3.4	7.2	12.0	(13.6)	1.9
Income (loss) before income taxes	237.4	80.1	158.9	(16.7)	157.2
Provision for income taxes	11.8	13.7	14.3	17.2	12.2
Net income (loss)	\$ 225.6	\$ 66.4	\$ 144.6	\$ (33.9)	\$ 145.0
Less: net income attributable to noncontrolling interest	0.5	4.0	2.2	0.5	1.8
Net income (loss) attributable to Fresh Del Monte Produce Inc.	\$ 225.1	\$ 62.4	\$ 142.4	\$ (34.4)	\$ 143.2
Net income (loss) per ordinary share attributable to Fresh Del Monte Produce Inc. - Basic	\$ 4.37	\$ 1.18	\$ 2.54	\$ (0.61)	\$ 2.47
Net income (loss) per ordinary share attributable to Fresh Del Monte Produce Inc. - Diluted	\$ 4.33	\$ 1.17	\$ 2.53	\$ (0.61)	\$ 2.46
Dividends declared per ordinary share	\$ 0.55	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.40
Weighted average number of ordinary shares:					
Basic	51,507,755	52,750,212	55,966,531	56,426,294	57,937,245
Diluted	51,962,195	53,199,533	56,347,092	56,426,294	58,121,501
<b>Balance Sheet Data (at period end):</b>					
Cash and cash equivalents	\$ 20.1	\$ 24.9	\$ 34.1	\$ 42.5	\$ 39.9
Working capital	592.0	604.0	631.5	633.0	563.5
Total assets	2,653.3	2,596.1	2,675.3	2,589.2	2,533.4
Total debt	232.3	254.2	266.9	251.4	126.2
Shareholders' equity	1,816.4	1,750.9	1,787.9	1,751.2	1,831.4



## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### ***Overview***

We are one of the world's leading vertically integrated producers, marketers and distributors of high-quality fresh and fresh-cut fruit and vegetables, as well as a leading producer and marketer of prepared fruit and vegetables, juices, beverages and snacks in Europe, Africa and the Middle East. We market our products worldwide under the DEL MONTE® brand, a symbol of product innovation, quality, freshness and reliability since 1892. Our global sourcing and logistics system allows us to provide regular delivery of consistently high-quality produce and value-added services to our customers. Our major producing operations are located in North, Central and South America, Asia and Africa. Production operations are aggregated on the basis of our products: bananas, other fresh produce and prepared foods. Other fresh produce includes pineapples, melons, tomatoes, non-tropical fruit (including grapes, apples, pears, peaches, plums, nectarines, citrus and kiwis), avocados, fresh-cut produce and other fruit and vegetables and a plastic product and box manufacturing business and third-party ocean freight services. Prepared foods include prepared fruit and vegetables, juices, other beverages, snacks, poultry and meat products.

## ***Strategy***

Our strategy is a combination of maximizing revenues from our existing infrastructure, entering new markets and strict cost control initiatives. We plan to continue to capitalize on the growing global demand for fresh produce and expand our reach into existing and new markets. We expect sales growth of our fresh produce products in key markets by increasing sales volume and per unit sales prices as permitted by market conditions. Our strategy includes increasing volumes from existing production and distribution facilities in order to improve operating efficiencies and reduce per unit costs. We plan additional investments in production facilities to expand our product offering in established markets and continue with our recent expansion in growth markets, such as the Middle East, Africa and countries formerly part of the Soviet Union. We also plan additional investments in our North America distribution and fresh-cut fruit facilities and production operations to support our planned growth in this market.

## ***Net Sales***

Our net sales are affected by numerous factors, including mainly the balance between the supply of and demand for our produce and competition from other fresh produce companies. Our net sales are also dependent on our ability to supply a consistent volume and quality of fresh produce to the markets we serve. For example, seasonal variations in demand for bananas as a result of increased supply and competition from other fruit are reflected in the seasonal fluctuations in banana prices, with the first six months of each year generally exhibiting stronger demand and higher prices, except in those years where an excess supply exists. In 2016, our overall banana sales volume decreased by 4% and our average per unit sales prices increased by 1% resulting in an overall decrease of 3% in net sales. Our net sales of other fresh produce were positively impacted by higher sales volumes and per unit sales prices of avocados in North America and higher sales volumes of fresh-cut products in all regions. Negatively impacting our net sales of other fresh produce was a 5% decrease in sales volume of pineapples as well as significantly lower sales volume of tomatoes. In our prepared food business, we generally realize the largest portion of our net sales and gross profit in the third and fourth quarters of the year. During 2016, our prepared food net sales decreased principally as a result of lower sale prices due to increased competition in our poultry business in Jordan.

Since our financial reporting currency is the U.S. dollar, our net sales are significantly affected by fluctuations in the value of the currency in which we conduct our sales versus the dollar, with a strong dollar versus such currencies resulting in decreased net sales in dollar terms. Including the effect of our foreign currency hedges, net sales for 2016 were negatively impacted by \$28.0 million, as compared to 2015, principally as a result of a weaker euro, British pound and Korean won.

During 2016, our net sales were positively affected by higher sales volumes of avocados principally sourced from independent growers in Mexico and by higher sales volume of fresh-cut products in all regions that resulted from an expanded customer base and improved demand for our products along with increased production capability. Our net sales growth in recent years has been achieved primarily through higher sales volume in existing markets of other fresh produce, primarily fresh-cut products, avocados and non-tropical fruit combined with increased sales prices of bananas in existing and new markets. Our net sales growth in recent years has also been attributable to a broadening of our product line with the expansion of our fresh-cut produce business, specifically increased sales to the foodservice sector and convenience stores combined with our expansion into new markets as well as new product offerings in our prepared food segment. We expect our net sales growth to continue to be driven by increased sales volumes across all of our segments. In the Middle East, we expect to continue to increase our net sales of our fresh produce and prepared food product offerings as a result of our expansion in various markets in the region. In North America and Europe, we expect our sales growth to continue with new fresh-cut product offerings and increased volumes of existing products. We also expect to increase our sales by developing new products in the prepared food segment, targeting the convenience store and foodservice trade in selected European and Middle East markets and to continue to expand our sales of beverage products in the Middle East, European and Sub-Sahara African markets.

## ***Cost of Products Sold***

Cost of products sold is principally composed of two elements, product and logistics costs. Product cost for our produce is primarily composed of cultivation (the cost of growing crops), harvesting, packaging, labor, depreciation and farm administration. Product cost for produce obtained from independent growers is composed of procurement and packaging costs. Logistics costs include land and sea transportation and expenses related to port facilities and distribution centers. Sea transportation cost is the most significant component of logistics costs and is comprised of the cost of vessel operating expenses, chartering refrigerated vessels and container equipment related costs. Vessel operating expenses for our owned vessels include operations, maintenance, depreciation, insurance, fuel (the cost of which is subject to commodity price fluctuations), and port charges. For chartered vessels, operating expenses include the cost of chartering the vessels, fuel and port charges. Container equipment costs include leasing expense and in the case of owned equipment, also depreciation expense. Third-party containerized shipping rates are also a significant component of our logistic costs. In recent years these container shipping rates have decreased.

Variations in containerboard prices, which affect the cost of boxes and other packaging materials, and fuel prices can have a significant impact on our product cost and our profit margins. Also, variations in the production yields, fertilizers and other input costs and the cost to procure products from independent growers can have a significant impact on our costs. Containerboard, plastic, resin and fuel prices have historically been volatile. During 2015, cost of fuel decreased 41%, containerboard decreased 3% and fertilizer decreased 11% resulting in a reduction of cost of product sold of \$57.7 million. During 2016, cost of fuel decreased 25%, containerboard decreased 4% and fertilizer decreased 13% resulting in a reduction of cost of product sold of \$26.2 million.

In general, changes in our volume of products sold can have a disproportionate effect on our gross profit. Within any particular year, a significant portion of our cost of products sold is fixed, both with respect to our operations and with respect to the cost of produce purchased from independent growers from whom we have agreed to purchase all the products they produce. Accordingly, higher volumes produced on company-owned farms directly reduce the average per-box cost, while lower volumes directly increase the average per-box cost. In addition, because the volume that will actually be produced on our farms and by independent growers in any given year depends on a variety of factors, including weather, that are beyond our control or the control of our independent growers, it is difficult to predict volumes and per-box costs. During 2016, cost of product sold was positively affected by lower fuel, vessel operating expenses and third-party containerized shipping costs resulting in a 14% reduction in our per unit ocean freight costs. Also, positively affecting our costs, were lower banana production and procurement costs combined with lower production cost in our prepared food segment. Negatively affecting our cost during 2016 were higher pineapple and deciduous fruit cost as a result of unfavorable growing conditions.

Since our financial reporting currency is the U.S. dollar, our costs are affected by fluctuations in the value of the currency in which we have significant operations versus the dollar, with lower costs resulting from a strong U.S. dollar. During 2016, cost of products sold was positively impacted by approximately \$17.8 million as compared with 2015 due to a weaker euro, British pound and Korean won, partially offset by a stronger Japanese yen.

#### ***Selling, General and Administrative Expenses***

Selling, general and administrative expenses primarily include the costs associated with selling in countries where we have our own sales force, advertising and promotional expenses, professional fees, general corporate overhead and other related administrative functions. During 2016, our selling, general and administrative expenses increased primarily as a result of higher executive compensation and professional fees.

#### ***Loss (Gain) on Disposal of Property, Plant and Equipment***

Loss (gain) on disposal of property, plant and equipment netted to zero in 2016 as the loss from the disposal of low-yielding banana plants in Costa Rica and Guatemala, disposal of deciduous plants in Chile and a loss on the sale of a refrigerated vessel were offset by gains on the sale of surplus land in Central and South America. In 2015, the gain on disposal of property, plant and equipment of \$2.1 million was principally from the sale of two refrigerated vessels.

#### ***Goodwill and Trademark Impairment Charges***

We review goodwill and other intangible assets for impairment on an annual basis or earlier if indicators for impairment are present. During 2016, we recorded a goodwill impairment of \$2.6 million representing 100% of the goodwill associated with the poultry business in Jordan due to underperformance. During 2015, we recorded a goodwill impairment of \$66.1 million representing 100% of the goodwill associated with the 2003 acquisition of the tomato and vegetable business in North America principally due to the failure of this business to meet our expectations due to underperformance.

The goodwill associated with our banana segment business unit and the trade names and trademarks associated with our prepared segment business are highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of these assets. If the banana segment does not perform to expected levels, the banana segment goodwill may be at risk for impairment in the future. If the prepared food reporting unit does not perform to expected levels, the trade names and trademarks associated with this unit may also be at risk for impairment in the future.

### ***Asset Impairment and Other Charges, Net***

In 2016, we recorded asset impairment and other charges totaling \$27.2 million principally related to compensatory expenses related to the former President/COO's transition, asset impairments in the banana segment in the Philippines and Central America, contract termination charges in the United Kingdom and other charges related to the Kunia, Hawaii well site environmental liability.

In 2015, we recorded asset impairment and other charges totaling \$3.4 million principally related to damages resulting from unfavorable weather conditions in Chile and asset impairments in Guatemala, partially offset by a credit on litigation settlement and the reversal of Hawaii accrued environmental liabilities.

### ***Interest Expense***

Interest expense consists primarily of interest on borrowings under working capital facilities that we maintain and interest on other long-term debt primarily for capital lease obligations. In 2016, our interest expense decreased primarily due to lower average debt balances.

### ***Other Expense, Net***

Other expense, net, primarily consists of currency exchange gains or losses and other miscellaneous income and expense items. During 2016, we incurred lower foreign exchange losses as compared with 2015.

### ***Provision for Income Taxes***

The provision for income taxes in 2016 was \$11.8 million. Income taxes consist of the consolidation of the tax provisions, computed on a separate entity basis, in each country in which we have operations. Since we are a non-U.S. company with substantial operations outside the United States, a substantial portion of our results of operations is not subject to U.S. taxation. Several of the countries in which we operate have lower tax rates than the United States. We are subject to U.S. taxation on our operations in the United States. From time to time, tax authorities in various jurisdictions in which we operate audit our tax returns and review our tax positions. There are audits presently pending in various countries. There can be no assurance that any tax audits, or changes in existing tax laws or interpretations in countries in which we operate will not result in an increased effective tax rate for us.

## Results of Operations

The following table presents, for each of the periods indicated, certain income statement data expressed as a percentage of net sales:

	Year ended		
	December 30, 2016	January 1, 2016	December 26, 2014
<b>Statement of Income Data:</b>			
Net sales	100.0%	100.0%	100.0%
Gross profit	11.5	8.4	9.3
Selling, general and administrative expenses	4.7	4.5	4.5
Operating income	6.1	2.2	4.4
Interest expense	0.1	0.1	0.1
Net income attributable to			
Fresh Del Monte Produce Inc.	5.6	1.5	3.6

The following tables present for each of the periods indicated (i) net sales by geographic region, (ii) net sales by product category and (iii) gross profit by product category and, in each case, the percentage of the total represented thereby:

	Year ended					
	December 30, 2016		January 1, 2016		December 26, 2014	
	(U.S. dollars in millions)					
Net sales by geographic region:						
North America	\$ 2,221.5	55%	\$ 2,236.1	55%	\$ 2,113.4	54%
Europe	673.1	17%	721.6	18%	736.1	19%
Middle East	569.8	14%	586.6	14%	554.3	14%
Asia	477.2	12%	441.4	11%	434.5	11%
Other	69.9	2%	70.8	2%	89.2	2%
Total	\$ 4,011.5	100%	\$ 4,056.5	100%	\$ 3,927.5	100%

	Year ended					
	December 30, 2016		January 1, 2016		December 26, 2014	
	(U.S. dollars in millions)					
Net sales by product category:						
Banana	\$ 1,811.5	45%	\$ 1,867.6	46%	\$ 1,804.7	46%
Other fresh produce	1,852.6	46%	1,826.3	45%	1,744.7	44%
Prepared food	347.4	9%	362.6	9%	378.1	10%
Total	\$ 4,011.5	100%	\$ 4,056.5	100%	\$ 3,927.5	100%

<b>Gross profit by product category:</b>						
Banana	\$ 159.5	35%	\$ 76.5	22%	\$ 109.1	30%
Other fresh produce	236.7	51%	208.7	61%	210.4	58%
Prepared food	65.2	14%	57.1	17%	45.3	12%
Total	\$ 461.4	100%	\$ 342.3	100%	\$ 364.8	100%

## **2016 Compared with 2015**

**Net Sales.** Net sales for 2016 were \$4,011.5 million compared with \$4,056.5 million in 2015. The decrease in net sales of \$45.0 million was attributable to lower net sales in our banana and prepared food segments, partially offset by higher net sales in our other fresh produce segment.

- Net sales of bananas decreased \$56.1 million principally due to lower net sales in Europe and North America, partially offset by higher net sales in Asia and the Middle East. Worldwide banana sales volume decreased by 4%.
  - North America banana net sales decreased principally as a result of lower sales volumes attributable to lower industry volumes and increased competition.
  - Europe banana net sales decreased due to lower sales volume principally as a result of the loss of customers in Northern Europe due to increased competition combined with lower industry volumes. Also, contributing to the decrease in net sales were lower per unit sales prices primarily a result of an unfavorable GBP and Euro exchange rates.
  - Asia banana net sales increased as a result of higher per unit sales prices and sales volume principally due to increased customer demand and expanded production in the Philippines.
  - Middle East banana net sales increased principally due to higher sales volume resulting from an expanded customer base and higher volumes from Central America, partially offset by lower per unit sales prices.
- Net sales in the prepared food segment decreased \$15.2 million principally due to lower per unit sales prices in our poultry business in Jordan as a result of increased competition and excess supply in the market. Also, contributing to the decrease in net sales in our prepared food segment were lower sales volume of canned pineapple principally as a result of lower inventory levels in our Kenya operations and lower sales volumes of beverage products principally due to decreased customer demand. Partially offsetting these decreases in net sales were higher pricing of industrial products and new prepared food products in the Middle East market.
- Net sales in the other fresh produce segment increased \$26.3 million principally as a result of higher net sales of avocados, fresh-cut products and plantains, partially offset by lower net sales of pineapples, tomatoes, non-tropical fruit and melons.
  - Net sales of avocados increased due to higher per unit sales prices in North America primarily due to higher customer demand and higher sales volumes as a result of our expanded sourcing operation in Mexico.
  - Net sales of fresh-cut products increased due to higher worldwide sales volumes primarily as a result of increased customer demand in all regions combined with higher per unit sales prices in Asia and North America. Contributing to the sales growth in the fresh-cut produce category were higher net sales to convenience stores and to the food service sector.
  - Net sales of plantains increased due to higher sales volumes in North America and Europe which we source from South America.
  - Net sales of pineapples decreased due to lower sales volumes primarily as a result of unfavorable weather conditions in our Costa Rica and Philippines production areas and lower sales prices in North America and Europe. Partially offsetting the lower sales volumes were higher per unit sales prices in Asia and the Middle East. Worldwide pineapple sales volume decreased 5%.
  - Net sales of tomatoes decreased due to a planned reduction of planted acreage in our Florida and Virginia operations, partially offset by higher per unit selling prices. Higher per unit selling prices was primarily the result of a higher percentage of our tomato net sales comprised of re-pack tomatoes which command higher selling prices.
  - Net sales of non-tropical fruit decreased primarily due to lower sales volumes of grapes in Asia and North America principally as a result of lower supplies from Chile. Also, contributing to the decrease in net sales were lower sales volumes of apples in the Middle East principally as a result of unfavorable market conditions.

**Cost of Products Sold.** Cost of products sold was \$3,550.1 million for 2016 compared with \$3,714.2 million in 2015, a decrease of \$164.1 million. This decrease was primarily attributable to lower transportation costs, a direct result of lower fuel and vessel operating costs combined with lower rates for containerized shipments. Also contributing to the decrease in cost of product sold

was lower banana fruit cost and lower production cost in the prepared food segment resulting from lower procurement cost and improved yields. In addition, cost of product sold also decreased due to a 3% reduction in total worldwide sales volumes.

**Gross Profit.** Gross profit was \$461.4 million for 2016 compared with \$342.3 million for 2015, an increase of \$119.1 million. This increase was attributable to higher gross profit in all of our business segments.

- Gross profit in the banana segment increased by \$83.0 million principally due to lower fruit cost from Central America combined with lower transportation cost in all regions. Also contributing to the increase in banana gross profit were higher per unit sales price in Asia and higher sales volume in the Middle East and Asia. Worldwide banana per unit sales prices increased 1% and per unit cost decreased 4%.
- Gross profit in the other fresh produce segment increased \$28.0 million principally due to higher gross profit on fresh-cut products, non-tropical fruit and tomatoes, partially offset by lower gross profit on melons and pineapples.
  - Gross profit fresh-cut products increased principally due to higher sales volumes in all regions mainly as a result of increased customer demand. Also contributing to the increase in gross profit on fresh-cut products were higher per unit sales prices in Asia and North America and lower cost in Europe. Partially offsetting these increases in gross profit were lower per unit selling prices in Europe and the Middle East.
  - Gross profit on tomatoes improved principally due to higher per unit selling prices for the re-pack tomato business combined with the absence of quality problems that we incurred in our Florida growing operations during 2015.
  - Gross profit on non-tropical fruit increased due to higher selling prices of grapes in North America primarily as a result of low industry volumes.
  - Gross profit on melons decreased due to lower per unit selling prices in North America primarily as a result of higher industry volumes and increased competition. Partially offsetting these decreases in gross profit were lower fruit and transportation costs.
  - Gross profit on pineapples decreased due to lower sales volumes as a result of unfavorable weather conditions in our production areas. Partially offsetting these decreases were lower transportation cost.
- Gross profit in the prepared food segment increased \$8.1 million as a result of higher sales prices on pineapple products principally due to favorable market conditions combined with lower costs. Partially offsetting these increases were lower gross profit in our Jordanian poultry business primarily as a result of lower selling prices due to increased competition.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses increased \$3.5 million from \$183.9 million in 2015 to \$187.4 million in 2016. The increase was principally due to higher executive compensation as a result of increased earnings and higher stock price combined with higher professional fees and increased information technology costs. Higher selling, promotional and administrative expenses in Europe as a result of expanded activities were offset by lower selling, promotional and administrative expenses in North America principally as a result of cost savings initiatives.

**Loss (Gain) on Disposal of Property, Plant and Equipment.** The loss (gain) on disposal of property, plant and equipment netted to zero during 2016 as the loss on disposal of low-yielding banana plants in Costa Rica and Guatemala in order to replant and improve productivity, disposal of deciduous plants in Chile and a loss on the sale of a refrigerated vessel, where partially offset by gains on the sale of surplus land in Central and South America. During 2015, the gain on disposal of property, plant and equipment of \$2.1 million consisted primarily of the sales of two refrigerated vessels.

**Goodwill and Trademark Impairment.** In 2016, we incurred \$2.6 million in goodwill impairment representing 100% of the goodwill associated with the poultry business in Jordan in the prepared food segment. This impairment was principally due to underperformance. In 2015, we recorded a goodwill impairment of \$66.1 million representing 100% of the goodwill associated with the 2003 acquisition of the tomato and vegetable business in North America. This impairment was principally due to the failure of this business to meet our expectation due to underperformance.

**Asset Impairment and Other Charges, Net.** Asset impairment and other charges, net, was \$27.2 million in 2016 as compared with \$3.4 million in 2015.

Asset impairments and other charges, net, for 2016 were:

- \$19.7 million in compensatory expense related to the former President/COO's transition comprised of:
  - Cash payments, primarily to be paid during the fourth quarter, of \$5.0 million in severance plus \$4.0 million in tax gross up and \$0.8 million in accelerated fourth quarter bonus,
  - \$3.0 million related to a 50,000 share grant,
  - \$5.9 million of share based payments accelerated due to termination, and
  - \$1.0 million of post employment medical benefits;
- \$2.5 million in asset impairment due to our decision to convert a banana plantation in the Philippines to a pineapple plantation during the next three years;
- \$2.5 million in asset impairments and other charges related to drought conditions in Brazil and our decision to abandon certain banana and other fresh produce growing areas;
- \$0.7 million in contract termination charges related to an underutilized facility in the United Kingdom principally related to the banana segment;
- \$1.2 million in impairment charges related to underutilized assets in Central America in the banana segment; and
- \$0.6 million in other charges primarily related to Kunia well site in Hawaii for EPA remediation discount rate adjustment.

Asset impairments and other charges (credits), net, for 2015 were:

- A credit of \$(0.8) million as a result of the settlement of litigation regarding the infringement of EU competition rules by a former indirect subsidiary not controlled by us related our to banana segment;
- a credit of \$(0.8) million for the reversal of accrued environmental liabilities, net of other charges, related to the Kunia well site clean-up in Hawaii primarily as a result changes in the discount rate in our other fresh produce segment;
- \$3.3 million related to damages incurred as the result of floods in Chile and other asset impairments affecting non-tropical fruit operations in our other fresh produce segment;
- \$1.0 million in asset impairment in Guatemala related to assets held for sale in our banana segment;
- \$0.5 million in contract termination and other costs incurred in Europe principally related to our banana segment; and
- \$0.2 million in asset impairments related to underutilized equipment in Kenya in our prepared food segment.

**Operating Income.** Operating income in 2016 was \$244.2 million compared with an operating income of \$91.0 million in 2015, an increase of \$153.2 million. The increase in operating income was principally due to higher gross profit and lower goodwill and trademark impairment charges, partially offset by higher selling, general and administrative expenses and higher asset impairment and other charges, net.

**Interest Expense.** Interest expense was \$4.1 million in 2016 compared with \$4.3 million in 2015, a decrease of \$0.2 million. The decrease was principally due to lower average debt balances, partially offset by higher interest rates.

**Other Expense, Net.** Other expense, net, was \$3.4 million for 2016 compared with \$7.2 million in 2015. The decrease in other expense, net, of \$3.8 million was principally attributable to lower foreign exchange losses.

**Provision for Income Taxes.** Provision for income taxes was \$11.8 million in 2016 compared with \$13.7 million in 2015. The decrease in the provision for income taxes of \$1.9 million is primarily due to lower taxable income. The tax provision for 2015 includes a benefit of \$3.0 million as a result of the settlement of a tax audit, combined with a decrease in taxable income.

### **2015 Compared with 2014**

**Net Sales.** Net sales for 2015 were \$4,056.5 million compared with \$3,927.5 million in 2014. The increase in net sales of \$129.0 million was attributable to higher net sales in our other fresh produce and banana segments, partially offset by lower net sales in our prepared food segment. Also, effecting net sales was a strong U.S dollar. Including the effect of our foreign currency hedges, net sales for 2015 were negatively impacted by \$115.6 million, as compared to 2014, principally as a result of a weaker euro, Japanese yen, Korean won and British pound.

- Net sales in the other fresh produce segment increased \$81.6 million principally as a result of higher net sales of fresh-cut products and non-tropical fruit, partially offset by lower net sales of pineapples.



- Net sales of fresh-cut products increased principally due to higher worldwide sales volumes as a result of increased customer demand in all regions combined with higher per unit sales pricing in North America and increased production capacity in North America and Asia.
- Net sales of non-tropical fruit increased principally due to higher sales volumes of avocados in North America and citrus in the Middle East, primarily a result of higher customer demand. Partially offsetting these increases were lower net sales of grapes in North America, Europe and Asia, principally as a result of lower quality fruit due to unfavorable growing conditions in Chile combined with unfavorable exchange rates in Europe and Asia.
- Net sales of pineapples decreased principally due to lower sales volumes in North America and Europe as a result of unfavorable growing conditions in our Costa Rica operations combined with unfavorable exchange rates in Europe and Asia. Partially offsetting this decrease were higher per unit sales prices in North America and Europe and higher sales volumes in the Middle East. Worldwide pineapple sales volume decreased 12%.
- Net sales of bananas increased by \$62.9 million principally due to higher net sales in North America, the Middle East and Asia partially offset by lower net sales in Europe. Worldwide banana sales volume increased by 7%.
  - North America banana net sales increased due to higher sales volume primarily as a result of an expanded customer base combined with higher demand from existing customers. Partially offsetting this increase, was a slight reduction in per unit sales prices.
  - Middle East banana net sales increased principally due to higher sales volumes reflecting an expanded customer base in the region. Partially offsetting these increases, were lower per unit sales prices as a result of increased industry supplies principally during the fourth quarter of the year.
  - Asia banana net sales increased as a result of higher sales volumes due to increased production in the Philippines, partially offset by a slight decrease in per unit sales prices due to unfavorable exchange rates in Japan and Korea.
  - Europe banana net sales decreased principally due to lower per unit sales prices primarily as a result of unfavorable euro exchange rates, partially offset by higher sales volumes.
- Net sales in the prepared food segment decreased \$15.5 million principally due to lower net sales of poultry products in Jordan as a result of lower production resulting from adverse weather. Partially offsetting these decreases in net sales in the prepared food segment, were higher sales volume of canned pineapple primarily as a result of an expanded customer base and higher selling prices for pineapple industrial products due to industry shortages.

**Cost of Products Sold.** Cost of products sold was \$3,714.2 million for 2015 compared with 3,562.7 million in 2014, an increase of \$151.5 million. This increase in cost of products sold was primarily attributable to an increase in sales volumes and higher fruit costs, offset by lower fuel costs.

**Gross Profit.** Gross profit was \$342.3 million for 2015 compared with \$364.8 million for 2014, a decrease of \$22.5 million. This decrease was primarily attributable to lower gross profit in the banana segment, partially offset by higher gross profit in the prepared food segment.

- Gross profit in the banana segment decreased by \$32.6 million principally due to lower per unit sales prices in North America, the Middle East and Europe, partially offset by lower per unit cost. The decrease in per unit selling prices were primarily the result of increased industry volumes and unfavorable exchange rates. The decrease in per unit cost was principally due to lower ocean freight and distribution costs, partially offset by higher fruit cost due to lower production volumes in Costa Rica that resulted from adverse weather combined with higher fruit procurement costs in Ecuador. Worldwide banana per unit sales prices decreased 3%, and per unit cost decreased 1%.
- Gross profit in the other fresh produce segment decreased \$1.7 million principally due to lower gross profit on non-tropical fruit and melons, partially offset by higher gross profit on fresh-cut products and pineapples.
  - Gross profit on non-tropical fruit decreased principally due to lower per unit sales prices of grapes due to unfavorable growing conditions in Chile which adversely affected fruit quality. Partially offsetting this decrease was higher gross profit on avocados as a result of a significant increase in sales volumes in North America.
  - Gross profit on melons decreased principally due to higher industry volumes which resulted in lower per unit selling prices.

- Gross profit on fresh-cut products increased principally due to higher sales volumes in all regions combined with higher per unit sales prices in North America. Partially offsetting these increases in gross profit were lower per unit sales prices in Europe, Asia and the Middle East.
- Gross profit on pineapples increased primarily due to higher per unit sales prices in North America and Europe, principally the result of lower industry volumes combined with lower ocean freight costs. Partially offsetting these increases in pineapple gross profit were lower sales volumes as a result of adverse growing conditions in Costa Rica and lower gross profit in Asia, affected by a weaker yen. Worldwide per unit sales prices increased 3%, and per unit costs decreased 1%.
- Gross profit in the prepared food segment increased \$11.8 million principally as a result of higher gross profit on pineapple and deciduous products principally due to lower production cost, primarily the result of increased production volumes and favorable exchange rates. Also, contributing to the increase in gross profit was higher pricing on industrial pineapple products. Partially offsetting these increases were lower gross profit on our Jordanian poultry business due to lower sales volumes and higher costs.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses increased \$8.1 million from \$175.8 million in 2014 to \$183.9 million in 2015. The increase was principally due to higher stock based compensation and legal expenses combined with higher administration expense in the Middle East as a result of our continued expansion in the region. Partially offsetting these increases, were lower selling, general and administrative expenses in Europe, principally the result of cost savings initiatives and a weaker euro.

**Loss (Gain) on Disposal of Property, Plant and Equipment.** The gain on disposal of property, plant and equipment was \$(2.1) million during 2015 and consisted primarily of the sale of two refrigerated vessels. The loss on disposal of property, plant and equipment of \$4.3 million in 2014 was principally related to the disposal of low-yield banana plants in Costa Rica and Guatemala in order to replant and improve productivity, partially offset by a gain on sale of shipping-related and other surplus equipment.

**Goodwill and Trademark Impairment.** In 2015, we recorded a goodwill impairment of \$66.1 million representing 100% of the goodwill associated with the 2003 acquisition of the tomato and vegetable business in North America. This impairment was principally due to the failure of this business to meet our expectations due to underperformance.

**Asset Impairment and Other Charges, Net.** Asset impairment and other charges, net, was \$3.4 million in 2015 as compared with \$11.2 million in 2014.

Asset impairments and other charges (credits), net, for 2015 were:

- A credit of \$(0.8) million as a result of the settlement of litigation regarding the infringement of EU competition rules by a former indirect subsidiary not controlled by us related our to banana segment;
- a credit of \$(0.8) million for the reversal of accrued environmental liabilities, net of other charges, related to the Kunia well site clean-up in Hawaii primarily as a result changes in the discount rate in our other fresh produce segment;
- \$3.3 million related to damages incurred as the result of floods in Chile and other asset impairments affecting non-tropical fruit operations in our other fresh produce segment;
- \$1.0 million in asset impairment in Guatemala related to assets held for sale in our banana segment;
- \$0.5 million in contract termination and other costs incurred in Europe principally related to our banana segment; and
- \$0.2 million in asset impairments related to underutilized equipment in Kenya in our prepared food segment.

Asset impairments and other charges (credits), net, for 2014 were:

- A credit of \$(2.9) million primarily as a result of a favorable settlement of litigation related to the Kunia environmental remediation site in Hawaii in our other fresh produce segment;
- a credit of \$(1.3) million for the reversal of accrued environmental liabilities, net of other charges, primarily related to the Kunia well site clean-up in Hawaii as a result of a meeting held with the EPA which resulted in changes to the remediation work being performed in our other fresh produce segment;
- \$8.8 million in other charges related to litigation regarding the infringement of European Union competition rules by a former indirect subsidiary not controlled by us related to our banana segment;
- \$1.4 million in other charges related to severance benefits as a result of discontinued export operations in our banana segment in Brazil;
- \$1.3 million asset impairment charge related to the adverse effect to our non-tropical fruit plantations of continued drought conditions in Chile in our other fresh produce segment;
- \$1.7 million in contract termination charges related to under-utilized distribution centers and administrative offices in the United Kingdom primarily related to our banana segment;

- \$0.6 million in asset impairment and other charges related to the restructuring of our plastics business in Chile in our other fresh produce segment;
- \$0.7 million in other charges related to severance benefits as a result of our decision to change to an independent distributor for our prepared food segment in Germany and France;
- \$0.5 million in asset impairment related to an under-performing distribution center in our banana segment in Germany;
- \$0.3 million in asset impairment charge related to a web domain in the other fresh produce segment; and
- \$0.1 million in other charges related to severance benefits for an under-performing fresh-cut facility in the United Kingdom in our other fresh produce segment.

**Operating Income.** Operating income in 2015 was \$91.0 million compared with an operating income of \$173.5 million in 2014, a decrease of \$82.5 million. The decrease in operating income was due to lower gross profit, higher selling, general and administrative expenses and higher goodwill impairment charges. Partially offsetting this decrease in operating income was a gain on disposal of property, plant and equipment and lower asset impairment and other charges, net.

**Interest Expense.** Interest expense was \$4.3 million in 2015 compared with \$3.2 million in 2014, an increase of \$1.1 million. The increase was principally due to higher average loan balances.

**Other Expense, Net.** Other expense, net, was \$7.2 million for 2015 compared with \$12.0 million in 2014. The decrease in other expense, net, of \$4.8 million was principally attributable to lower foreign exchange losses incurred during 2015 as compared with 2014.

**Provision for Income Taxes.** Provision for income taxes was \$13.7 million in 2015 compared with \$14.3 million in 2014. The tax provision for 2015 includes a benefit of \$3.0 million as a result of the settlement of a tax audit, combined with a decrease in taxable income. The tax provision for 2014 includes approximately a \$2.9 million benefit resulting from a successful appeal to reinstate net operating losses in a foreign jurisdiction.

## ***Liquidity and Capital Resources***

Net cash provided by operating activities was \$331.7 million for 2016 compared with \$231.1 million for 2015, an increase of \$100.6 million. The increase in net cash provided by operating activities was principally attributable to higher net income combined with changes in operating assets and liabilities. Lower other accounts receivables combined with higher accounts payable and accrued expenses were partially offset by higher levels of inventory.

Net cash provided by operating activities was \$231.1 million for 2015 compared with \$230.7 million for 2014, an increase of \$0.4 million. The increase in cash provided by operating activities was principally due to lower levels of inventory, partially offset by lower net income and higher accounts receivables combined with other changes in operating assets and liabilities. The reduction in inventory is principally attributable to lower levels of canned pineapple and deciduous products due to increased sales and lower levels of raw materials and packaging supplies. The increase in accounts receivable is primarily due to higher net sales.

Working capital was \$592.0 million at December 30, 2016 compared with \$604.0 million at January 1, 2016, a decrease of \$12.0 million. This decrease in working capital is principally due to lower cash and cash equivalents, prepaid expenses, other accounts receivables and higher accounts payable and accrued expenses. Partially offsetting these decreases were higher levels of fresh produce and prepared food inventory principally in North America. The decrease in prepaid expenses is primarily due to a reduction in foreign currency hedges and the decrease in other accounts receivable is due to lower advances to suppliers.

Net cash used in investing activities was \$143.3 million for 2016, \$124.7 million for 2015 and \$160.2 million for 2014. Net cash used in investing activities for 2016 consisted of \$146.7 million in capital expenditures and purchase of businesses of \$9.0 million, partially offset by \$12.4 million in proceeds from sales of property, plant and equipment. Approximately \$75.7 million of our 2016 capital expenditures were related to the banana segment. Banana segment capital expenditures consisted primarily of approximately \$34.8 million for expansion of our production operations in the Philippines and approximately \$20.8 million for expansion and improvements to our production operations in Central America and Brazil. The remainder of our banana segment capital expenditures of approximately \$20.1 million were principally for a new distribution center in South Korea and additional ripening room capacity and other improvements to our distribution centers in North America and the Middle East, including information technology expenditures. Approximately \$63.1 million of our 2016 capital expenditures were related to the other fresh produce segment. This consisted principally of \$23.6 million for expansion of pineapple operations in Costa Rica and the Philippines and \$12.0 million for expansion and improvements to our non-tropical fruit operations in Chile. Also included in our capital expenditures for the other fresh produce segment in 2016, were approximately \$22.5 million for expansion and improvements to our fresh-cut operations and distribution facilities in North America and the Middle East and a new tomato operation in Jordan and approximately \$5.0 million for new fresh-cut operations in France and South Korea. Approximately \$7.9 million of our 2016 capital expenditures were related to our prepared food segment, consisting principally of improvements to our production facilities in Kenya and the Middle East. Purchase of businesses consisted of the purchase of a blueberry farm in Chile for \$7.1 million in cash and two apple and grape farms in Chile for \$3.5 million, of which \$1.9 million was paid in cash and the remaining \$1.6 million was paid using the forgiveness of previous advances to the growers. The purchase of businesses was funded using operating cash flows and available borrowings under the Credit Facility. Proceeds from sale of property, plant and equipment for 2016 consisted primarily of the sale of surplus land in Central and South America and the sale of a refrigerated vessel and other surplus equipment.

Net cash used in investing activities for 2015 consisted of \$131.6 million in capital expenditures, partially offset by \$6.9 million in proceeds from sales of property, plant and equipment. Approximately \$59.1 million of our 2015 capital expenditures were related to the banana segment. Banana segment capital expenditures consisted primarily of approximately \$26.1 million for improvements and expansion of our production operations in Central America and approximately \$21.6 million for expansion of our production operations in the Philippines. The remainder of our banana segment capital expenditures of approximately \$11.4 million were principally for additional ripening room capacity and other improvements to our distribution centers in North America and Asia. Approximately \$46.6 million of our capital expenditures were related to the other fresh produce segment. This consisted principally of \$30.0 million for expansion and improvements to our fresh-cut fruit operations in North America, the Middle East and Asia and our production operations in Chile. Also, included in our capital expenditures related to the other fresh produce segment was \$16.6 million for improvements and expansion to our pineapple operations in Costa Rica and the Philippines. Approximately \$25.9 million of our capital expenditures in 2015 were related to the prepared food segment, consisting principally of \$13.5 million for improvements to production facilities in Kenya and Greece, \$6.9 million for a juice plant in Costa Rica and \$5.5 million for improvements to our production facilities in the Middle East. Included in the capital expenditures above were approximately \$5.5 million for information technology systems. The proceeds from sales of property, plant and equipment of \$6.9 million consisted primarily of the sale of two refrigerated vessels and other surplus equipment.

Net cash used in investing activities for 2014 consisted of \$149.1 million in capital expenditures and \$12.7 million in purchase of businesses, partially offset by \$1.6 million in proceeds from sales of property, plant and equipment. Approximately

\$75.8 million of our capital expenditures was related to the other fresh produce segment consisting principally for expansion of our tomato operations in the United States, a new fresh-cut fruit plant in Japan, and expansion and improvements to production facilities in Costa Rica, Chile, the Philippines and the Middle East. Approximately \$48.2 million of our 2014 capital expenditures was related to the banana segment, consisting primarily of expansion of our production operations in the Philippines, improvements and expansion of our production operations in Central America, and distribution centers in North America and Europe. Approximately \$21.1 million of our capital expenditures in 2014 was related to the prepared food segment, consisting principally of expansion and improvements to production facilities in Kenya, Costa Rica, Jordan and Greece. Also, included in our capital expenditures in 2014 was approximately \$4.0 million for information technology systems. The purchase of business of \$12.8 million consisted of two pineapple farms in Costa Rica.

Net cash used in financing activities was \$192.5 million for 2016, \$127.7 million for 2015 and \$88.7 million for 2014. Net cash used in financing activities for 2016 consisted of \$26.5 million for net payments on long-term debt, \$45.0 million for purchase of noncontrolling interest, \$0.2 million for distributions to noncontrolling interests, \$108.4 million in repurchase and retirement of ordinary shares and \$28.2 million in dividends paid, partially offset by \$12.2 million in proceeds from stock options exercised and \$3.6 million in excess tax benefit from stock-based compensation. Purchase of noncontrolling interest of \$45.0 million related to our purchase on April 28, 2016 of the remaining 60% noncontrolling interest in one of our pineapple producers, which was paid using operating cash flows and available borrowings under the Credit Facility. This purchase of the noncontrolling interest allows us to take management control of this *Del Monte Gold® Extra Sweet* pineapple operation and facilitates its expansion.

Net cash used in financing activities for 2015 of \$127.7 million consisted of \$19.0 million for net payments on long-term debt, \$1.8 million for distributions to noncontrolling interests, \$117.4 million in repurchase of ordinary shares and \$26.2 million in dividends paid, partially offset \$35.3 million in proceeds from stock options exercised and \$1.4 million in excess tax benefit from stock-based compensation.

Net cash used in financing activities for 2014 of \$88.7 million consisted of \$131.1 million in repurchase of ordinary shares and \$27.9 million in dividends paid, partially offset by \$16.3 million of net borrowings on long-term debt, \$5.0 million in contributions from noncontrolling interest, \$48.9 million in proceeds from stock options exercised and \$0.1 million in excess tax benefit from stock-based compensation. Repurchases of ordinary shares of \$131.1 million were made under our 2013 three-year stock repurchase program and included approximately \$81.6 million related to our modified dutch auction tender offer which expired on December 2, 2014.

On April 16, 2015, we entered into a new five year, \$800.0 million syndicated senior unsecured revolving credit facility maturing on April 15, 2020 (the "Credit Facility") with Bank of America, N.A. as administrative agent and Merrill Lynch, Pierce, Fenner & Smith Inc. as sole lead arranger and sole book manager. Borrowings under the Credit Facility bear interest at a spread over the London Interbank Offer Rate ("LIBOR") that varies with our leverage ratio. The margin for LIBOR advances under the Credit Facility currently is 1%. The Credit Facility also includes a swing line facility and a letter of credit facility. We intend to use the Credit Facility from time to time for general corporate purposes, which may include the repayment or refinancing of our existing indebtedness, working capital needs, capital expenditures, funding of possible share repurchases and satisfaction of other obligations.

On June 21, 2016, we renewed the renewable 364-day, \$25.0 million commercial and stand-by letter of credit facility with Rabobank Nederland, entered on June 22, 2005.

At December 30, 2016, we had borrowings of \$230.5 million outstanding under the Credit Facility bearing interest at a per annum rate of 1.75%. In addition, we pay an unused commitment fee.

The Credit Facility is unsecured as long as we meet a certain leverage ratio and also requires us to comply with certain financial and other covenants, including limitations on capital expenditures, the amount of dividends that can be paid in the future, the amount and types of liens and indebtedness, material asset sales and mergers. As of December 30, 2016, we were in compliance with all of the financial and other covenants contained in the Credit Facility.

At December 30, 2016, we had \$592.0 million of borrowing availability under committed working capital facilities, primarily under the Credit Facility. At December 30, 2016, we applied \$14.2 million to the Rabobank Nederland letter of credit facility, comprised primarily of certain contingent obligations and other governmental agencies and purchases of equipment guarantees. We also had \$14.5 million in other letters of credit and bank guarantees not included in the letter of credit facility.

As of December 30, 2016, we had \$232.3 million of long-term debt and capital lease obligations, including the current portion, consisting of \$230.5 million outstanding under the Credit Facility, and \$1.8 million of capital lease obligations.

Based on our operating plan, combined with our borrowing limit under our Credit Facility, we believe we will have sufficient resources to meet our cash obligations in the foreseeable future. As of December 30, 2016, we had cash and cash equivalents of \$20.1 million.

We paid approximately \$0.9 million primarily for contractual obligations during 2016, as a result of the closure of distribution centers in the United Kingdom and Germany. We expect to make additional payments of approximately \$1.0 million principally related to closure of certain facilities in the United Kingdom. These cash outlays were or will be funded from operating cash flows and available borrowings under our credit facilities.

The principal capital expenditures planned for 2017 consist primarily of the expansion and improvement of production facilities in Costa Rica, the Philippines, Kenya, Nicaragua, Mexico, Jordan, Saudi Arabia and Chile. In addition, we also plan capital expenditures for expansion and improvements of our distribution and fresh-cut facilities in the United States and South Korea. We expect to fund our capital expenditures in 2017 through operating cash flows and borrowings under our Credit Facility. We generated cash from operations of \$331.7 million in 2016 and had \$569.5 million of borrowing capacity available under our Credit Facility as of December 30, 2016.

The fair value of our derivatives related to our foreign currency cash flow hedges changed from a net asset of \$11.9 million as of January 1, 2016 to a net asset of \$5.4 million as of December 30, 2016. For foreign currency hedges, these fluctuations are primarily driven by the strengthening or weakening of the U.S. dollar compared to currencies being hedged relative to the contracted exchange rates and the settling of a number of contracts throughout 2016. During 2016, derivative contracts to hedge the euro and Japanese yen relative to our sales were settled; derivative contracts to hedge the Korean won relative to our cost of sales were also settled. The change in 2016 was primarily related to the settling of the majority of the contracts throughout 2016.

We enter into derivative instruments with counterparties that are highly rated and do not expect a deterioration of our counterparty's credit ratings; however, the deterioration of our counterparty's credit ratings would affect the Consolidated Financial Statements in the recognition of the fair value of the hedges that would be transferred to earnings as the contracts settle. We expect that \$5.4 million of the net fair value of hedges recognized as a net gain in accumulated other comprehensive income will be transferred to earnings during the next 12 months along with the effect of the related forecasted transaction.

### ***Other***

We are involved in several legal and environmental matters that, if not resolved in our favor, could require significant cash outlays and could have a material adverse effect on our results of operations, financial condition and liquidity. See Item 1. *Business Overview* under "Environmental Matters" and Item 3. *Legal Proceedings* and Note 17, "*Litigation*" to the Consolidated Financial Statements included in Item 8. *Financial Statements and Supplementary Data*.

### ***Critical Accounting Policies***

We believe the following accounting policies used in the preparation of our Consolidated Financial Statements may involve a high degree of judgment and complexity and could have a material effect on our Consolidated Financial Statements.

#### ***Growing Crops***

Expenditures on pineapple, melon, tomatoes and non-tropical fruit, including grapes, growing crops are valued at the lower of cost or market and are deferred and charged to cost of products sold when the related crop is harvested and sold. The deferred growing costs consist primarily of land preparation, cultivation, irrigation and fertilization costs. The deferred growing crop calculation is dependent on an estimate of harvest yields and future crop expenditures. If there is an unexpected decrease in estimated harvest yields, a write-down of deferred growing costs may be required.

#### ***Stock-Based Compensation***

Our share-based payments are composed entirely of compensation expense related to awards granted to employees and members of our Board of Directors, each of whom meets the definition of an employee under the provisions of the Accounting Standards Codification™ (the "Codification" or "ASC") guidance on "*Compensation-Stock Compensation*". We use the Black-Scholes option pricing model to estimate the fair value of stock options granted.

We recognize share-based compensation expense over the requisite service period, which is generally the vesting period of each award. Share-based compensation expense related to stock options, restricted stock awards and restricted stock units, for the year ended December 30, 2016, included in the determination of income before provision for income taxes and net income,

totaled \$24.9 million and is included in the accompanying Consolidated Statements of Income for the year ended December 30, 2016 in selling, general and administrative expenses.

We realized an excess share-based payment deduction resulting from stock options exercised through a reduction in taxes currently payable and related effect on cash flows of \$3.6 million for the year ended December 30, 2016. The amount of cash received from the exercise of stock options was \$12.2 million for the year ended December 30, 2016.

### ***Goodwill and Indefinite-Lived Intangible Assets***

We assess goodwill and indefinite-lived intangible assets for impairment on an annual basis on the first day of the fourth quarter of each year, or sooner if events indicate such a review is necessary. During 2016, we recorded a goodwill impairment of \$2.6 million representing 100% of the goodwill associated with the poultry business in Jordan in the prepared food segment. This impairment was principally due to underperformance.

Based on the annual impairment review of goodwill performed as of the first day of our fourth quarter in 2015 and due to the failure of the tomato and vegetable business in North America to meet our expectations, we wrote-off \$66.1 million of goodwill, which was related to the 2003 tomato and vegetable business acquisition. We determined that there was no remaining implied fair value of goodwill for the tomato and vegetable business utilizing the discounted cash flow method, an income approach valuation method, which indicates the fair value of a business based on the cash flows that the business can be expected to generate. The implied fair value of goodwill, if any, is determined by comparing the value of the business using the discounted cash flow method to the fair value of the net assets of that business. As of December 30, 2016, we are not aware of any items or events that would cause an adjustment to the carrying value of Goodwill and Indefinite-Lived Intangible Assets.

As part of the 2004 Del Monte Foods acquisition, we also acquired perpetual, royalty-free licenses to use the DEL MONTE® brand for processed and/or canned food in more than 100 countries throughout Europe, Africa, the Middle East and countries formerly part of the Soviet Union. This indefinite-lived intangible asset is not being amortized but is reviewed for impairment on the annual impairment assessment performed during the fourth quarter consistent with the Codification guidance on “*Intangibles – Goodwill and Other*” and includes \$44.0 million in other non-current assets at December 30, 2016 related to these licenses.

The fair value of the banana reporting unit's goodwill and the prepared food unit's remaining trade names and trademarks are highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of these assets. If the banana and the prepared food reporting units do not perform to expected levels, the banana goodwill and the trade names and trademarks 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 of December 30, 2016 (U.S. dollars in millions):

	<b>Banana Reporting Unit Goodwill</b>	<b>Prepared Reporting Unit Trade Names and Trademarks</b>
Carrying value of indefinite-lived intangible assets	\$ 64.2	\$ 44.0
Approximate percentage by which the fair value exceeds the carrying value based on annual impairment test as of 1st day of fourth quarter	25.0%	2.0%
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 a fair valuation	\$ 18.1	\$ 4.7

### ***Impairment of Long-Lived Assets***

We account for the impairment of long-lived assets in accordance with the Codification guidance related to “*Property, Plant and Equipment*”. The Codification guidance requires write-downs to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets’ carrying amount. We recorded charges related to impairment of long-lived assets of \$6.0 million in 2016, \$3.1 million in 2015 and \$2.2 million in 2014. Such charges are included in asset impairment and other charges, net in the accompanying Consolidated Statements of Income for the years ended December 30, 2016, January 1, 2016 and December 26, 2014.

In assessing potential impairment, we consider the operating performance and projected undiscounted cash flows of the relevant assets. If the projected cash flows are estimated to be less than the assets’ carrying value, we may have to record additional impairment charges. The fair value of the assets is determined based on discounted future cash flows or independent appraisals from third parties.

### ***Income Taxes***

Deferred income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end, based on enacted tax laws and statutory tax rates applicable to the year in which the differences are expected to affect taxable income. Valuation allowances are established when it is deemed more likely than not that some portion or all of the deferred tax assets will not be realized. Our judgments regarding future profitability may change due to future market conditions and other factors. These changes, if any, may require adjustments to our deferred tax assets.

### ***Contingencies***

Estimated losses from contingencies are expensed if it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Gain contingencies are not reflected in the financial statements until realized. We use judgment in assessing whether a loss contingency is probable and estimable. Actual results could differ from these estimates.

### ***Environmental Remediation Liabilities***

Estimated expenses associated with environmental remediation obligations are accrued when such expenses are probable and can be reasonably estimated. We have recorded provisions for the Kunia Well Site related to the expected environmental remediation. The related liability is based on the Record of Decision, which was issued by the EPA on September 25, 2003. In 2004, we commenced certain remediation and further testing activities. The total liability for the Kunia Well Site was \$13.7 million for both years ended December 30, 2016 and January 1, 2016. Going forward, we expect to expend approximately \$3.8 million for 2017 through 2021 on this matter. The ultimate amount of the cost for the expected environmental remediation of the Kunia Well Site is dependent on the actual cost. Actual remediation costs could significantly differ from our estimates.

### ***Derivative Financial Instruments***

We account for derivative financial instruments in accordance with the ASC guidance on “*Derivatives and Hedging*”. The ASC on “*Derivatives and Hedging*” requires us to recognize the value of derivative instruments as either assets or liabilities in the statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated as a hedge and qualifies as part of a hedging relationship. The accounting also depends on the type of hedging relationship, whether a cash flow hedge, a fair value hedge, or hedge of a net investment in a foreign operation. A fair value hedge requires that the effective portion of the change in the fair value of a derivative financial instrument be offset against the change in the fair value of the underlying asset, liability, or firm commitment being hedged through earnings. A cash flow hedge requires that the effective portion of the change in the fair value of a derivative instrument be recognized in other comprehensive income, a component of shareholders’ equity, and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the change in fair value of a derivative instrument is to be recognized in earnings.

We use derivative financial instruments primarily to reduce our exposure to adverse fluctuations in foreign exchange rates. When entered into, we formally designate and document the financial instrument as a hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transaction. The fair values of 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 flows or fair value of the underlying hedged transactions or assets and other exposures and to the overall reduction in our risk relating to adverse fluctuations in foreign exchange rates and fuel prices.

We account for the fair value of our derivative financial instruments as either an asset in other current assets or noncurrent assets or a liability in accrued expenses or other noncurrent liabilities. We use an income approach to value our outstanding foreign currency. An income approach consists of a discounted cash flow model that takes into account the present value of future cash flows under the terms of the contracts using current market information as of the measurement date such as foreign currency spot and forward rates. An element of default risk based on observable inputs is also built into the fair value calculation.

### ***Fair Value Measurements***

We measure fair value for financial instruments, such as derivatives on an ongoing basis. We measure fair value for non-financial assets, when a valuation is necessary, such as for impairment of long-lived and indefinite-lived assets when indicators of impairment exist. Fair value is measured in accordance with the ASC on “*Fair Value Measurements and Disclosures*”. The ASC on “*Fair Value Measurements and Disclosures*” defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measures required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. The ASC also requires us to classify fair value measurements based on the weight of observable and unobservable valuation inputs as follows: Level 1: inputs are derived from quoted prices in active markets for identical assets; Level 2: inputs are derived from significant other observable inputs and Level 3: inputs utilized are not observable.

During the second and third quarters of 2016, we recognized \$1.2 million in asset impairment and other charges related to certain underutilized assets in Central America. The asset impairment consisted of a write-down of \$1.2 million related to the assets with a carrying value of \$2.2 million. We estimated the fair value of these assets of \$1.0 million using the market approach. The fair value of these assets are classified 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 other charges as a result of our decision to convert a banana plantation in the Philippines to a pineapple plantation during the next three years. The asset impairment consisted of a write-down of \$2.5 million related to the plantation with a carrying value of \$2.8 million. The plantation was written down to a fair value of \$0.3 million. We 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 million is classified as Level 3 of the fair 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 equipment valued at fair value less cost to sell. The carrying value of these assets was \$2.8 million and was written down to \$1.8 million. These assets related predominantly to land, land improvements and banana plantations included in other current assets on our Consolidated Balance Sheets due to the fact that they are expected to be sold within one year. We estimated the fair value of the underlying assets using the market approach. The fair valuation of the assets are classified as Level 3 of the fair value hierarchy due to the mix of unobservable information.

### ***New Accounting Pronouncements***

In March 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU"), *Improvements to Employee Share-Based Payment Accounting*, to simplify certain aspects of the accounting for share-based payment transactions to employees. The new standard requires excess tax benefits and tax deficiencies to be recorded in the statements of income as a component of the provision for income taxes when stock awards vest or are settled. In addition, it eliminates the requirement to reclassify cash flows related to excess tax benefits from operating activities to financing activities on the consolidated statements of cash flows. The standard also provides an accounting policy election to account for forfeitures as they occur, allows us to withhold more of an employee's vesting shares for tax withholding purposes without triggering liability accounting, and clarifies that all cash payments made to tax authorities on an employee's behalf for withheld shares should be presented as a financing activity on our cash flows statement. The new standard is effective for us beginning December 31, 2016, the first day of our 2017 year, with early adoption permitted. We have evaluated the impact of adoption of this ASU on our financial condition, result of operations and cash flows, and have disclosed this effect in Note 2, “*Summary of Significant Accounting Policies*” to the Consolidated Financial Statements included in Item 8. *Financial Statements and Supplementary Data*.

In February 2016, the FASB issued an ASU, *Leases*, which requires a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability. For finance leases, the lessee would recognize interest expense and amortization of the right-of-use asset, and for operating leases, the lessee would recognize a straight-line total lease

expense. The guidance also requires qualitative and specific quantitative disclosures to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an entity's leasing activities, including significant judgments and changes in judgments. This ASU will be effective for us beginning the first day of our 2019 fiscal year. Early adoption is permitted. We are evaluating the impact of adoption of this ASU on our financial condition, result of operations and cash flows, and as such, we are not able to estimate the effect the adoption of the new standard will have on our financial statements.

In November 2015, the FASB issued an ASU, *Balance Sheet Classification of Deferred Taxes*, which amends the existing accounting standards for income taxes. The amendment required companies to report their deferred tax liabilities and deferred tax assets each as a single non-current item on their classified balance sheets. The Company elected to adopt the amendments in the first quarter of fiscal year 2016 and applied them prospectively to the current period presented, as permitted by the standard. The adoption of the amendments had no impact on the Company's net earnings or cash flow from operations for any period presented.

In May 2014, the FASB issued an ASU, *Revenue From Contracts with Customers*, in the form of a comprehensive new revenue recognition standard that will supersede existing revenue guidance. The ASU's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The standard outlines a five step model, whereby revenue is recognized as performance obligations within a contract are satisfied. The standard also requires new, expanded disclosures regarding revenue recognition. The amendments in this ASU will be effective for us beginning the first day of our 2018 fiscal year. Early adoption is not permitted. We are evaluating the impact of adoption of this ASU on our financial condition, result of operations and cash flows, and as such, we are not able to reasonably estimate the effect that the adoption of the new standard will have on our financial statements. We have commenced an initial analysis and have a team in place to analyze the impact of this ASU. This includes reviewing current accounting policies and practices to identify potential differences that would result from applying the requirements under the new standard. The standard permits the use of either the retrospective or modified retrospective transition method. We will adopt the new standard using the modified retrospective transition method, under which the cumulative effect of initially applying the new guidance is recognized as an adjustment to the opening balance of retained earnings on the first day of our 2018 fiscal year.

### ***Trend Information***

Our net sales are affected by numerous factors, including mainly the balance between the supply of and demand for our produce and competition from other fresh produce companies. Our net sales are also dependent on our ability to supply a consistent volume and quality of fresh produce to the markets we serve. For example, seasonal variations in demand for bananas as a result of increased supply and competition from other fruit are reflected in the seasonal fluctuations in banana prices, with the first six months of each year generally exhibiting stronger demand and higher prices, except in those years where an excess supply exists. In 2016, our overall banana sales volume decreased by 4% and our average per unit sales prices increased by 1% resulting in an overall decrease of 3% in net sales. Our net sales of other fresh produce were positively impacted by higher sales volumes and per unit sales prices of avocados in North America and higher sales volumes of fresh-cut products in all regions. Negatively impacting our net sales of other fresh produce was a 5% decrease in sales volume of pineapples as well as significantly lower sales volume of tomatoes. During 2016, our prepared food net sales decreased principally as a result of lower sale prices due to increased competition in our poultry business in Jordan.

Our strategy is a combination of maximizing revenues from our existing infrastructure, entering new markets and strict cost control initiatives. We plan to continue to capitalize on the growing global demand for fresh produce and expand our reach into existing and new markets. We expect sales growth of our fresh produce products in key markets by increasing sales volume and per unit sales prices as permitted by market conditions. Our strategy includes increasing volumes from existing production and distribution facilities in order to improve operating efficiencies and reduce per unit costs. We plan additional investments in production facilities to expand our product offering in established markets and continue with our recent expansion in growth markets, such as the Middle East, Africa and countries formerly part of the Soviet Union. We also plan additional investments in our North America distribution and fresh-cut fruit facilities and production operations to support our planned growth in this market.

In the pineapple and non-tropical fruit markets, we believe that the high degree of capital investment and cultivation expertise required, as well as the longer length of the growing cycle, makes it relatively difficult to enter the market. In addition, our profitability has depended significantly on our gross profit on the sale of our *Del Monte Gold*® *Extra Sweet* pineapples. In 2016, our overall pineapple sales volume decreased by 5% mostly due to unfavorable growing conditions in our Costa Rica and Philippines operations, and our average per unit sales prices were relatively flat. Increased competition in the production and sale of *Del Monte Gold*® *Extra Sweet* pineapples could adversely affect our results. We expect these competitive pressures to continue in 2017.

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

For example, banana import regulations have in prior years restricted our access to the EU banana market and increased the cost of doing business in the EU. In December 2009, the EU entered into an agreement with certain Latin America banana exporting countries to settle the long running dispute over banana import tariffs. This agreement was ratified in May 2010. Under this agreement, the EU will gradually reduce import tariffs on bananas from Latin America on an annual basis from the current level of €132 per ton in 2015 to €114 per ton by 2019, except for countries under FTA's. Countries under FTA's that have signed bilateral agreements with the EU in 2012 are benefiting from accelerated but gradual reduction of import duties. FTA's are in effect for Central American countries, Columbia, and Peru. The duty for FTA countries was €110 per ton in 2015, and the duty was €103 per ton for 2016 and will be reduced to €75 by January 1, 2020. We cannot predict the impact of further changes to the banana import tariffs or new quotas on the EU banana market.

Our costs are determined in large part by the prices of fuel and packaging materials, including containerboard, plastic, resin and tin plate. We may be adversely affected if sufficient quantities of these materials are not available to us. Any significant increase in the cost of these items could also materially and adversely affect our operating results. Other than the cost of our products (including packaging), sea and inland transportation costs represent the largest component of cost of products sold. During 2015, cost of fuel decreased 41%, containerboard decreased 3% and fertilizer decreased 9%. During 2016, cost of fuel decreased 25%, containerboard decreased 4% and fertilizer decreased 13%. In addition, we are subject to the volatility of the charter vessel market because six of our refrigerated vessels are chartered. These charters are principally for periods of one to 10 years. Charter rates have generally remained stable over the past three years. As a result, significant increases in fuel, packaging material, 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 affected by fluctuations in the value of the currency in which we conduct our sales versus the dollar, with a strong dollar versus such currencies resulting in decreased net sales in dollar terms. Including the effect of our foreign currency hedges, net sales for 2016 were negatively impacted by \$28.0 million, as compared to 2015, principally as a result of a weaker euro, British pound and Korean won. Our costs are affected by fluctuations in the value of the currency in which we have significant operations versus the dollar, with lower costs resulting from a strong U.S. dollar. During 2016, cost of products sold was positively impacted by approximately \$17.8 million as compared with 2015 due to a weaker euro, British pound and Korean won, partially offset by a stronger Japanese yen.

### ***Tabular Disclosure of Contractual Obligations***

The following details information with respect to our contractual obligations as of December 30, 2016.

<b>Contractual obligations by period</b>	<b>(U.S. dollars in millions)</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1 - 3 years</b>	<b>3 - 5 years</b>	<b>More than 5 years</b>
Fruit purchase agreements	\$ 1,688.5	\$ 371.5	\$ 721.9	\$ 595.1	\$ —
Purchase obligations	187.4	132.4	26.3	15.5	13.2
Operating leases and charter agreements	169.0	47.6	77.6	22.7	21.1
Capital lease obligations	1.8	0.7	0.9	0.2	—
Long-term debt	232.3	0.6	—	231.7	—
Interest on long-term debt and capital lease obligations (1)	36.3	5.9	17.7	12.7	—
Retirement benefits	97.4	10.3	19.8	19.3	48.0
Uncertain tax positions	3.2	—	1.4	0.6	1.2
<b>Totals</b>	<b>\$ 2,415.9</b>	<b>\$ 569.0</b>	<b>\$ 865.6</b>	<b>\$ 897.8</b>	<b>\$ 83.5</b>

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

We have agreements to purchase the entire or partial production of certain products of our independent growers primarily in Guatemala, Costa Rica, Philippines, Ecuador, Chile, Colombia and Cameroon that meet our quality standards. Total purchases under these agreements amounted to \$816.0 million for 2016, \$887.2 million for 2015, and \$811.3 million for 2014.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

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

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

### ***Exchange Rate Risk***

Because we conduct our operations in many areas of the world involving transactions denominated in a variety of currencies, our results of operations as expressed in U.S. dollars may be significantly affected by fluctuations in rates of exchange between currencies. These fluctuations could be significant. Approximately 36% of our net sales and a significant portion of our costs and expenses in 2016 were denominated in currencies other than the dollar. We generally are unable to adjust our non-dollar local currency sales prices to reflect changes in exchange rates between the dollar and the relevant local currency. As a result, changes in exchange rates between the euro, Japanese yen, British pound or other currencies in which we receive sale proceeds and the dollar have a direct impact on our operating results. There is normally a time lag between our sales and collection of the related sales proceeds, exposing us to additional currency exchange rate risk.

To reduce currency exchange rate risk, we generally exchange local currencies for dollars promptly upon receipt. We periodically enter into currency forward contracts as a hedge against a portion of our currency exchange rate exposures; however, we may decide not to enter into these contracts during any particular period. As of December 30, 2016, we had several foreign currency cash flow hedges outstanding. The fair value of these hedges as of that date was a net liability of \$5.4 million.

The results of a hypothetical 10% strengthening in the average value of the dollar during 2016 relative to the other currencies in which a significant portion of our net sales are denominated would have resulted in a decrease in net sales of approximately \$144.0 million for the year ended December 30, 2016. This calculation assumes that each exchange rate would change in the same direction relative to the dollar. Our sensitivity analysis of the effects of changes in currency exchange rates does not factor in a potential change in sales levels or any offsetting gains on currency forward contracts.

### ***Interest Rate Risk***

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

At December 30, 2016, our variable rate total debt had a carrying value of \$230.5 million. The fair value of the debt approximates the carrying value because the variable rates approximate market rates. A 10% increase in the interest rate for 2016 would have resulted in a negative impact of approximately \$0.4 million on our results of operations for the year ended December 30, 2016.

The above discussion of our procedures to monitor market risk and the estimated changes in fair value resulting from our sensitivity analysis are forward-looking statements of market risk assuming certain adverse market conditions occur.

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

**Item 8. Financial Statements and Supplementary Data**

Our Consolidated Financial Statements and Schedule set forth in the accompanying Index are filed as part of this Report.

***Index to Consolidated Financial Statements***

	<b>Page</b>
<b><i>Internal Control over Financial Reporting</i></b>	
Management's Annual Report on Internal Control Over Financial Reporting	49
Report of Independent Registered Certified Public Accounting Firm on Internal Control Over Financial Reporting	50
<b><i>Consolidated Financial Statements</i></b>	
Report of Independent Registered Certified Public Accounting Firm	51
Consolidated Balance Sheets at December 30, 2016 and January 1, 2016	52
Consolidated Statements of Income for the years ended December 30, 2016, January 1, 2016 and December 26, 2014	53
Consolidated Statements of Comprehensive Income for the years ended December 30, 2016, January 1, 2016 and December 26, 2014	54
Consolidated Statements of Cash Flows for the years ended December 30, 2016, January 1, 2016 and December 26, 2014	55
Consolidated Statements of Shareholders' Equity for the years ended December 30, 2016, January 1, 2016 and December 26, 2014	56
Notes to Consolidated Financial Statements	57
<b><i>Supplemental Financial Statement Schedule</i></b>	
Schedule II - Valuation and Qualifying Accounts	110

### ***Management's Annual Report on Internal Control Over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed under the supervision of our Chairman and Chief Executive Officer and Senior Vice President and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- (i). Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (ii). Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- (iii). Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use 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 Chairman and Chief Executive Officer and Senior Vice President and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting, based on criteria established in *Internal Control-Integrated Framework* issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

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

Based on our evaluation under the COSO criteria, our management concluded that our internal control over financial reporting was effective as of December 30, 2016.

The effectiveness of our internal control over financial reporting as of December 30, 2016 has been audited by Ernst & Young LLP, an independent registered certified public accounting firm, as stated in their report that is included elsewhere herein. That report expresses an unqualified opinion on the effectiveness of our internal control over financial reporting.

Fresh Del Monte Produce Inc.

Report of Independent Registered Certified Public Accounting Firm

The Board of Directors and Shareholders of Fresh Del Monte Produce Inc.

We have audited Fresh Del Monte Produce Inc. and subsidiaries' internal control over financial reporting as of December 30, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Fresh Del Monte Produce Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, Fresh Del Monte Produce Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 30, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Fresh Del Monte Produce Inc. and subsidiaries as of December 30, 2016 and January 1, 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 30, 2016, of Fresh Del Monte Produce Inc. and subsidiaries and our report dated February 21, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Miami, Florida  
February 21, 2017

Report of Independent Registered Certified Public Accounting Firm

The Board of Directors and Shareholders of Fresh Del Monte Produce Inc.

We have audited the accompanying consolidated balance sheets of Fresh Del Monte Produce Inc. and subsidiaries as of December 30, 2016 and January 1, 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 30, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fresh Del Monte Produce Inc. and subsidiaries at December 30, 2016 and January 1, 2016, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 30, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Fresh Del Monte Produce Inc. and subsidiaries' internal control over financial reporting as of December 30, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 21, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Miami, Florida  
February 21, 2017



**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES**

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

	<b>December 30, 2016</b>	<b>January 1, 2016</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 20.1	\$ 24.9
Trade accounts receivable, net of allowance of \$11.3 and \$9.3, respectively	349.2	346.1
Other accounts receivable, net of allowance of \$7.8 and \$7.9, respectively	63.0	71.3
Inventories, net	493.2	481.9
Deferred income taxes	—	11.9
Prepaid expenses and other current assets	35.6	49.7
Total current assets	<u>961.1</u>	<u>985.8</u>
Investments in and advances to unconsolidated companies	2.0	2.0
Property, plant and equipment, net	1,272.0	1,215.4
Deferred income taxes	66.2	42.6
Other noncurrent assets	91.1	86.6
Goodwill	260.9	263.7
Total assets	<u><u>\$ 2,653.3</u></u>	<u><u>\$ 2,596.1</u></u>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 360.5	\$ 359.1
Current portion of long-term debt and capital lease obligations	0.6	1.5
Deferred income taxes	—	14.9
Income taxes and other taxes payable	8.0	6.3
Total current liabilities	<u>369.1</u>	<u>381.8</u>
Long-term debt and capital lease obligations	231.7	252.7
Retirement benefits	93.6	86.5
Other noncurrent liabilities	50.8	50.1
Deferred income taxes	91.7	74.1
Total liabilities	<u>836.9</u>	<u>845.2</u>
Commitments and contingencies		
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; 51,256,906 and 52,542,965 issued and outstanding, respectively	0.5	0.5
Paid-in capital	549.7	568.2
Retained earnings	1,285.8	1,162.3
Accumulated other comprehensive loss	(44.2)	(23.0)
Total Fresh Del Monte Produce Inc. shareholders' equity	<u>1,791.8</u>	<u>1,708.0</u>
Noncontrolling interests	24.6	42.9
Total shareholders' equity	<u>1,816.4</u>	<u>1,750.9</u>
Total liabilities and shareholders' equity	<u><u>\$ 2,653.3</u></u>	<u><u>\$ 2,596.1</u></u>

See accompanying notes.

**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 30, 2016	January 1, 2016	December 26, 2014
Net sales	\$ 4,011.5	\$ 4,056.5	\$ 3,927.5
Cost of products sold	3,550.1	3,714.2	3,562.7
Gross profit	461.4	342.3	364.8
Selling, general and administrative expenses	187.4	183.9	175.8
Loss (gain) on disposal of property, plant and equipment	—	(2.1)	4.3
Goodwill impairment charges	2.6	66.1	—
Asset impairment and other charges, net	27.2	3.4	11.2
Operating income	244.2	91.0	173.5
Interest expense	4.1	4.3	3.2
Interest income	0.7	0.6	0.6
Other expense, net	3.4	7.2	12.0
Income before income taxes	237.4	80.1	158.9
Provision for income taxes	11.8	13.7	14.3
Net income	\$ 225.6	\$ 66.4	\$ 144.6
Less: Net income attributable to noncontrolling interests	0.5	4.0	2.2
Net income attributable to Fresh Del Monte Produce Inc.	\$ 225.1	\$ 62.4	\$ 142.4
Net income per ordinary share attributable to Fresh Del Monte Produce Inc. - Basic	\$ 4.37	\$ 1.18	\$ 2.54
Net income per ordinary share attributable to Fresh Del Monte Produce Inc. - Diluted	\$ 4.33	\$ 1.17	\$ 2.53
Dividends declared per ordinary share	\$ 0.55	\$ 0.50	\$ 0.50
Weighted average number of ordinary shares:			
Basic	51,507,755	52,750,212	55,966,531
Diluted	51,962,195	53,199,533	56,347,092

See accompanying notes.

**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(U.S. dollars in millions)

	Year ended		
	December 30, 2016	January 1, 2016	December 26, 2014
Net income	\$ 225.6	\$ 66.4	\$ 144.6
Other comprehensive income (loss):			
Net unrealized (loss) gain on derivatives	(6.5)	(13.3)	28.3
Net unrealized foreign currency translation (loss)	(10.2)	(14.9)	(12.8)
Net change in retirement benefit adjustment, net of tax	(4.1)	1.6	(9.7)
Comprehensive income	204.8	39.8	150.4
Less: comprehensive income attributable to noncontrolling interests	0.9	3.0	2.0
Comprehensive income attributable to Fresh Del Monte Produce Inc.	\$ 203.9	\$ 36.8	\$ 148.4

See accompanying notes.

**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES**

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

	Year ended		
	December 30, 2016	January 1, 2016	December 26, 2014
<b>Operating activities:</b>			
Net income	\$ 225.6	\$ 66.4	\$ 144.6
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	78.5	72.4	73.3
Amortization of debt issuance costs	0.5	0.5	0.4
Stock-based compensation expense	24.9	16.8	12.4
Goodwill impairment charges	2.6	66.1	—
Asset impairment charges, net	6.0	3.1	2.2
Change in uncertain tax positions	(0.4)	0.6	0.2
Loss (gain) on disposal of property, plant and equipment	—	(2.1)	4.3
Deferred income taxes	(8.2)	0.9	4.7
Excess tax benefit from stock-based compensation	(3.6)	(1.4)	(0.1)
Foreign currency translation adjustment	(7.1)	(6.3)	(4.4)
Changes in operating assets and liabilities, net of acquisitions:			
Receivables	5.8	(9.7)	(20.2)
Inventories	(11.8)	20.2	8.2
Prepaid expenses and other current assets	7.6	4.0	(11.9)
Accounts payable and accrued expenses	11.8	2.9	17.5
Other noncurrent assets and liabilities	(0.5)	(3.3)	(0.5)
<b>Net cash provided by operating activities</b>	<b>331.7</b>	<b>231.1</b>	<b>230.7</b>
<b>Investing activities:</b>			
Capital expenditures	(146.7)	(131.6)	(149.1)
Proceeds from sales of property, plant and equipment	12.4	6.9	1.6
Purchase of businesses	(9.0)	—	(12.7)
<b>Net cash used in investing activities</b>	<b>(143.3)</b>	<b>(124.7)</b>	<b>(160.2)</b>
<b>Financing activities:</b>			
Borrowings from long-term debt	621.9	587.6	628.8
Payments on long-term debt	(648.4)	(606.6)	(612.5)
Purchase of noncontrolling interest	(45.0)	—	—
Contributions from (distributions to) noncontrolling interests	(0.2)	(1.8)	5.0
Proceeds from stock options exercised	12.2	35.3	48.9
Excess tax benefit from stock-based compensation	3.6	1.4	0.1
Repurchase and retirement of ordinary shares	(108.4)	(117.4)	(131.1)
Dividends paid	(28.2)	(26.2)	(27.9)
<b>Net cash used in financing activities</b>	<b>(192.5)</b>	<b>(127.7)</b>	<b>(88.7)</b>
<b>Effect of exchange rate changes on cash</b>	<b>(0.7)</b>	<b>12.1</b>	<b>9.8</b>
Net decrease in cash and cash equivalents	(4.8)	(9.2)	(8.4)
Cash and cash equivalents, beginning	24.9	34.1	42.5
Cash and cash equivalents, ending	<u>\$ 20.1</u>	<u>\$ 24.9</u>	<u>\$ 34.1</u>
<b>Supplemental cash flow information:</b>			
Cash paid for interest	\$ 3.2	\$ 3.6	\$ 2.9
Cash paid for income taxes	<u>\$ 13.9</u>	<u>\$ 8.8</u>	<u>\$ 9.3</u>
<b>Non-cash financing and investing activities:</b>			
Purchase of businesses	\$ 1.6	\$ —	\$ 0.2
Retirement of ordinary shares	<u>\$ 106.6</u>	<u>\$ 104.0</u>	<u>\$ 146.5</u>
Purchases of assets under capital lease obligations	<u>\$ 0.9</u>	<u>\$ 1.1</u>	<u>\$ 0.8</u>
Dividends on restricted share units	<u>\$ (0.7)</u>	<u>\$ (0.4)</u>	<u>\$ (0.1)</u>

See accompanying notes.

**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- Controlling Interests	Total Shareholders' Equity
Balance at December 27, 2013	56,218,437	\$ 0.6	\$ 530.1	\$ 1,185.8	\$ (3.4)	\$ 1,713.1	\$ 38.1	\$ 1,751.2
Exercises of stock options	1,945,939	—	48.9	—	—	48.9	—	48.9
Issuance of restricted stock awards	26,117	—	—	—	—	—	—	—
Issuance of restricted stock units	287,202	—	—	—	—	—	—	—
Share-based payment expense	—	—	12.4	—	—	12.4	—	12.4
Tax deficiency from share-based compensation, net	—	—	(0.5)	—	—	(0.5)	—	(0.5)
Capital contribution from non-controlling interest	—	—	—	—	—	—	(0.1)	(0.1)
Repurchase and retirement of ordinary shares	(4,577,772)	(0.1)	(44.5)	(101.9)	—	(146.5)	—	(146.5)
Dividend declared	—	—	—	(27.9)	—	(27.9)	—	(27.9)
Comprehensive income:								
Net income (loss)	—	—	—	142.4	—	142.4	2.2	144.6
Unrealized gain on derivatives	—	—	—	—	28.3	28.3	—	28.3
Net unrealized foreign currency translation loss	—	—	—	—	(12.8)	(12.8)	—	(12.8)
Change in retirement benefit adjustment, net of tax	—	—	—	—	(9.5)	(9.5)	(0.2)	(9.7)
Comprehensive income (loss)						148.4	2.0	150.4
Balance at December 26, 2014	53,899,923	\$ 0.5	\$ 546.4	\$ 1,198.4	\$ 2.6	\$ 1,747.9	\$ 40.0	\$ 1,787.9
Exercises of stock options	1,320,103	—	35.3	—	—	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	—	16.8
Tax deficiency from share-based compensation, net	—	—	1.4	—	—	1.4	—	1.4
Repurchase and retirement of ordinary shares	(2,938,560)	—	(32.1)	(71.9)	—	(104.0)	—	(104.0)
Dividend declared	—	—	—	(26.2)	—	(26.2)	(0.1)	(26.3)
Comprehensive income:								
Net income	—	—	—	62.4	—	62.4	4.0	66.4
Unrealized loss on derivatives	—	—	—	—	(13.3)	(13.3)	—	(13.3)
Net unrealized foreign currency translation loss	—	—	—	—	(14.0)	(14.0)	(0.9)	(14.9)
Change in retirement benefit adjustment, net of tax	—	—	—	—	1.7	1.7	(0.1)	1.6
Comprehensive income						36.8	3.0	39.8
Balance at January 1, 2016	52,542,965	\$ 0.5	\$ 568.2	\$ 1,162.3	\$ (23.0)	\$ 1,708.0	\$ 42.9	\$ 1,750.9
Exercises of stock options	471,653	—	12.2	—	—	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	—	24.9
Excess tax benefit from share-based payments	—	—	3.6	—	—	3.6	—	3.6
Acquisition of non-controlling interest	—	—	(25.5)	—	—	(25.5)	(19.5)	(45.0)
Capital contribution to non-controlling interest	—	—	(0.5)	—	—	(0.5)	0.4	(0.1)
Repurchase and retirement of ordinary shares	(2,325,235)	—	(33.8)	(72.8)	—	(106.6)	—	(106.6)
Dividend declared	—	—	—	(28.2)	—	(28.2)	(0.1)	(28.3)
Comprehensive income:								
Net income	—	—	—	225.1	—	225.1	0.5	225.6
Unrealized loss on derivatives	—	—	—	—	(6.5)	(6.5)	—	(6.5)
Net unrealized foreign currency translation loss (gain)	—	—	—	—	(10.6)	(10.6)	0.4	(10.2)
Change in retirement benefit adjustment, net of tax	—	—	—	—	(4.1)	(4.1)	—	(4.1)
Comprehensive income						203.9	0.9	204.8
Balance at December 30, 2016	51,256,906	\$ 0.5	\$ 549.7	\$ 1,285.8	\$ (44.2)	\$ 1,791.8	\$ 24.6	\$ 1,816.4

See accompanying notes.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. General**

Reference in this Report to "Fresh Del Monte", "we", "our" and "us" and the "Company" refer to Fresh Del Monte 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 primarily in the worldwide production, transportation and marketing of fresh produce. We source our products, which include bananas, pineapples, melons and non-tropical fruit (including grapes, apples, pears, peaches, plums, nectarines, citrus, kiwis and blueberries) avocados and tomatoes, primarily from Central America, South America, Africa and the Philippines. We also source products from North America, Europe and the Middle East and distribute our products in North America, Europe, Middle East, Asia, South America and Africa. Products are sourced from our company-owned farms, through joint venture arrangements and through supply contracts with independent growers. We have the exclusive right to use the DEL MONTE® brand for fresh fruit, fresh vegetables and other fresh and fresh-cut produce and certain other specified products on a royalty-free basis under a worldwide, perpetual license from Del Monte Corporation, an unaffiliated company that owns the DEL MONTE® trademark. We are also a producer, marketer and distributor of prepared fruit and vegetables, juices and snacks and we hold a perpetual, royalty-free license to use the DEL MONTE® brand for prepared foods throughout Europe, Africa, the Middle East and countries formerly part of the Soviet Union. Del Monte Corporation and several other unaffiliated companies manufacture, distribute and sell under the DEL MONTE® brand canned or processed fruit, vegetables and other produce, as well as dried fruit, snacks and other products in certain geographic regions.

We are required to evaluate events occurring after December 30, 2016, our fiscal year end, for recognition and disclosure in the Consolidated Financial Statements for the year ended December 30, 2016. Events are evaluated based on whether they represent information existing as of December 30, 2016, which require recognition in the Consolidated Financial Statements, or new events occurring after December 30, 2016, which do not require recognition but require disclosure if the event is significant to the Consolidated Financial Statements. We evaluated events occurring subsequent to December 30, 2016 through the date of 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 subsidiaries, which we control due to ownership of a majority voting interest and we consolidate variable interest entities (VIEs) when we have variable interests and are the primary beneficiary. We continually evaluate our involvement with VIEs to determine when these criteria are met. Our fiscal year end is the last Friday of the calendar year or the first Friday subsequent to the end of the calendar year, whichever is closest to the end of the calendar year. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain reclassification of prior period balances have been made to confirm to current presentation.

**Use of Estimates**

The preparation of our Consolidated Financial Statements in accordance with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the amounts reported in our Consolidated Financial Statements and accompanying notes. Actual results could differ from these estimates.

**Cash and Cash Equivalents**

We classify as cash equivalents all highly liquid investments with a maturity of three months or less at the time of purchase.

## 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 Balance Sheets at net realizable value, which approximates fair value. We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and customers' credit worthiness, as determined by our review of their current credit information. We continuously monitor collections and payments from our customers and maintain a provision for estimated credit losses based upon our historical experience, specific customer collection issues that we have identified and reviews of the aging of trade receivables based on contractual terms. We generally do not require collateral on trade accounts receivable. Write-off of accounts receivable is done only when all collection efforts have been exhausted without success. No single customer's receivable balance is considered to be large enough to pose a significant credit risk to us, except trade accounts receivable from one customer, which represents approximately 10.7% of trade accounts receivable, net of allowance. This customer is current with its payments.

**Other Accounts Receivable**

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

VAT are primarily related to purchases by production units and are refunded by the taxing authorities. As of December 30, 2016, we had \$21.1 million, net of allowance of \$0.8 million, classified as current in other accounts receivable and \$21.0 million, net of allowance of \$12.5 million, classified as noncurrent assets on our Consolidated Balance Sheets. As of January 1, 2016, we had \$20.6 million, net of allowance of \$1.0 million, classified as current in other accounts receivable and \$19.4 million, net of allowance of \$9.2 million, classified as other noncurrent assets in our Consolidated Balance Sheets.

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

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

**Inventories**

Inventories are valued at the lower of cost or market. Cost is computed using the weighted average cost or first-in first-out methods for finished goods, which includes fresh produce and prepared food and the first-in first-out, actual cost or average cost methods for raw materials and packaging supplies. Raw materials and packaging supplies inventory consists primarily of agricultural supplies, containerboard, packaging materials, spare parts and fuel.

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

	December 30, 2016	January 1, 2016
Finished goods	\$ 199.4	\$ 182.6
Raw materials and packaging supplies	134.0	140.8
Growing crops	159.8	158.5
Total inventories	<u>\$ 493.2</u>	<u>\$ 481.9</u>

## 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 at the lower of cost or market and are deferred and charged to cost of products sold when the related crop is harvested and sold. The deferred growing costs included in inventories in our Consolidated Balance Sheets consist primarily of land preparation, cultivation, irrigation and fertilization costs. Expenditures related to banana 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 vessel dry-dock activities, consistent with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification™ (the "Codification" or "ASC") guidance related to "*Other Assets and Deferred Costs*". We utilize the deferral method of accounting for vessel dry-dock activities whereby actual costs incurred are deferred and amortized on a straight-line basis 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 accounting for investments of 20% or more in companies over which we do not have control. See Note 4, "*Investments in 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 straight-line method over the estimated useful lives of the assets, which range from 10 to 40 years for buildings, five to 20 years for maritime and other equipment, including ships and containers, three to 20 years for machinery and equipment, three to seven years for furniture, fixtures and office equipment and five to 10 years for automotive equipment. Leasehold improvements are amortized over the term of the lease, or the estimated useful life of the related asset, whichever is shorter. Definite-lived intangibles are amortized over their useful lives with a weighted average amortization period of 31.2 years. Amortization expense related to definite-lived intangible assets totaled \$0.8 million for 2016, \$0.7 million for 2015 and \$0.8 million for 2014, and is included in cost of products sold.

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

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying amount of an asset exceeds the asset's fair value, we measure and record an impairment loss for the excess. The fair value of an asset is measured by either determining the expected future undiscounted cash flow of the asset or by independent appraisal. For long-lived assets held for sale, we record impairment losses when the carrying amount is greater than the fair value less the cost to sell. We discontinue depreciation of long-lived assets when these assets are classified as held for sale and include the net book value of these assets in prepaid expenses and other current assets. Our long-lived assets are primarily composed of property, plant and equipment and definite-lived intangible assets. See Note 6, "*Property, Plant and Equipment*" and Note 7, "*Goodwill and Other Intangible Assets*".

We recorded charges related to impairment of long-lived assets of \$6.0 million in 2016, \$3.1 million in 2015, and \$2.2 million in 2014. Such charges are included in asset impairment and other charges, net in the accompanying Consolidated Statements of Income for the years ended December 30, 2016, January 1, 2016 and December 26, 2014 and as described further in Note 3, "*Asset Impairment and Other Charges, Net*".

There are numerous uncertainties and inherent risks in conducting business, such as but not limited to general economic conditions, actions of competitors, ability to manage growth, actions of regulatory authorities, natural disasters such as earthquakes, crop disease, severe weather such as floods, pending investigations and/or litigation, customer demand and risk relating to international operations. Adverse effects from these risks may result in adjustments to the carrying value of our assets and liabilities in the future, including, but not necessarily limited to, long-lived assets.



## 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 fair value of the net assets acquired. We assess goodwill and indefinite-lived intangible assets for impairment on an annual basis as of the first day of our fourth quarter, or sooner if events indicate such a review is necessary. Potential impairment exists if the fair value of a reporting unit to which goodwill has been allocated, or the fair value of indefinite-lived intangible assets, is less than their respective carrying values. The amount of the impairment to recognize, if any, is calculated as the amount by which the carrying value of goodwill exceeds its implied fair value or the amount of the carrying value of the intangible asset exceeds its fair value. Future changes in the estimates used to conduct the impairment review, including revenue projections, market values and changes in the discount rate used could cause the analysis to indicate that our goodwill or indefinite-lived intangible assets are impaired in subsequent periods and result in a write-down of a portion or all of goodwill or indefinite-lived intangible assets. The discount rate used is based on independently calculated risks, our capital mix and an estimated market premium.

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

As a result of our annual impairment test performed in 2015, we recorded a goodwill impairment of \$66.1 million representing 100% of the goodwill associated with the 2003 acquisition of the tomato and vegetable business in North America. This impairment was principally due to the failure of this business to meet our expectations due to underperformance.

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

**Revenue Recognition**

Revenue is recognized on sales of products when the customer agrees to the terms of the sale and receives title to the goods, generally upon delivery and when collectability is reasonably assured. We follow the guidance of the ASC on "*Revenue Recognition*" with regards to recording revenue gross as a principal versus net as an agent, in its presentation of net sales. This guidance requires us to assess whether we act as a principal in the transaction. Where we are the principal in the transaction and have the risks and rewards of ownership, the transactions are recorded gross in the Consolidated Statements of Income. If we do not act as a principal in the transaction, the transactions are recorded on a net basis in the Consolidated Statements of Income.

**Cost of Products Sold**

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

**Advertising and Promotional Costs**

We expense advertising and promotional costs as incurred. Advertising and promotional costs, which are included in selling, general and administrative expenses, were \$17.2 million for 2016, \$17.6 million for 2015 and \$18.3 million for 2014.

**Debt Issuance Costs**

Debt issuance costs relating to long-term debt are amortized over the term of the related debt instrument because the costs are primarily related to our revolving credit facility and are included in other noncurrent assets. Debt issuance cost amortization, which is included in interest expense, was \$0.5 million for 2016, \$0.5 million for 2015, and \$0.4 million for 2014. See Note 11, "*Long-Term Debt and Capital Lease Obligations*" for further disclosure on our credit facility.

## 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 differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end, based on enacted tax laws and statutory tax rates applicable to the year in which the differences are expected to affect taxable income. Valuation allowances are established when it is deemed more likely than not that some portion or all of the deferred tax assets will not be realized.

We account for income tax uncertainties consistent with the ASC guidance included in “*Income Taxes*”, which clarifies the accounting for uncertainty in income taxes recognized in a company’s financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The ASC also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

See Note 10, “*Income Taxes*”.

**Environmental Remediation Liabilities**

Losses associated with environmental remediation obligations are accrued when such losses are probable 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, balance sheet amounts are translated using the exchange rate in effect at the balance sheet date. Income statement amounts are translated monthly using the average exchange rate for the respective month. The gains and losses resulting from the changes in exchange rates from year-to-year and the effect of exchange rate changes on intercompany transactions of long-term investment nature are recorded as a component of accumulated other comprehensive income or loss as currency translation adjustments.

For our operations where the functional currency is the U.S. dollar, non-monetary balance sheet amounts are translated at historical exchange rates. Other balance sheet amounts are translated at the exchange rates in effect at the balance sheet date. Income statement accounts, excluding those items of income and expenses that relate to non-monetary assets and liabilities, are translated at the average exchange rate for the month. These remeasurement adjustments are included in 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 foreign exchange loss of \$2.2 million for 2016, \$5.9 million for 2015, and \$10.8 million for 2014. These amounts include the effect of foreign currency remeasurement and realized foreign currency transaction gains and losses.

**Other Expense, Net**

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

**Leases**

We lease property, plant and equipment for use in our operations. We evaluate the accounting for leases consistent with the provisions of the ASC on “*Leases*”. We evaluate our leases at inception or at any subsequent modification and classify them as either a capital lease or an operating lease based on lease terms. For operating leases that contain rent escalations, rent holidays or rent concessions, rent expense is recognized on a straight-line basis over the life of the lease.

See Note 16, “*Commitments and Contingencies*” for more information.

## 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 Disclosures*” that defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measures required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. We measure fair value for financial instruments, such as derivatives on an ongoing basis. We measure fair value for non-financial assets, when a valuation is necessary, such as for impairment of long-lived and indefinite-lived assets when indicators of impairment 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 “*Compensation – Stock Compensation*”. Our share-based payments are composed entirely of stock-based compensation expense as all equity awards granted to employees and members of our Board of Directors, each of whom meets the definition of an employee under the provisions of the ASC, are stock options, restricted stock awards and restricted stock units. We use the Black-Scholes option pricing model to estimate the fair value of stock options granted. We recognize share-based compensation expense over the 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 “*Derivatives and Hedging*”. The ASC on “*Derivatives and Hedging*” requires us to recognize the value of derivative instruments as either assets or liabilities in the statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated as a hedge and qualifies as part of a hedging relationship. The accounting also depends on the type of hedging relationship, whether a cash flow hedge, a fair value hedge, or hedge of a net investment in a foreign operation. A fair value hedge requires that the effective portion of the change in the fair value of a derivative financial instrument be offset against the change in the fair value of the underlying asset, liability, or firm commitment being hedged through earnings. A cash flow hedge requires that the effective portion of the change in the fair value of a derivative instrument be recognized in other comprehensive income, a component of shareholders’ equity, and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the change in fair value of a derivative instrument is recognized in earnings.

We use derivative financial instruments primarily to reduce our exposure to adverse fluctuations in foreign exchange rates. On entry into a derivative instrument, we formally designate and document the financial instrument as a hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transaction. Derivatives are recorded in the Consolidated Balance Sheets at fair value in prepaid expenses and other current assets, other noncurrent assets, accounts payable and accrued expenses or other noncurrent liabilities, depending on whether the amount is an asset or liability and is of a short-term or long-term nature. In addition, the earnings impact resulting from our derivative instruments is recorded in the same line item within the Consolidated Statements of Income as the underlying exposure being held. We also classify the cash flows from our cash flow hedges in the same category as the items being hedged on our Consolidated Statements of Cash Flows based on the fact that our cash flow hedges don’t contain an other-than-insignificant financing element at inception. The fair values of 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 flows or fair value of the underlying hedged transactions or assets and other exposures and to the overall reduction in our risk relating to adverse fluctuations in foreign exchange rates.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**2. Summary of Significant Accounting Policies (continued)****Treasury Stock**

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

**Retirement and Other Employee Benefits**

Using appropriate actuarial methods and assumptions, we account for defined benefit pension plans in accordance with ASC guidance on “*Compensation – Retirement Benefits*”. We provide disclosures about our plan assets, including investment strategies, major categories of plan assets, concentrations of risk within plan assets, and valuation techniques used to measure the fair value of plan assets consistent with the fair value hierarchy model described in the ASC on “*Fair Value Measurements and Disclosures*”, as described in Note 19, “*Fair Value Measurements*”.

See Note 14, “*Retirement and Other Employee Benefits*” for more information.

**New Accounting Pronouncements Adopted**

In November 2015, the FASB issued an Accounting Standards Update (“ASU”), *Balance Sheet Classification of Deferred Taxes*, which amends the existing accounting standards for income taxes. The amendment required companies to report their deferred tax liabilities and deferred tax assets each as a single non-current item on their classified balance sheets. The Company elected to adopt the amendments in the first quarter of fiscal year 2016 and applied them prospectively to the current period presented, as permitted by the standard. The adoption of the amendments had no impact on the Company's net earnings or cash flow from operations for any period presented.

**New Accounting Pronouncements Not Yet Adopted**

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

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

In August 2016, the FASB issued an ASU, *Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues in an effort to reduce diversity in practice. This ASU will be effective for us beginning the first day of our 2018 fiscal year. Early adoption is permitted. We are evaluating the impact of adoption of this ASU on our cash flows, and as such, we are not able to estimate the effect that the adoption of this ASU will have on reclassifications on our consolidated statement of cash flows.

In March 2016, the FASB issued an ASU, *Improvements to Employee Share-Based Payment Accounting*, to simplify certain aspects of the accounting for share-based payment transactions to employees. The new standard requires excess tax benefits and tax deficiencies to be recorded in the statements of income as a component of the provision for income taxes when stock awards vest or are settled. In addition, it eliminates the requirement to reclassify cash flows related to excess tax benefits from operating activities to financing activities on the consolidated statements of cash flows. The standard also provides an accounting policy election to account for forfeitures as they occur, allows us to withhold more of an employee's vesting shares for tax withholding purposes without triggering liability accounting, and clarifies that all cash payments made to tax authorities on an employee's

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**2. Summary of Significant Accounting Policies (continued)**

behalf for withheld shares should be presented as a financing activity on our cash flows statement. The new standard is effective for us beginning December 31, 2016, the first day of our 2017 year, with early adoption permitted.

We will adopt the new standard on December 31, 2016, the first day of our 2017 year. Upon adoption, excess tax benefits or deficiencies from share-based award activity will be reflected in the consolidated statements of income as a component of the provision for income taxes, whereas previously they were recognized in equity and the APIC pool will be eliminated. Currently, we have no previously unrecognized excess tax benefits; all excess tax benefits have been realized through a reduction in taxes payable. We expect that the impact of the adoption of this new guidance will impact the provision or benefit from income taxes; however that reduction or increase is dependent upon the underlying vesting or exercise activity and related to future stock prices. We will account for forfeitures as they occur, rather than estimate expected forfeitures. We expect the adoption of this ASU to result in a net cumulative-effect adjustment of \$0.3 million to retained earnings and corresponding adjustment to APIC as of December 31, 2016, the first day of our 2017 year.

We will adopt the aspects of the standard affecting the cash flow presentation retrospectively, and accordingly, to conform to the presentation in the year of adoption, we will reclassify \$3.6 million for the year ended December 30, 2016 and \$1.4 million for the year ended January 1, 2016 of excess tax benefits under financing activities to operating activities on our consolidated statements of cash flows. The presentation requirements for cash flows related to employee taxes paid for withheld shares will not impact any of the periods presented on our consolidated statements of cash flows since such cash flows have historically been presented as a financing activity.

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

In July 2015, the FASB issued an ASU, *Inventory: Simplifying the Measurement of Inventory*, for measuring inventory. The core principal of the guidance is that an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This guidance does not apply to inventory that is being measured using the Last-In, First-Out (LIFO) or the retail inventory method. The guidance is effective for us on a prospective basis beginning on the first day of our fiscal 2017 year. Early adoption is permitted. We are evaluating the impact of adoption of this ASU on our financial condition, result of operations and cash flows, and as such, we are not able to estimate the effect the adoption of the new standard will have on our financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**2. Summary of Significant Accounting Policies (continued)**

In May 2014, the FASB issued an ASU, *Revenue From Contracts with Customers*, in the form of a comprehensive new revenue recognition standard that will supersede existing revenue guidance. The ASU's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The standard outlines a five step model, whereby revenue is recognized as performance obligations within a contract are satisfied. The standard also requires new, expanded disclosures regarding revenue recognition. The amendments in this ASU will be effective for us beginning the first day of our 2018 fiscal year. Early adoption is not permitted. We are evaluating the impact of adoption of this ASU on our financial condition, result of operations and cash flows, and as such, we are not able to reasonably estimate the effect that the adoption of the new standard will have on our financial statements. We have commenced an initial analysis and have a team in place to analyze the impact of this ASU. This includes reviewing current accounting policies and practices to identify potential differences that would result from applying the requirements under the new standard. The standard permits the use of either the retrospective or modified retrospective transition method. We will adopt the new standard using the modified retrospective transition method, under which the cumulative effect of initially applying the new guidance is recognized as an adjustment to the opening balance of retained earnings on the first day of our 2018 fiscal year.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**3. Asset Impairment and Other Charges, Net**

We recorded asset impairment and other charges, net totaling \$27.2 million for 2016, \$3.4 million for 2015 and \$11.2 million for 2014, which were the result of exit activities, asset impairments and other charges.

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

	<b>Long-lived and other asset impairment</b>	<b>Exit activity and other charges (credits)</b>	<b>Total</b>
<b>Banana segment:</b>			
United Kingdom contract termination costs	\$ —	\$ 0.7	\$ 0.7
Brazil exit activities due to drought conditions	2.2	0.2	2.4
Philippines plantation conversion to pineapple	2.5	—	2.5
Underutilized assets in Central America	1.2	—	1.2
<b>Other fresh produce segment:</b>			
Charges related to previously announced closure of Hawaii including adjustment to accrued environmental liability, net of other charges	—	0.6	0.6
Other fresh produce segment charges in Brazil	0.1	—	0.1
<b>Other:</b>			
Former President/COO transition	—	19.7	19.7
<b>Total asset impairment and other charges, net</b>	<b>\$ 6.0</b>	<b>\$ 21.2</b>	<b>\$ 27.2</b>

## 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, net for the year ended January 1, 2016 by reportable segment (U.S. dollars in millions):

	<b>Long-lived and other asset impairment</b>	<b>Exit activity and other charges (credits)</b>	<b>Total</b>
<b>Banana segment:</b>			
Guatemala banana production assets held for sale	\$ 1.0	\$ —	\$ 1.0
European Union Antitrust settlement gain	—	(0.8)	(0.8)
United Kingdom contract termination on leased facilities	—	0.4	0.4
<b>Other fresh produce segment:</b>			
Chile farm asset impairment due to adverse weather conditions	1.9	1.4	3.3
Adjustment of previously accrued environmental liability in Hawaii, net of other charges	—	(0.8)	(0.8)
Other fresh produce segment charges	—	0.1	0.1
<b>Prepared food segment:</b>			—
Other prepared food segment charges	0.2	—	0.2
<b>Total asset impairment and other charges, net</b>	<b>\$ 3.1</b>	<b>\$ 0.3</b>	<b>\$ 3.4</b>



## 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), net for the year ended December 26, 2014 by reportable segment (U.S. dollars in millions):

	Long-lived and other asset impairment (credits)	Exit activity and other charges (credits)	Total
<b>Banana segment:</b>			
Charges related to infringement of European Union competition rules by a former indirect subsidiary	\$ —	\$ 8.8	\$ 8.8
Brazil termination of employee benefits due to decision to discontinue banana exports	—	1.4	1.4
United Kingdom contract termination on leased facilities	—	1.7	1.7
Germany impairment of under-performing banana ripening assets	0.5	—	0.5
<b>Other fresh produce segment:</b>			
Chile farm asset impairment due to adverse weather conditions	1.3	—	1.3
Chile termination of employee benefits and asset impairment due to restructuring of plastic business	0.1	0.5	0.6
Hawaii favorable settlement of litigation	—	(2.9)	(2.9)
Intangible asset write-off	0.3	—	0.3
United Kingdom termination of employee benefits due to restructuring	—	0.1	0.1
Reversal of previously accrued environmental liability in Hawaii, net of other charges	—	(1.3)	(1.3)
<b>Prepared food segment:</b>			
Termination of employee benefits due to restructuring in Germany and France	—	0.7	0.7
<b>Total asset impairment and other charges, net</b>	<b>\$ 2.2</b>	<b>\$ 9.0</b>	<b>\$ 11.2</b>

The following represents the roll forward of exit activity and other reserves for the year ended December 30, 2016 (U.S. dollars in millions):

	Exit activity and other reserve balance at January 1, 2016	Impact to Earnings	Cash Paid	Foreign Exchange Impact	Exit activity and other reserve balance at December 30, 2016
Contract termination and other exit activity charges	1.1	0.9	(0.9)	(0.1)	1.0
	\$ 1.1	\$ 0.9	\$ (0.9)	\$ (0.1)	\$ 1.0

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

The exit activity and other reserve balance at December 30, 2016 includes \$1.0 million related to contract termination costs for an underutilized facility in the United Kingdom of which charges of \$0.7 million is included for the year ended December 30, 2016, \$0.4 million in 2015 and \$1.7 million in 2014. We do not expect additional charges related to the exit and other activities mentioned above that would significantly impact our results of operations or financial condition.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**4. Investments in Unconsolidated Companies**

Investments in unconsolidated companies accounted for under the equity method amounted to \$1.6 million for both years, December 30, 2016 and January 1, 2016, these amounts are included in other noncurrent assets, and consisted of the following:

Company	Business	Ownership Interest	Accounting Method
Melones De Costa Rica, S.A.	Land lessor	50%	Equity
Hacienda Filadelfia, S.A.	Land lessor	50%	Equity

There were no purchases from unconsolidated companies in 2016, 2015 and 2014. Our portion of income (losses) in unconsolidated companies were not significant and are included in other expense, net. There were no dividends received from unconsolidated subsidiaries in 2016, 2015 and 2014.

**5. Variable Interest Entities ("VIE")**

One of our *Del Monte Gold® Extra Sweet* pineapple producers met the definition of a VIE pursuant to the ASC guidance on "Consolidation" and is consolidated. Our variable interest in this entity included an equity investment and certain debt guarantees. All of this VIE's pineapple production was sold to us. Based on the criteria of this ASC, as amended, we were the primary beneficiary of this VIE's expected residual returns or losses in excess of our ownership interest.

On April 28, 2016, we acquired the remaining 60% noncontrolling interest of our VIE for \$45.0 million, which we paid using operating cash flows and available borrowings under the Credit Facility (as defined in Note 11 "*Long-Term Debt and Capital Lease Obligations*"). We recorded a charge of \$25.5 million to equity as a result of the difference between the fair value of the consideration of \$45.0 million less the \$19.5 million carrying value of the noncontrolling interest. This acquisition of the remaining 60% ownership interest was an acquisition of a noncontrolling interest.

## 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 30, 2016	January 1, 2016
Land and land improvements	\$ 675.0	\$ 639.1
Buildings and leasehold improvements	525.6	498.4
Machinery and equipment	529.8	502.7
Maritime equipment (including containers)	176.2	179.3
Furniture, fixtures and office equipment	87.9	85.2
Automotive equipment	62.2	57.1
Construction-in-progress	86.1	66.0
	2,142.8	2,027.8
Less: accumulated depreciation and amortization	(870.8)	(812.4)
Property, plant and equipment, net	<u>\$ 1,272.0</u>	<u>\$ 1,215.4</u>

Depreciation expense on property, plant and equipment, including assets under capital leases, was \$76.8 million for 2016, \$71.1 million for 2015 and \$72.0 million for 2014.

Shipping containers, machinery and equipment and automotive equipment under capital leases totaled \$3.1 million at December 30, 2016 and \$2.4 million at January 1, 2016. Accumulated amortization for assets under capital leases was \$1.5 million at December 30, 2016 and \$1.3 million at January 1, 2016.

The loss (gain) on sales of property, plant and equipment netted to zero for 2016, a gain of \$2.1 million for 2015 and a loss of \$4.3 million for 2014. In 2016, the loss (gain) on sales of property, plant and equipment consisted primarily of losses on the disposal of low-yielding banana plants in Costa Rica and Guatemala in order to replant and improve productivity, disposal of deciduous plants in Chile and a loss on the sale of a refrigerated vessel, offset by the sale of lands in Central America. In 2015, the gain of \$2.1 million consisted primarily of the sales of two refrigerated vessels, and in 2014 the loss of \$4.3 million was primarily related to the disposal of low-yield banana plants in Costa Rica and Guatemala in order to replant and improve productivity, partially offset by a gain on sale of shipping-related and other surplus equipment.

***Acquisitions and Asset Purchase***

During June 2016, we purchased a blueberry farm in Chile of approximately 320 acres, which includes agricultural production land, packing houses and farm equipment. The purchase price for this business was \$7.1 million and was funded using operating cash flows and available borrowings under the Credit Facility (as defined in Note 11 "*Long-Term Debt and Capital Lease Obligations*"). The accounting for this business combination has been completed during the quarter ended September 30, 2016 and we adjusted \$0.8 million of goodwill in our Other Fresh Produce segment with a corresponding reduction in property, plant and equipment to the previously recorded preliminary amounts. Goodwill represents the excess purchase price above the fair market value of the net assets acquired.

During November and December 2016, we purchased two non-tropical fruit farms in Chile, which includes agricultural production land and farm equipment. The purchase price for these businesses was \$3.5 million, of which \$1.9 million was funded using operating cash flows and available borrowings under the Credit Facility and the remaining \$1.6 million was paid using the forgiveness of previous advances to these growers.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 7. Goodwill and Other Intangible Assets

The following table reflects our indefinite-lived intangible assets, including goodwill and our definite-lived intangible assets along with related accumulated amortization by major category (U.S. dollars in millions):

	December 30, 2016	January 1, 2016
Goodwill	\$ 260.9	\$ 263.7
Indefinite-lived intangible assets:		
Trademarks	44.0	44.4
Definite-lived intangible assets:		
Definite-lived intangible assets	10.7	9.7
Accumulated amortization	(7.3)	(6.5)
Definite-lived intangible assets, net	3.4	3.2
Goodwill and other intangible assets, net	<u>\$ 308.3</u>	<u>\$ 311.3</u>

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

The following table reflects the changes in the carrying amount of goodwill by business segment (U.S. dollars in millions):

	Bananas	Other fresh produce	Prepared food	Totals
Goodwill	\$ 64.6	\$ 285.3	\$ 78.3	\$ 428.2
Accumulated impairment losses	—	(22.0)	(75.7)	(97.7)
<b>Balance at December 26, 2014</b>	<u>\$ 64.6</u>	<u>\$ 263.3</u>	<u>\$ 2.6</u>	<u>\$ 330.5</u>
Tomato and vegetable goodwill impairment	—	(66.1)	—	(66.1)
Foreign exchange and other	—	(0.7)	—	(0.7)
Goodwill	\$ 64.6	\$ 284.6	\$ 78.3	\$ 427.5
Accumulated impairment losses	—	(88.1)	(75.7)	(163.8)
<b>Balance at January 1, 2016</b>	<u>\$ 64.6</u>	<u>\$ 196.5</u>	<u>\$ 2.6</u>	<u>\$ 263.7</u>
Acquisition of blueberry farm	\$ —	\$ 0.8 <sup>(1)</sup>	\$ —	0.8
Poultry goodwill impairment	—	—	(2.6)	(2.6)
Foreign exchange and other	(0.4)	(0.6)	—	(1.0)
Goodwill	\$ 64.2	\$ 284.8	\$ 78.3	\$ 427.3
Accumulated impairment losses	—	(88.1)	(78.3)	(166.4)
<b>Balance at December 30, 2016</b>	<u>\$ 64.2</u>	<u>\$ 196.7</u>	<u>\$ —</u>	<u>\$ 260.9</u>

<sup>(1)</sup> See Note 6, "Property, Plant and Equipment, Net" for further discussion on acquisitions.

## 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 review goodwill for impairment on an annual basis or earlier if indicators of impairment arise. During 2016, we incurred \$2.6 million in goodwill impairment representing 100% of the goodwill associated with the poultry business in Jordan in the prepared food segment. This impairment was principally due to underperformance.

Based on the annual impairment review of goodwill performed as of the first day of our fourth quarter in 2015 and due to the failure of the tomato and vegetable business in North America to meet our expectations, we wrote-off \$66.1 million of goodwill, which was related to the 2003 tomato and vegetable business acquisition. We determined that there was no remaining implied fair value of goodwill for the tomato and vegetable business utilizing the discounted cash flow method, an income approach valuation method, which indicates the fair value of a business based on the cash flows that the business can be expected to generate. The implied fair value of goodwill, if any, is determined by comparing the value of the business using the 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 remaining trade names and trademarks are highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of these assets. If the banana and the prepared food reporting unit do not perform to expected levels, the banana goodwill and the trade names and trademarks 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 of December 30, 2016 (U.S. dollars in millions):

	Banana Reporting Unit Goodwill	Prepared Reporting Unit Trade Names and Trademarks
Carrying value of indefinite-lived intangible assets	\$ 64.2	\$ 44.0
Approximate percentage by which the fair value exceeds the carrying value based on annual impairment test as of 1st day of fourth quarter	25.0%	2.0%
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 a fair valuation	\$ 18.1	\$ 4.7

## 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 succeeding years is as follows (U.S. dollars in millions):

2017	\$ 0.8
2018	0.4
2019	0.1
2020	0.1
2021	0.1

**8. Financing Receivables**

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

Other accounts receivable less allowances are recognized on our accompanying Consolidated Balance Sheets at net realizable value, which approximates fair value. Other accounts receivable includes value-added taxes receivable, seasonal advances to growers and suppliers, which are usually short-term in nature, and other financing receivables.

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

These advances are collateralized by property liens and pledges of the season's produce; however certain factors such as the impact of weather, crop disease and financial stability could impact the ability for these growers to repay their advance. Occasionally, we agree to a payment plan or take steps to recover the advance via established collateral. Reserves for uncollectible advances are determined on a case by case 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 allowance for doubtful accounts (U.S. dollars in millions):

	December 30, 2016		January 1, 2016	
	Current	Noncurrent	Current	Noncurrent
Gross advances to growers and suppliers	\$ 35.8	\$ 0.2	\$ 41.7	\$ 0.3
Allowance for advances to growers and suppliers	(1.5)	—	(2.1)	—
Net advances to growers and suppliers	\$ 34.3	\$ 0.2	\$ 39.6	\$ 0.3

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 8. Financing Receivables (continued)

The following table details the credit risk profile of the above listed financing receivables (U.S. dollars in millions):

	<b>Current Status</b>	<b>Fully Reserved</b>	<b>Total</b>
Gross advances to growers and suppliers:			
December 30, 2016	\$ 34.5	\$ 1.5	\$ 36.0
January 1, 2016	39.9	2.1	42.0

The allowance for doubtful accounts and the related financing receivables for the years ended December 30, 2016 and January 1, 2016 were as follows (U.S. dollars in millions):

	<b>December 30, 2016</b>	<b>January 1, 2016</b>
Allowance for advances to growers and suppliers:		
Balance, beginning of period	\$ 2.1	\$ 2.4
Provision for uncollectible amounts	—	0.2
Deductions to allowance including recoveries	(0.6)	(0.5)
Balance, end of period	<u>\$ 1.5</u>	<u>\$ 2.1</u>

## 9. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following (U.S. dollars in millions):

	<b>December 30, 2016</b>	<b>January 1, 2016</b>
Trade payables	\$ 162.5	\$ 174.1
Accrued fruit purchases	17.2	14.5
Vessel and port operating expenses	18.5	17.0
Warehouse and distribution costs	20.8	24.1
Payroll and employee benefits	67.0	58.9
Accrued promotions	21.6	17.1
Other accrued expenses	52.9	53.4
Accounts payable and accrued expenses	<u>\$ 360.5</u>	<u>\$ 359.1</u>

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

## 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 30, 2016	January 1, 2016	December 26, 2014
Current:			
U.S. federal income tax	\$ 7.6	\$ 4.7	\$ 3.1
State	1.4	0.5	0.9
Non-U.S.	11.0	7.6	5.6
	<u>20.0</u>	<u>12.8</u>	<u>9.6</u>
Deferred:			
U.S. federal income tax	(3.3)	1.6	3.1
State	(0.6)	0.3	0.4
Non-U.S.	(4.3)	(1.0)	1.2
	<u>(8.2)</u>	<u>0.9</u>	<u>4.7</u>
	<u>\$ 11.8</u>	<u>\$ 13.7</u>	<u>\$ 14.3</u>

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

	Year ended		
	December 30, 2016	January 1, 2016	December 26, 2014
U.S.	\$ 16.0	\$ (49.4)	\$ 19.9
Non-U.S.	221.4	129.5	139.0
	<u>\$ 237.4</u>	<u>\$ 80.1</u>	<u>\$ 158.9</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**10. Income Taxes (continued)**

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

	Year ended		
	December 30, 2016	January 1, 2016	December 26, 2014
Income tax provision (benefit) computed at the U.S. statutory federal rate	\$ 83.1	\$ 28.0	\$ 55.6
Effect of tax rates on non-U.S. operations	(98.8)	(112.9)	(50.8)
Provision for uncertain tax positions	(0.5)	0.6	0.2
Non-deductible interest	2.0	—	(0.1)
Foreign exchange	15.1	(17.2)	(5.6)
Non-deductible intercompany charges	1.2	(0.3)	0.4
Non-deductible differences	1.7	0.6	2.1
Non-taxable income/loss	11.8	(2.2)	(2.4)
Non-deductible goodwill impairment	0.4	23.1	—
Adjustment to deferred balances	—	(1.2)	(0.2)
Other	0.9	(0.4)	(1.2)
Other taxes in lieu of income	1.9	1.3	—
Change in deferred rate	(3.4)	1.4	(0.8)
Tax credits	—	—	(0.3)
Increase (decrease) in valuation allowance <sup>(1)</sup>	(3.6)	92.9	17.4
Provision for income taxes	<u>\$ 11.8</u>	<u>\$ 13.7</u>	<u>\$ 14.3</u>

<sup>(1)</sup> The increase in valuation allowance includes effects of foreign exchange and adjustments to deferred tax balances which were fully offset by valuation allowance.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 10. Income Taxes (continued)

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

	December 30, 2016	January 1, 2016
<b>Deferred tax liabilities:</b>		
<b>Current:</b>		
Allowances and other accrued liabilities	\$ —	\$ (0.9)
Inventories	—	(14.0)
Total current deferred tax liabilities	—	(14.9)
<b>Noncurrent:</b>		
Allowances and other accrued liabilities	(2.1)	—
Inventories	(14.8)	—
Property, plant and equipment	(63.9)	(64.6)
Equity in earnings of unconsolidated companies	(0.2)	(0.2)
Pension	(2.6)	(2.9)
Other noncurrent deferred tax liabilities	(8.1)	(6.4)
Total noncurrent deferred tax liabilities	(91.7)	(74.1)
Total current and noncurrent deferred tax liabilities	\$ (91.7)	\$ (89.0)
<b>Deferred tax assets:</b>		
<b>Current:</b>		
Net operating loss carryforwards	\$ —	\$ 6.8
Allowances and other accrued assets	—	11.3
Inventories	—	5.0
Total current deferred tax assets	—	23.1
Valuation allowance	—	(11.2)
Total net current deferred tax assets	—	11.9
<b>Noncurrent:</b>		
Allowances and other accrued assets	12.8	—
Inventories	7.1	—
Pension liability	22.9	21.1
Property, plant and equipment	1.6	2.0
Post-retirement benefits other than pension	1.1	0.7
Net operating loss carryforwards	225.5	209.1
Capital loss carryover	2.4	3.0
Other noncurrent assets	24.9	21.3
Total noncurrent deferred tax assets	298.3	257.2
Valuation allowance	(232.1)	(214.6)
Total net noncurrent deferred tax assets	66.2	42.6
Total deferred tax assets, net	\$ 66.2	\$ 54.5
<b>Net deferred tax liabilities</b>	<b>\$ (25.5)</b>	<b>\$ (34.5)</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**10. Income Taxes (continued)**

The valuation allowance increased by \$6.3 million in 2016 and by \$46.3 million in 2015. The increase in 2016 and 2015 relates primarily to valuation allowance on additional net operating loss carryforwards offset by the effect of a change in judgment about our ability to realize deferred tax assets in future years, due to our current and foreseeable operations.

At December 30, 2016, the valuation allowance includes \$0.1 million for which subsequently recognized tax benefits will be recognized directly in contributed capital.

At December 30, 2016, undistributed earnings of the Company's foreign subsidiaries amounted to \$1,453.6 million. Those earnings are considered to be either indefinitely reinvested, or the earnings could be distributed tax free. Accordingly, no taxes have been provided thereon. To the extent the earnings are considered indefinitely reinvested, determination of the amount of unrecognized deferred tax liability is not practicable due to the complexities associated with its hypothetical calculation.

At December 30, 2016, we had approximately \$787.3 million of federal and foreign tax operating loss carry-forwards expiring as follows (U.S. dollars in millions):

<b>Expires:</b>		
2017	\$	11.6
2018		1.4
2019		3.9
2020		0.3
2021 and beyond		39.0
No expiration		731.1
	\$	<u>787.3</u>

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

	<b>December 30, 2016</b>	<b>January 1, 2016</b>	<b>December 26, 2014</b>
Beginning balance	\$ 3.9	\$ 3.5	\$ 3.0
Gross decreases - tax position in prior period	—	—	—
Gross increases - current-period tax positions	0.1	0.8	0.5
Settlements	—	—	—
Lapse of statute of limitations	(0.8)	(0.4)	—
Ending balance	<u>\$ 3.2</u>	<u>\$ 3.9</u>	<u>\$ 3.5</u>

We had accrued \$3.6 million in 2016 and \$3.5 million in 2015, for uncertain tax positions, that, if recognized would affect the effective income tax rate.

The tax years 2012-2016 remain subject to examination by taxing authorities throughout the world in major 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 expense in the Consolidated Statements of Income. Accrued interest and penalties related to uncertain tax positions as of December 30, 2016 is \$0.9 million and is included in other noncurrent liabilities.

## 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 millions):

	December 30, 2016	January 1, 2016
Senior unsecured revolving credit facility (see Credit Facility below)	\$ 230.5	\$ 251.2
Various other notes payable	—	1.4
Capital lease obligations	1.8	1.6
Total long-term debt and capital lease obligations	232.3	254.2
Less: Current portion	(0.6)	(1.5)
Long-term debt and capital lease obligations	<u>\$ 231.7</u>	<u>\$ 252.7</u>

**Credit Facility**

On April 16, 2015, we entered into a five-year \$800 million syndicated senior unsecured revolving credit facility maturing on April 15, 2020 (the "Credit Facility") with Bank of America, N.A. as administrative agent and Merrill Lynch, Pierce, Fenner & Smith Inc. as sole lead arranger and sole book manager. Borrowings under the Credit Facility bear interest at a spread over LIBOR that varies with our leverage ratio. The Credit Facility also includes a swing line facility and a letter of credit facility. Debt issuance costs of \$1.3 million are included in other nonconcurrent assets on our Consolidated Balance Sheets.

On June 21, 2016, we renewed the renewable 364-day, \$25.0 million commercial and stand-by letter of credit facility with Rabobank Nederland.

The following is a summary of the material terms of the Credit Facility and other working capital facilities (U.S. dollars in millions):

	Term	Maturity Date	Interest Rate at December 30, 2016	Borrowing Limit	Available Borrowings at December 30, 2016
Bank of America credit facility	5.0 years	April 15, 2020	1.75%	\$ 800.0	\$ 569.5
Rabobank letter of credit facility	364 days	June 20, 2017	Varies	25.0	10.8
Other working capital facilities	Varies	Varies	Varies	24.6	11.7
				<u>\$ 849.6</u>	<u>\$ 592.0</u>

The current margin for LIBOR advances is 1.0%. We intend to use funds borrowed under the Credit Facility from time to time for general corporate purposes, which may include the repayment, redemption or refinancing of our existing indebtedness, working capital needs, capital expenditures, funding of possible acquisitions, possible share repurchases and satisfaction of other obligations.

The Credit Facility requires us to comply with financial and other covenants, including limitations on capital expenditures, the amount of dividends that can be paid in the future, the amount and types of liens and indebtedness, material asset sales and mergers. As of December 30, 2016, we were in compliance with all of the covenants contained in the Credit Facility. The Credit Facility is unsecured as long as we maintain a certain leverage ratio and is guaranteed by certain of the our subsidiaries. The Credit Facility permits borrowings under the revolving commitment with an interest rate determined based on our leverage ratio and spread over LIBOR. In addition, we pay a fee on unused commitments.

At December 30, 2016, we applied \$14.2 million to the Rabobank Nederland letter of credit facility, in respect of certain contingent obligations and other governmental agency guarantees combined with guarantees for purchases of raw materials and equipment and other trade related letters of credit. We also had \$14.5 million in other letter of credit and bank guarantees not included in the Rabobank or Bank of America letter of credit facilities.

## 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.S. dollars in millions):

Fiscal Years	Long-Term Debt	Capital Leases	Totals
2017	\$ 5.8	\$ 0.7	\$ 6.5
2018	7.7	0.6	8.3
2019	9.8	0.4	10.2
2020	243.2	0.2	243.4
2021	—	0.2	0.2
	266.5	2.1	268.6
Less: Amounts representing interest <sup>(1)</sup>	(36.0)	(0.3)	(36.3)
	230.5	1.8	232.3
Less: Current portion	\$ —	\$ (0.6)	\$ (0.6)
Totals, net of current portion of long-term debt and capital lease obligations	\$ 230.5	\$ 1.2	\$ 231.7

<sup>(1)</sup> We utilize a variable interest rate on our long-term debt, and for presentation purposes we have used an assumed rate of 3%.

Cash payments of interest on long-term debt, net of amounts capitalized, were \$3.2 million for 2016, \$3.6 million for 2015 and \$2.9 million for 2014. Capitalized interest expense was \$0.8 million for years 2016, 2015, and 2014.

## 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 shares outstanding for the period. Basic and diluted net income per ordinary share is calculated as follows (U.S. dollars in millions, except share and per share data):

	Year ended		
	December 30, 2016	January 1, 2016	December 26, 2014
<b>Numerator:</b>			
Net income (loss) attributable to Fresh Del Monte Produce Inc.	\$ 225.1	\$ 62.4	\$ 142.4
<b>Denominator:</b>			
Weighted average number of ordinary shares - Basic	51,507,755	52,750,212	55,966,531
Effect of dilutive securities - employee stock options	454,440	449,321	380,561
Weighted average number of ordinary shares - Diluted	51,962,195	53,199,533	56,347,092
Antidilutive Options and Awards <sup>(1)</sup>	—	40,506	696,075
<b>Net income per ordinary share attributable to</b>			
<b>Fresh Del Monte Produce Inc.:</b>			
Basic	\$ 4.37	\$ 1.18	\$ 2.54
Diluted	\$ 4.33	\$ 1.17	\$ 2.53

<sup>(1)</sup> Options to purchase shares of common stock and unvested RSU's and PSU's not included in the calculation of Net income per ordinary share because the effect would have been anti-dilutive.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 13. Accumulated Other Comprehensive (Loss) Income

The following table includes the changes in accumulated other comprehensive income (loss) by component under the ASC on “Comprehensive Income” for the years ended December 30, 2016 and January 1, 2016 (U.S. dollars in millions):

	Changes in Accumulated Other Comprehensive (Loss) Income by Component <sup>(1)</sup>			
	Changes in Fair Value of Effective Cash Flow Hedges	Foreign Currency Translation Adjustment	Retirement Benefit Adjustment	Total
Balance at December 26, 2014	\$ 25.2	\$ (0.8)	\$ (21.8)	\$ 2.6
Other comprehensive (loss) income before reclassifications	26.4	(14.0) <sup>(2)</sup>	0.2 <sup>(3)</sup>	12.6
Amounts reclassified from accumulated other comprehensive (loss) income	(39.7)	—	1.5	(38.2)
Net current period other comprehensive (loss) income	(13.3)	(14.0)	1.7	(25.6)
Balance at January 1, 2016	<u>\$ 11.9</u>	<u>\$ (14.8)</u>	<u>\$ (20.1)</u>	<u>\$ (23.0)</u>
Other comprehensive (loss) income before reclassifications	1.5	(10.6) <sup>(2)</sup>	(5.3)	(14.4)
Amounts reclassified from accumulated other comprehensive (loss) income	(8.0)	—	1.2	(6.8)
Net current period other comprehensive (loss) income	(6.5)	(10.6)	(4.1)	(21.2)
Balance at December 30, 2016	<u>\$ 5.4</u>	<u>\$ (25.4)</u>	<u>\$ (24.2)</u>	<u>\$ (44.2)</u>

<sup>(1)</sup> All amounts are net of tax and noncontrolling interests.

<sup>(2)</sup> Includes a gain of \$2.2 million and a loss of \$4.5 million on intra-entity foreign currency transactions that are of a long-term-investment nature; also includes a gain of \$0.4 million and a loss of \$0.9 million for the years ended December 30, 2016 and January 1, 2016 related to noncontrolling interest.

<sup>(3)</sup> Includes a \$0.1 million loss for the year ended January 1, 2016 related to noncontrolling interest for retirement benefit adjustments.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

The following table includes details about amounts reclassified from accumulated other comprehensive income (loss) by component for the years ended December 30, 2016 and January 1, 2016 (U.S. dollars in millions):

	December 30, 2016	January 1, 2016	
Details about accumulated other comprehensive (loss) income components	Amount reclassified from accumulated other comprehensive (loss) income	Amount reclassified from accumulated other comprehensive (loss) income	Affected line item in the statement where net income is presented
Changes in fair value of effective cash flow hedges:			
Foreign currency cash flow hedges	\$ (7.5)	\$ (39.0)	Sales
Foreign currency cash flow hedges	(0.5)	(0.7)	Cost of sales
Total	<u>\$ (8.0)</u>	<u>\$ (39.7)</u>	
Amortization of retirement benefits:			
Actuarial losses	\$ 0.8	\$ 1.1	Selling, general and administrative expenses
Actuarial losses	0.4	0.4	Cost of sales
Total	<u>\$ 1.2</u>	<u>\$ 1.5</u>	



## 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 most significant of these plans cover employees in the United States, United Kingdom, Costa Rica and Guatemala. These plans are accounted for consistent with the ASC guidance related to “*Compensation – Retirement Benefits*”.

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

**U.S.-Based Defined Benefit Pension Plans**

We sponsor a defined benefit pension plan, which covers a portion of our U.S.-based employees under a collective bargaining agreement. As a result of the accelerated closing of our Hawaii facility announced in 2006, the ILWU Local 42 collective bargaining agreement was not re-negotiated and expired in 2009 and as such the U.S.-based defined benefit pension plan has ceased accruing benefits. Our funding policy for this plan is to contribute amounts sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended, or such additional amounts as determined appropriate to assure that the assets of the plan would be adequate to provide benefits. Substantially all of the plan’s 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 United Kingdom (the “UK plan”). The UK plan provides benefits based on the employees’ years of service and qualifying compensation and has ceased accruing benefits. Benefit payments are based on a final pay calculation as of November 30, 2005 and are adjusted for inflation annually. Our funding policy for the UK plan is to contribute amounts into the plan in accordance with a recovery plan agreed by the Trustees and the Company in order to meet the statutory funding objectives of occupational trust-based arrangements of the United Kingdom or such additional amounts as determined appropriate to assure that assets of the UK plan are adequate to provide benefits. Substantially all of the UK plan’s assets are primarily invested in fixed income and equity funds.

**Central American Plans**

We provide retirement benefits to a portion of our employees of certain Costa Rican and Guatemalan subsidiaries (“Central American plans”). Generally, benefits under these programs are based on an employee’s length of service and level of compensation. These programs are commonly referred to as termination indemnities, which provide retirement benefits in accordance with regulations mandated by the respective governments. Funding generally occurs when employees cease active service.

## 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 status for our defined benefit pension plans and post-retirement plans as of December 30, 2016 and January 1, 2016, which are also their measurement dates (U.S. dollars in millions):

	Pension plans <sup>(1)</sup>				Post-retirement plans	
	December 30, 2016		January 1, 2016		December 30, 2016	January 1, 2016
	U.S.	U.K.	U.S.	U.K.	Central America	Central America
<b>Change in Benefit Obligation:</b>						
Beginning benefit obligation	\$ 17.6	\$ 58.8	\$ 19.3	\$ 63.7	\$ 57.8	\$ 58.1
Service cost	—	—	—	—	5.2	5.8
Interest cost	0.7	1.9	0.7	2.2	3.8	3.7
Actuarial loss (gain)	0.1	10.8	(1.0)	(1.5)	1.3	(1.6)
Benefits paid	(1.4)	(4.3)	(1.4)	(2.3)	(6.3)	(8.1)
Exchange rate changes <sup>(2)</sup>	—	(10.2)	—	(3.3)	0.1	(0.1)
Ending benefit obligation	17.0	57.0	17.6	58.8	61.9	57.8
<b>Change in Plan Assets:</b>						
Beginning fair value	13.4	53.4	14.1	55.4	—	—
Actual return on plan assets	0.8	8.7	(0.1)	1.1	—	—
Company contributions	0.3	1.9	0.8	2.2	6.3	8.1
Benefits paid	(1.4)	(4.3)	(1.4)	(2.3)	(6.3)	(8.1)
Exchange rate changes <sup>(2)</sup>	—	(9.2)	—	(3.0)	—	—
Ending fair value	13.1	50.5	13.4	53.4	—	—
<b>Amounts recognized in the Consolidated Balance Sheets:</b>						
Accounts payable and accrued expenses (current liability)	—	—	—	—	7.2	6.7
Retirement benefits liability (noncurrent liability)	3.9	6.5	4.1	5.5	54.7	51.1
Net amount recognized in the Consolidated Balance Sheets	\$ 3.9	\$ 6.5	\$ 4.1	\$ 5.5	\$ 61.9	\$ 57.8
<b>Amounts recognized in Accumulated other comprehensive income (loss) <sup>(3)</sup>:</b>						
Net actuarial (loss) gain	(9.4)	(2.8)	(9.3)	2.1	(14.6)	(14.1)
Net amount recognized in accumulated other comprehensive (loss) income	\$ (9.4)	\$ (2.8)	\$ (9.3)	\$ 2.1	\$ (14.6)	\$ (14.1)

<sup>(1)</sup> The accumulated benefit obligation is the same as the projected benefit obligation.

<sup>(2)</sup> The exchange rate difference included in the reconciliation of the change in benefit obligation and the change in plan assets above results from currency fluctuations of the U.S. dollar relative to the British pound for the U.K. plan and the U.S. dollar versus Central American currencies such as the Costa Rican colon and Guatemalan quetzal for the Central American plans as of December 30, 2016 and January 1, 2016, when compared to the previous year.

<sup>(3)</sup> We had accumulated other comprehensive income of \$5.2 million as of December 30, 2016 and \$4.2 million as of January 1, 2016 related to tax effect of unamortized pension gains.

## 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 income ("AOCI") balances (U.S. dollars in millions):

	Pension plans				Post-retirement plans	
	Year ended				Year ended	
	December 30, 2016		January 1, 2016		December 30, 2016	January 1, 2016
	U.S.	U.K.	U.S.	U.K.	Central America	Central America
<b>Reconciliation of AOCI</b>						
AOCI (loss) gain at beginning of plan year	\$ (9.3)	\$ 2.1	\$ (9.7)	\$ 2.5	\$ (14.1)	\$ (16.9)
Amortization of net losses recognized during the year	0.3	—	0.4	—	0.8	1.2
Net (losses) gains occurring during the year	(0.4)	(4.7)	—	(0.3)	(1.3)	1.6
Currency exchange rate changes	—	(0.2)	—	(0.1)	—	—
AOCI (loss) gain at end of plan year	<u>\$ (9.4)</u>	<u>\$ (2.8)</u>	<u>\$ (9.3)</u>	<u>\$ 2.1</u>	<u>\$ (14.6)</u>	<u>\$ (14.1)</u>

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

	Pension plans		Post-retirement plans
	U.S.	U.K.	Central America
2017 amortization of net losses	\$ 0.4	\$ —	\$ 0.9

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

	Pension plans						Post-retirement plans		
	Year ended						Year ended		
	December 30, 2016		January 1, 2016		December 26, 2014		December 30, 2016	January 1, 2016	December 26, 2014
	U.S.	U.K.	U.S.	U.K.	U.S.	U.K.	Central America	Central America	Central America
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5.2	\$ 5.8	\$ 5.2
Interest cost	0.7	1.9	0.7	2.2	0.7	2.7	3.8	3.7	3.6
Expected return on assets	(1.0)	(2.6)	(1.0)	(2.9)	(0.9)	(3.5)	—	—	—
Net amortization	0.3	—	0.4	—	0.3	(0.1)	0.8	1.1	0.9
Net periodic cost (income)	<u>\$ —</u>	<u>\$ (0.7)</u>	<u>\$ 0.1</u>	<u>\$ (0.7)</u>	<u>\$ 0.1</u>	<u>\$ (0.9)</u>	<u>\$ 9.8</u>	<u>\$ 10.6</u>	<u>\$ 9.7</u>

There are no amounts of plan assets expected to be refunded to us over the next 12 months.

## 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. defined benefit pension plans and Central American plans consisted of the following:

	December 30, 2016			January 1, 2016			December 26, 2014		
	Pension plans		Post-retirement plans	Pension plans		Post-retirement plans	Pension plans		Post-retirement plans
	U.S.	U.K.	Central America	U.S.	U.K.	Central America	U.S.	U.K.	Central America
Weighted average discount rate	3.85%	2.60%	7.29%	4.00%	3.70%	7.23% <sup>(1)</sup>	3.70%	3.60%	6.85%
Rate of increase in compensation levels	—%	2.50%	4.75%	—%	2.20%	4.64%	—%	2.20%	5.20%

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

	December 30, 2016			January 1, 2016			December 26, 2014		
	Pension plans		Post-retirement plans	Pension plans		Post-retirement plans	Pension plans		Post-retirement plans
	U.S.	U.K.	Central America	U.S.	U.K.	Central America	U.S.	U.K.	Central America
Weighted average discount rate	4.00%	3.70%	7.23%	3.70%	3.60%	6.85% <sup>(1)</sup>	4.45%	4.50%	7.56%
Rate of increase in compensation levels	—%	2.20%	4.64%	—%	2.20%	5.20%	—%	2.50%	5.39%
Expected long-term rate of return on assets	7.50%	5.47%	—%	7.50%	5.36%	—%	7.50%	6.41%	—%

- <sup>(1)</sup> The increase or decrease in the weighted average discount rate assumption for the benefit obligation and net periodic pension costs increased due to an increase or decrease in inflation assumptions and country-specific investments.

Effective December 30, 2016, we utilized updated mortality tables for our U.S. Plan. The change related to updated mortality tables has caused a decrease of our projected benefit obligation for this plan by \$0.3 million and is included in accumulated other comprehensive income in our Consolidated Balance Sheets. This change is treated as a change in assumption, which affects the net actuarial (loss) gain and is amortized over the remaining service period of the plan participants. The annual amortization will impact net periodic cost in 2017.

## 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:			
2017	\$ 1.4	\$ 1.7	\$ 7.2
2018	1.4	1.9	6.5
2019	1.3	1.9	6.8
2020	1.3	1.9	6.6
2021	1.3	2.0	6.2
Next 5 years	5.6	11.9	30.5
Expected benefit payments over the next 10 years	<u>\$ 12.3</u>	<u>\$ 21.3</u>	<u>\$ 63.8</u>

For 2017, expected contributions are \$0.6 million for the U.S. pensions plans and \$1.7 million for the U.K. pensions plans. Contributions for the U.S. and U.K. pension plans are actuarially determined based on 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 for long-term growth and 30%-50% fixed income securities for near-term benefit payments. Asset allocation targets promote optimal expected return and volatility characteristics given the long-term time horizon for fulfilling the obligations of the pension plans. Selection of the targeted asset allocation for U.S. plan assets was based upon a review of the expected return and risk characteristics of each asset class, as well as the correlation of returns among asset classes.

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)				
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)		
		Significant Observable Inputs (Level 2)		Significant Unobservable Inputs (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	<u>\$ 13.1</u>	<u>\$ 13.1</u>	<u>\$ —</u>	<u>\$ —</u>

## 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 January 1, 2016 (U.S. dollars in millions)		
		Quoted Prices in Active Markets for Identical Assets (Level 1)		
		Significant Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
Asset Category	Total			
Mutual Funds:				
Fixed income securities	\$ 2.9	\$ 2.9	\$ —	\$ —
Bond securities	2.6	2.6	—	—
Value securities	4.7	4.7	—	—
Growth securities	3.2	3.2	—	—
Total	\$ 13.4	\$ 13.4	\$ —	\$ —

*Mutual Funds* – This category includes investments in mutual funds that encompass both equity and fixed income securities that are designed to provide a diverse portfolio. The plan's mutual funds are designed to track exchange indices, and invest in diverse industries. Some mutual funds are classified as regulated investment companies. Investment managers have the ability to shift investments from value to growth strategies, from small to large capitalization funds, and from U.S. to international investments. These investments are valued at the closing price reported on the active market on which the individual securities 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 determine eligible and ineligible securities, diversification requirements and credit quality standards, where applicable. Unless exceptions have been approved, investment managers are prohibited from buying or selling commodities, futures or option contracts, as well as from short selling of securities. Furthermore, investment managers agree to obtain written approval for deviations from stated investment style or guidelines. We considered historical returns and the future expectations for returns for each asset class as well as the target asset allocation of plan assets to develop the expected long-term rate of return on assets assumption.

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

## 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:

Asset Category	Total Fair Value at December 30, 2016	Fair Value Measurements at December 30, 2016 (U.S. dollars in millions)		
		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	\$ —

Asset Category	Total Fair Value at January 1, 2016	Fair Value Measurements at January 1, 2016 (U.S. dollars in millions)		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 0.3	\$ 0.3	\$ —	\$ —
Equity securities:				
United Kingdom companies	22.1		22.1	—
Other international companies	20.1		20.1	—
Fixed income securities:				
United Kingdom government bonds	4.6		4.6	—
United Kingdom corporate bonds	6.3		6.3	—
Total	\$ 53.4	\$ 0.3	\$ 53.1	\$ —

*Equity securities* – This category includes pooled investments in various U.S., U.K. and other international equities over diverse industries. The portfolio of stocks is invested in diverse industries and includes a concentration of 22% in financial institutions, 13% in consumer goods, 13% in industrials, 13% in technology, 11% in health care, 11% in consumer services and the remaining 17% in various other industries. The diversified growth fund includes a portfolio of investment allocations of 35% in equities predominantly in the United States and Asia, 41% in fixed income securities including corporate and government bonds, 10% cash and 14% in other investments such as property and infrastructure. Units of the pooled investment accounts are not traded on an exchange or in an active market; however, valuation is based on the underlying investments of the units and are classified as Level 2 investments of the fair value hierarchy.

## 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 government bonds, U.K. corporate bonds, U.K. and overseas equity-linked government bonds and liability-driven investments. These investments are valued at the closing price reported on the active market on which the individual securities are traded. Units of the pooled investment accounts are not traded on an exchange or in an active market; however, valuation is based on the underlying investments of the units and are 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 asset allocation and is determined by reference to UK long dated government and corporate bond yields for government and corporate bonds and government bond yields adjusted for out-performance for equities.

According to the plan's investment policy, approximately 34% of the U.K. plan's assets are invested in diversified growth funds, 34% are invested in other international equities and 10% are invested in U.K. equity securities. Approximately 13% are invested in liability-driven investments and 9% of the U.K. plan's assets are invested in U.K. index-lined government bonds. Fund managers have no discretion to make asset allocation decisions with the exception of the diversified growth fund. The trustees try to rebalance any discrepancies through selective allocations of future contributions. Performance benchmarks for each asset class are based on various FTSE indices and inflation measures. Investment performance is reviewed quarterly.

**Other Employee Benefits**

We also sponsor a defined contribution plan established pursuant to Section 401(k) of the Internal Revenue Code. Subject to certain dollar limits, employees may contribute a percentage of their salaries to the plan, and we will match a portion of each employee's contribution. This plan is in effect for U.S.-based employees only. The expense pertaining to this plan was \$1.1 million for 2016, \$1.2 million for 2015 and \$1.1 million for 2014.

On August 31, 1997, one of our subsidiaries ceased accruing benefits under its salary continuation plan covering certain of our Central American management personnel. At December 30, 2016 we had \$5.4 million accrued for this plan, including \$0.8 million in accumulated other comprehensive income (loss) related to unamortized pension gains. At January 1, 2016 we had \$5.8 million accrued for this plan, including \$0.8 million in accumulated other comprehensive loss related to unamortized pension gains. Net periodic pension costs were \$0.1 million for the year ended December 30, 2016, \$0.1 million the year ended January 1, 2016 and \$0.3 million for the year ended December 26, 2014. Expected benefit payments under the plan for 2017 through 2021 total \$3.6 million. For 2022 through 2026 the expected benefit payments under the plan total \$2.4 million.

We sponsor a service gratuity plan covering certain of our Kenyan personnel. At December 30, 2016 we had \$6.1 million accrued for this plan, including a \$1.8 million in accumulated other comprehensive loss related to unamortized pension losses. At January 1, 2016 we had \$5.7 million accrued for this plan, including a \$1.9 million in accumulated other comprehensive loss related to unamortized pension losses. Net periodic pension costs were \$1.1 million for the year ended December 30, 2016, \$0.9 million for the year ended January 1, 2016 and \$1.1 million for the year ended December 26, 2014. Expected benefit payments under the plan from 2017 through 2021 total \$3.8 million. Benefit payments under the plan from 2022 through 2026 are expected to total \$4.2 million.

We provide retirement benefits to certain employees who are not U.S.-based. Generally, benefits under these programs are based on an employee's length of service and level of compensation. Included in retirement benefits on our consolidated balance sheets is \$15.5 million at December 30, 2016 and \$13.7 million at January 1, 2016, in related to these programs. The unamortized pension losses related to other non-U.S.-based plans included in accumulated other comprehensive income (loss), a component of shareholders' equity was \$2.2 million for the year ending December 30, 2016 and \$1.7 million for the year ending January 1, 2016. We also offer certain post-employment benefits to former executives and have \$2.7 million at December 30, 2016 and \$1.7 million at January 1, 2016 in retirement benefits on our consolidated balance sheets related to these benefits.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**15. Stock-Based Compensation**

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

Types of Awards	Year ended		
	December 30, 2016	January 1, 2016	December 26, 2014
Stock options	\$ 2.4	\$ 3.9	\$ 5.2
RSUs/PSUs	\$ 21.6	\$ 12.2	\$ 6.5
RSAs	\$ 0.9	\$ 0.7	\$ 0.7
Total	\$ 24.9	\$ 16.8	\$ 12.4

We realized an excess share-based payment deduction resulting from stock options exercised through a reduction in taxes currently payable and related effect on cash flows of \$3.6 million for the year ended December 30, 2016, \$1.4 million for the year ended January 1, 2016, and \$0.1 million for the year ended December 26, 2014. Proceeds of \$12.2 million were received from the exercise of stock options for 2016, \$35.3 million for 2015 and \$48.9 million for 2014.

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

The 2011 Plan allowed the Company to grant equity-based compensation awards, including stock options, restricted stock awards and restricted stock units. The 2010 Non-Employee Directors Equity Plan allowed the Company to award RSAs to members of the Board of Directors on January 1st of each calendar year beginning in 2011 with initial award in 2010. As of December 30, 2016, there were no options and awards available for grant under the Prior Plans.

Under the 2014 Plan and Prior Plans, 20% of the options usually vest immediately, and the remaining options vest in equal installments over the next four years. Options under the 2014 Plan and Prior Plans may be exercised over a period not in excess of 10 years from the date of the grant. Prior Plan provisions are still applicable to outstanding options and awards under those plans.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 15. Stock-Based Compensation (continued)

*Stock Options Awards*

There were no stock option grants for the year ended December 30, 2016. The following table lists the stock option grant from our 2014 Plan for the year ended January 1, 2016.

Stock Option Grant	Number of Options Granted	Exercise Price	Fair Value
April 30, 2014 - Chairman and Chief Executive Officer	161,000	\$ 28.89	\$ 6.26

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

The following table summarizes stock option activity for the years ended December 30, 2016, January 1, 2016 and December 26, 2014:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value
Options outstanding at December 27, 2013	3,972,795	\$ 25.74	\$ 8.37
Granted	161,000	28.89	6.26
Exercised	(1,945,939)	25.14	8.96
Cancelled	(72,250)	29.44	9.79
Options outstanding at December 26, 2014	2,115,606	26.41	8.65
Exercised	(1,320,103)	26.76	9.05
Cancelled	(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
Cancelled	(6,000)	15.78	5.53
Options outstanding at December 30, 2016	282,850	\$ 25.64	\$ 7.55
Exercisable at December 26, 2014	994,606	\$ 26.82	\$ 9.29
Exercisable at January 1, 2016	202,303	\$ 22.66	\$ 7.69
Exercisable at December 30, 2016	126,250	\$ 22.61	\$ 7.86

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 15. Stock-Based Compensation (continued)

The following are the weighted average assumptions used in the Black-Scholes option pricing model for the periods indicated:

	Year ended December 26, 2014
Volatility	26.96%
Risk-free rate	1.69%
Dividend yield	1.73%
Expected term of grant	5.0 years

Information about stock options outstanding at December 30, 2016 was as follows:

Exercise Price	Remaining Contractual Life	Outstanding	Outstanding Intrinsic Value	Exercisable	Exercisable Intrinsic Value
\$ 14.77	2.3 years	27,000	\$ 1.2	27,000	\$ 1.2
\$ 19.83	2.1 years	6,250	0.3	6,250	0.3
\$ 21.72	2.6 years	13,000	0.5	13,000	0.5
\$ 22.25	1.6 years	21,000	0.8	21,000	0.8
\$ 23.76	4.6 years	11,000	0.4	11,000	0.4
\$ 24.29	5.6 years	26,375	1.0	26,375	1.0
\$ 26.52	6.1 years	32,200	1.1	—	—
\$ 28.01	6.6 years	31,925	1.0	9,125	0.3
\$ 28.09	6.6 years	37,200	1.2	—	—
\$ 28.89	7.3 years	64,400	2.0	—	—
\$ 33.97	1.2 years	12,500	0.3	12,500	0.3
		282,850	\$ 9.8	126,250	\$ 4.8

The total intrinsic value of options exercised during the year ended December 30, 2016 was \$13.6 million and \$14.7 million for the year ended January 1, 2016. There were no options granted for the year ended December 30, 2016 and no options granted for the year ended January 1, 2016. The total fair value of options vesting during the years ended December 30, 2016 was \$3.3 million with a weighted-average fair value of \$8.13 and \$4.7 million for 2015 with a weighted-average fair value of \$8.27 per option. As of December 30, 2016, the total remaining unrecognized compensation cost related to non-vested stock options amounted to \$0.6 million, which will be amortized over the weighted-average remaining requisite service period of 0.8 years.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**15. Stock-Based Compensation (continued)*****Restricted Stock Awards (RSA)***

A share of “restricted stock” is one of our ordinary shares that has restrictions on transferability until certain vesting conditions are met.

For RSAs under the 2014 Plan and Prior Plans, 50% of each award of our restricted stock vested on the date it was granted. The remaining 50% of each award vests upon the six-month anniversary of the date on which the recipient ceases to serve as a member of our Board of Directors. RSAs awarded during the years ended December 30, 2016 and January 1, 2016 allows directors to retain all of their awards once they cease to serve as a member of our Board of Directors and is considered a nonsubstantive service condition in accordance with the guidance provided by the ASC on “*Compensation – Stock Compensation*”. Accordingly, it is appropriate to recognize compensation cost immediately for restricted stock awards granted to non-management members of the Board of Directors.

The following table lists the RSA for the years ended December 30, 2016 and January 1, 2016 (U.S. dollars in millions except share and per share data):

<b>Date of Award</b>	<b>Shares of Restricted Stock Awarded</b>	<b>Price Per Share</b>
January 4, 2016	22,946	\$ 38.13
January 2, 2015	21,875	\$ 33.60

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

Each RSU/PSU represents a contingent right to receive one of our ordinary shares. The PSUs are subject to meeting minimum performance criteria set by our Compensation Committee of our Board of Directors. The actual number of shares the recipient receives is determined based on the results achieved versus performance goals. Those performance goals are based on exceeding a measure of our earnings. Depending on the results achieved, the actual number of shares that an award recipient receives at the end of the period may range from 0% to 100% of the award units granted. Provided such criteria are met, the PSU will vest in three equal annual installments on each of the next three anniversary dates provided that the recipient remains employed with us. The RSUs will vest 20% on the award date and 20% on each of the next four anniversaries.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Stock-Based Compensation (continued)

The fair market value for RSUs/PSUs is based on the closing price of our stock on the award date. 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 Plans for the years ended December 30, 2016 and January 1, 2016 (U.S. dollars in millions except share and per share data):

Date of Award	Type of Award	Units Awarded	Price Per Share
September 2, 2016 <sup>(1)</sup>	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
July 29, 2015	RSU	237,000	40.03
February 18, 2015	PSU	175,000	33.44
February 18, 2015	RSU	50,000	33.44

<sup>(1)</sup> New grant related to the former President/COO transition

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 15. Stock-Based Compensation (continued)

The following table summarizes RSUs/PSUs activity for the years ended December 30, 2016, January 1, 2016, December 26, 2014:

	Number of Shares	Weighted Average Grant Date Fair Value
RSUs/PSUs outstanding at December 27, 2013	325,000	\$ 25.67
Granted	491,398	28.44
Converted	(140,466)	27.44
Cancelled	—	—
RSUs/PSUs outstanding at December 26, 2014	675,932	27.29
Granted	471,767	36.44
Converted	(157,933)	32.38
Cancelled	(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
Cancelled	(11,289)	37.89
RSUs/PSUs outstanding at December 30, 2016	932,036	36.09
Vested at December 26, 2014	131,667	\$ 25.12
Vested at January 1, 2016	249,797	\$ 25.53
Vested at December 30, 2016	304,940	\$ 26.49

Information about RSUs/PSUs outstanding at December 30, 2016 was as follows:

Grant Date Market Value	Outstanding	Outstanding Intrinsic Value	Vested	Vested Intrinsic Value
\$ 40.03	103,679	\$ 2.1	—	\$ —
\$ 59.83	141,113	0.1	—	—
\$ 38.99	101,133	2.2	—	—
\$ 38.99	40,413	0.9	—	—
\$ 33.44	117,154	3.2	33,711	2.0
\$ 33.44	30,694	0.8	—	—
\$ 25.52	110,211	3.9	73,475	4.5
\$ 29.99	89,885	2.8	—	—
\$ 26.52	105,885	3.6	105,885	6.4
\$ 24.68	91,869	3.3	91,869	5.6
	932,036	\$ 22.9	304,940	\$ 18.5

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**15. Stock-Based Compensation (continued)**

As of December 30, 2016, the total remaining unrecognized compensation cost related to non-vested RSUs/PSUs amounted to \$21.4 million, which will be amortized over the weighted-average remaining requisite service period of 1.6 years.

We expense the fair market value of RSUs/PSUs, as determined on the date of grant, ratably over the vesting tranche provided the performance condition, if any, is probable of attaining.

**16. Commitments and Contingencies**

We lease agricultural land and certain property, plant and equipment, including office facilities and refrigerated containers, under operating leases. We also enter into vessel charter agreements for the transport of our fresh produce to markets worldwide using six chartered refrigerated vessels. Terms for vessel charter agreements range between one to 10 years. The aggregate minimum payments under all operating leases and vessel charter agreements with initial terms of one year or more at December 30, 2016 are as follows (U.S. dollars in millions):

2017	\$	47.6
2018		40.4
2019		37.2
2020		14.8
2021		7.9
Thereafter		21.1
	\$	<u>169.0</u>

Total expense for all operating leases and vessel charter agreements, including leases with initial terms of less than one year, amounted to \$96.4 million for 2016, \$103.9 million for 2015 and \$106.2 million for 2014.

We also have agreements to purchase the entire or partial production of certain products of our independent growers primarily in Guatemala, Costa Rica, Philippines, Ecuador, Chile, Colombia and Cameroon that meet our quality standards. Total purchases under these agreements amounted to \$816.0 million for 2016, \$887.2 million for 2015 and \$811.3 million for 2014.

**17. Litigation*****DBCP Litigation***

Beginning in December 1993, certain of our U.S. subsidiaries were named among the defendants in a number of actions in courts in Texas, Louisiana, Hawaii, California and the Philippines involving claims by numerous non-U.S. plaintiffs alleging that they were injured as a result of exposure to a nematocide containing the chemical dibromochloropropane (“DBCP”) during the period 1965 to 1990. As a result of a settlement entered into in December 1998, the remaining unresolved DBCP claims against our U.S. 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 styled *Angel Abarca, et al. v. Dole Food Co., et al.* filed in the Superior Court of the State of California for the County of Los Angeles on behalf of more than 2,600 Costa Rican banana workers who claim injury from exposure to DBCP. On January 2, 2009, three of our subsidiaries were served with multiple complaints in related actions styled *Jorge Acosta Cortes, et al. v. Dole Food Company, et al.* filed in the Superior Court of the State of California for the County of Los Angeles on behalf of 461 Costa Rican residents. An initial review of the plaintiffs in the *Abarca* and *Cortes* actions found that a substantial number of the plaintiffs were claimants in prior DBCP actions in Texas and may have participated in the settlement of those actions. On June 27, 2008, the court dismissed the claims of 1,329 plaintiffs who were parties to prior DBCP actions. On June 30, 2008, our subsidiaries moved to dismiss the claims of the remaining *Abarca* plaintiffs on grounds of *forum non conveniens* in favor of the courts of Costa Rica. On September 22, 2009, the court granted the

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**17. Litigation (continued)**

motion to dismiss and on November 16, 2009 entered an order conditionally dismissing the claims of those remaining plaintiffs who allege employment on farms in Costa Rica exclusively affiliated with our subsidiaries. Those dismissed plaintiffs re-filed their claim in Costa Rica on May 17, 2012. On January 18, 2013, all remaining plaintiffs in California filed Requests for Dismissal effecting the dismissal of their claims without prejudice. On September 25, 2013, our subsidiaries filed an answer to the claim re-filed with the courts of Costa Rica. Two additional DBCP-related lawsuits were filed in Costa Rica in 2015, as to 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 United States District Court for the District of Delaware on behalf of approximately 3,000 plaintiffs alleging exposure to DBCP on or near banana farms in Costa Rica, Ecuador, Panama, and Guatemala. We and our subsidiaries have never owned, managed or otherwise been involved with any banana growing operations in Panama and were not involved with any banana growing operations in Ecuador during the period when DBCP was in use. The plaintiffs include 229 claimants who had cases pending in the United States District Court for the Eastern District of Louisiana which were dismissed on September 17, 2012. On August 30, 2012, our subsidiary joined a motion to dismiss the claims of those plaintiffs on the grounds that they have first-filed claims pending in the United States District Court for the Eastern District of Louisiana. The motion was granted on March 29, 2013 and appealed to the United States Court of Appeals for the Third Circuit. On September 21, 2012, our subsidiary filed an answer with respect to the claims of those plaintiffs who had not already filed in Louisiana. On May 27, 2014, the court granted a motion made by a co-defendant and entered summary judgment against all remaining plaintiffs based on the September 19, 2013 affirmance by the United States Court of Appeals for the Fifth Circuit of the dismissal on statute of limitations grounds of related cases by the United States District Court for the Eastern District of Louisiana. On July 7, 2014, our subsidiary joined in a motion for summary judgment on statute of limitations grounds as to all remaining 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 pending in the United States District Court for the District of Delaware on the basis of the summary judgment granted on May 27, 2014 and the district court entered judgment dismissing all plaintiffs' claims on September 22, 2014. On October 21, 2014, a notice of appeal was filed with the United States Court of Appeals for the Third Circuit expressly limited the appeal to the claims of 57 (out of the more than 2,600) plaintiffs who had not previously filed claims in Louisiana. On August 11, 2015, a panel of the Court of Appeals affirmed the dismissal of the claims of these plaintiffs. Plaintiffs filed a Motion for Rehearing en Banc with the Third Circuit, which was granted on September 22, 2015. On September 2, 2016, the Third Circuit en banc reversed the District Court's dismissal on first-filed doctrine grounds of the claims of approximately 229 of the plaintiffs and remanded the case back to the District Court for further proceedings. On March 9, 2017, the United States Court of Appeals for the Third Circuit is scheduled to hear oral argument in the appeal from the grant of summary judgment to defendants on the statute of limitations issue. An affirmance of the dismissal on limitations grounds would end all DBCP litigation before the Delaware courts; a reversal of the dismissal would leave approximately 285 claims pending before the Delaware district court.

In Hawaii, plaintiffs filed a petition for certiorari to the Hawaii Supreme Court based upon the Hawaii Court of Appeals affirmance in March 2014 of a summary judgment ruling in defendants' favor at the trial court level. The Hawaii Supreme Court accepted the petition and oral argument was held on September 18, 2014 with respect to whether the claims of the six named plaintiffs were properly dismissed on statute of limitations grounds. On October 21, 2015, the Hawaii Supreme Court reversed the Hawaii Court of Appeals and the Hawaii state trial court's grant of partial summary judgment against the DBCP plaintiffs on statute of limitations grounds. The Hawaii Supreme Court remanded the claims of six remaining plaintiffs back to the 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 a plantation leased by one of our U.S. subsidiaries in Honolulu, Hawaii (the "Kunia Well Site"). Shortly thereafter, our subsidiary discontinued the use of the Kunia Well Site and provided an alternate water source to area well users and the subsidiary commenced its own voluntary cleanup operation.

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

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



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**17. Litigation (continued)**

by the EPA. The EPA approved the 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 million in the third quarter of 2001 to increase the recorded liability to the estimated expected future cleanup cost for the Kunia Well Site to \$19.1 million. Based on conversations with the EPA in the third quarter of 2002 and consultation with our legal counsel and other experts, we recorded a charge of \$7.0 million during the third quarter of 2002 to increase the accrual for the expected future clean-up costs for the Kunia Well Site to \$26.1 million.

On September 25, 2003, the EPA issued the Record of Decision (“ROD”). The EPA estimates in the ROD that the remediation costs associated with the cleanup of the Kunia Well Site will range from \$12.9 million to \$25.4 million and will last approximately 10 years. It remains to be determined how long the remediation will actually last.

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

During 2014, as a result of a meeting held with the EPA which resulted in changes to the remediation work being performed, we reduced the liability related to the Kunia well site clean-up by \$1.4 million. We increased the liability by \$0.4 million during 2016 and reduced the liability by \$0.8 million during 2015 due to changes to the remediation work being performed. The undiscounted estimates are between \$13.7 million and \$28.7 million. The undiscounted estimate on which our accrual is based, totals \$13.7 million. As of December 30, 2016, there is \$13.3 million included in other noncurrent liabilities and \$0.4 million included in accounts payable and accrued expenses in the Consolidated Balance Sheets for the Kunia Well Site clean-up, which we expect to expend in the next 12 months. We expect to expend approximately \$0.4 million each year in 2017 and 2018, \$1.1 million in 2019, \$1.0 million in 2020 and \$0.9 million in 2021.

***Additional Information***

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

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**18. Derivative Financial Instruments**

Our derivative financial instruments reduce our exposure to fluctuations in foreign exchange rates. We 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 monitor our exposure to counterparty non-performance risk both at inception of the hedge and at least quarterly thereafter. However, because the contracts are entered into with highly rated financial institutions, we do not anticipate non-performance by any of these counterparties. The exposure is usually the amount of the unrealized gains, if any, in such contracts.

Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the cash flows or fair value of the underlying exposures being hedged. In addition, we perform an assessment of hedge effectiveness, both at inception and at least quarterly thereafter, to determine whether the financial instruments that are used in hedging transactions are effective at offsetting changes in the cash flows or fair value of the related underlying exposures. Any ineffective portion of a financial instrument's change in fair value is immediately recognized in earnings.

Certain of our derivative instruments contain provisions that require the current credit relationship between us and our counterparty to be maintained throughout the term of the derivative instruments. If that credit relationship changes, certain provisions could be triggered, and the counterparty could request immediate collateralization of derivative instruments in net liability position above a certain threshold. There are no derivative instruments with a credit-risk-related contingent feature that are in a liability position on December 30, 2016. As of December 30, 2016, no triggering event has occurred and thus we are not required to post collateral. If the credit-risk-related contingent features underlying these agreements were triggered on December 30, 2016, we would not be required to post collateral to its counterparty because the 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 results of operations and financial condition and we mitigate that exposure by entering into foreign currency forward contracts. Certain of our subsidiaries periodically enter into foreign currency forward contracts in order to hedge portions of forecasted sales or cost of sales denominated in foreign currencies with forward contracts and options, which generally expire within one year. At December 30, 2016, our foreign currency forward contracts will hedge a portion of our 2017 foreign currency exposure.

We designate our foreign currency forward contracts as single-purpose cash flow hedges of forecasted cash flows. Based on our formal assessment of hedge effectiveness of our foreign currency forward contracts, we determined that the impact of hedge ineffectiveness was *de minimis* for the years ended December 30, 2016, January 1, 2016 and December 26, 2014.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 18. Derivative Financial Instruments (continued)

We had the following outstanding foreign currency forward contracts as of December 30, 2016:

Foreign Currency Contracts Qualifying as Cash Flow Hedges:		Notional Amount	
Euro	€	73.4	million
Korean won	KRW	9,600.0	million

The following table reflects the fair values of derivative instruments as of December 30, 2016 (U.S. dollars in millions):

Derivatives Designated as Hedging Instruments <sup>(1)</sup>

Balance Sheet Location:	Foreign exchange contracts	
	December 30, 2016 <sup>(2)</sup>	January 1, 2016
<b>Asset derivatives:</b>		
Prepaid expenses and other current assets	\$ 5.4	\$ 11.9
<b>Total asset derivatives</b>	<u>\$ 5.4</u>	<u>\$ 11.9</u>

<sup>(1)</sup> See Note 19, "Fair Value Measurements", for fair value disclosures.

<sup>(2)</sup> We expect that \$5.4 million of the net fair value of hedges recognized as a net gain in AOCI will be transferred to earnings during the next 12 months along with the effect of the related forecasted transaction.

The fair value of our derivatives changed from a net asset of \$11.9 million as of January 1, 2016 to a net asset of \$5.4 million as of December 30, 2016, related to our foreign currency cash flow hedges. For foreign currency hedges, these fluctuations are primarily driven by the strengthening or weakening of the U.S. dollar compared to currencies being hedged relative to the contracted exchange rates and the settling of a number of contracts throughout 2016. During 2016, derivative contracts to hedge the euro and Japanese yen relative to our sales were settled; derivative contracts to hedge the Korean won relative to our cost of sales were also settled. The change in 2016 was primarily related to the settling of the majority of the contracts throughout 2016.

The following table reflects the effect of derivative instruments on the Consolidated Statements of Income for the years ended December 30, 2016 and January 1, 2016 (U.S. dollars in millions):

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives (Effective Portion)		Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	
	Year ended			Year ended	
	December 30, 2016	January 1, 2016		December 30, 2016	January 1, 2016
Foreign exchange contracts	\$ (7.2)	\$ (13.0)	Net sales	\$ 7.5	\$ 39.0
Foreign exchange contracts	0.7	(0.3)	Cost of products sold	0.5	0.7
Total	\$ (6.5)	\$ (13.3)		\$ 8.0	\$ 39.7

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**19. Fair Value Measurements*****Fair Value of Derivative Instruments***

We mitigate the risk of fluctuations in currency exchange rates on our results of operations and financial condition by entering into foreign currency cash flow hedges. We use an income approach to value our outstanding foreign currency cash flow hedges, which consists of a discounted cash flow model that takes into account the present value of future cash flows under the terms of the contracts using current market information as of the measurement date such as foreign currency spot and forward rates. Additionally, we built an element of default risk based on observable inputs into the fair value calculation. Due to the fact that certain inputs to fair value these derivative instruments can be observed, these derivatives are classified as Level 2.

The following table provides a summary of the fair values of our derivative financial instruments measured on a recurring basis under “*Fair Value Measurements and Disclosures*” (U.S. dollars in millions):

	<b>Fair Value Measurements</b>	
	<b>Foreign currency hedge assets</b>	
	<b>December 30, 2016</b>	<b>January 1, 2016</b>
Quoted Prices in Active Markets for Identical Assets (Level 1)	\$ —	\$ —
Significant Other Observable Inputs (Level 2)	5.4	11.9
Significant Unobservable Inputs (Level 3)	—	—

Refer to Note 14, “*Retirement and Other Employee Benefits*” for further fair value disclosures related to pension assets.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**19. Fair Value Measurements (continued)**

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

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

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

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

*Capital lease obligations:* The carrying value of our capital lease obligations reported in the Consolidated Balance Sheets approximates their fair value based on current interest rates, which contain an element of default risk. The fair value of our capital lease obligations is estimated using Level 2 inputs based on 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 Balance Sheets approximates their fair value since they bear interest at variable rates or fixed rates which contain an element of default risk. The fair value of our long-term debt is estimated using Level 2 inputs based on 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 with the level within the fair value hierarchy in which the fair value measurement in its entirety falls (U.S. dollars in millions):

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

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**19. Fair Value Measurements (continued)**

During the second quarter of 2016, we recognized \$2.5 million in asset impairment and other charges as a result of our decision to convert a banana plantation in the Philippines to a pineapple plantation during the next three years. The asset impairment consisted of a write-down of \$2.5 million related to the plantation with a carrying value of \$2.8 million. The plantation was written down to a fair value of \$0.3 million. We 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 million is classified as Level 3 of the fair value hierarchy due to the mix of unobservable inputs utilized.

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

Fair Value Measurements for the year ended January 1, 2016				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Guatemala banana plantation assets held for sale	\$ 1.8	\$ —	\$ —	\$ 1.8
	\$ 1.8	\$ —	\$ —	\$ 1.8

During the third quarter 2015, we recognized a charge of \$1.0 million for Guatemala property, plant and equipment valued at fair value less cost to sell. The carrying value of these assets was \$2.8 million and was written down to \$1.8 million. These assets related predominantly to land, land improvements and banana plantations included in other current assets on our Consolidated Balance Sheets due to the fact that they are expected to be sold within one year. We estimated the fair value of the underlying assets using the market approach. The fair valuation of the assets are classified as Level 3 of the fair value hierarchy due to the mix of unobservable information.

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

**20. Related Party Transactions**

Receivables from related parties were \$0.3 million in 2016 and \$0.7 million in 2015.

Cash distributions to noncontrolling interests were \$0.2 million in 2016 and \$1.8 million in 2015. Cash receipts from noncontrolling interests were \$5.0 million in 2014. We have reflected the cash in contributions to (distributions from) noncontrolling interests under financing activities in the Consolidated Statements of Cash Flows. We have \$22.9 million as of December 30, 2016 and \$23.0 million as of January 1, 2016 in other noncurrent liabilities in our Consolidated Balance Sheets related to one of our noncontrolling interests.

We incurred expenses of approximately \$2.9 million for 2016, \$2.5 million for 2015 and \$2.7 million for 2014 for air transportation services for chartering an aircraft that is indirectly owned by our Chairman and Chief Executive Officer.

## 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 day following our fiscal year end. The following summarizes certain quarterly operating data (U.S. dollars in millions, except per share data):

	Quarter ended			
	April 1, 2016	July 1, 2016	September 30, 2016	December 30, 2016
Net sales	\$ 1,018.1	\$ 1,088.6	\$ 950.2	\$ 954.6
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 <sup>(1)</sup>	\$ 1.58	\$ 1.88	\$ 0.68	\$ 0.23
Net income per ordinary share attributable to Fresh Del Monte Produce Inc. – diluted <sup>(1)</sup>	\$ 1.57	\$ 1.86	\$ 0.68	\$ 0.23
Dividends declared per ordinary share	\$ 0.125	\$ 0.125	\$ 0.150	\$ 0.150
	March 27, 2015	June 26, 2015	September 25, 2015	January 1, 2016 <sup>(2),(3)</sup>
Net sales	\$ 1,008.4	\$ 1,134.1	\$ 936.1	\$ 977.9
Gross profit	100.4	114.0	83.3	44.6
Net income (loss)	44.2	65.9	29.9	(73.6)
Net income (loss) attributable to Fresh Del Monte Produce Inc.	42.5	64.5	28.5	(73.1)
Net income (loss) per ordinary share attributable to Fresh Del Monte Produce Inc. – basic <sup>(1)</sup>	\$ 0.80	\$ 1.22	\$ 0.54	\$ (1.39)
Net income (loss) per ordinary share attributable to Fresh Del Monte Produce Inc. – diluted <sup>(1)</sup>	\$ 0.80	\$ 1.21	\$ 0.54	\$ (1.39)
Dividends declared per ordinary share	\$ 0.125	\$ 0.125	\$ 0.125	\$ 0.125

<sup>(1)</sup> Basic and diluted earnings per share for each of the quarters presented above is based on the respective weighted average number of shares for the quarters. The sum of the quarters may not necessarily be equal to the full year basic and diluted earnings per share amounts due to rounding.

<sup>(2)</sup> Diluted earnings per share for the quarter ended January 1, 2016 excludes the impact of antidilutive share-based payment awards for 483,178 ordinary shares, as they were antidilutive.

<sup>(3)</sup> Based on the annual impairment review of goodwill performed in 2015 and due to the failure of the tomato business in North America to meet our expectations, we wrote-off \$66.1 million of goodwill for the quarter ended January 1, 2016, which was related to the 2003 tomato and vegetable business acquisition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Business Segment Data

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

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

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

	Year ended					
	December 30, 2016		January 1, 2016		December 26, 2014	
	Net Sales	Gross Profit	Net Sales	Gross Profit	Net Sales	Gross Profit
Banana	\$ 1,811.5	\$ 159.5	\$ 1,867.6	\$ 76.5	\$ 1,804.7	\$ 109.1
Other fresh produce	1,852.6	236.7	1,826.3	208.7	1,744.7	210.4
Prepared food	347.4	65.2	362.6	57.1	378.1	45.3
Totals	<u>\$ 4,011.5</u>	<u>\$ 461.4</u>	<u>\$ 4,056.5</u>	<u>\$ 342.3</u>	<u>\$ 3,927.5</u>	<u>\$ 364.8</u>

Net sales by geographic region:	Year ended		
	December 30, 2016	January 1, 2016	December 26, 2014
North America	\$ 2,221.5	\$ 2,236.1	\$ 2,113.4
Europe	673.1	721.6	736.1
Middle East	569.8	586.6	554.3
Asia	477.2	441.4	434.5
Other	69.9	70.8	89.2
Total net sales	<u>\$ 4,011.5</u>	<u>\$ 4,056.5</u>	<u>\$ 3,927.5</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 22. Business Segment Data (continued)

<b>Property, plant and equipment, net:</b>	<b>December 30, 2016</b>	<b>January 1, 2016</b>
North America	\$ 151.7	\$ 146.3
Europe	45.9	42.7
Middle East	148.5	152.8
Africa	45.9	48.1
Asia	131.1	95.1
Central America	625.7	614.1
South America	88.7	73.4
Maritime equipment (including containers)	21.3	24.5
Corporate	13.2	18.4
Total property, plant and equipment, net	<u>\$ 1,272.0</u>	<u>\$ 1,215.4</u>

<b>Identifiable assets:</b>	<b>December 30, 2016</b>	<b>January 1, 2016</b>
North America	\$ 401.3	\$ 378.1
Europe	301.3	313.9
Middle East	320.2	324.6
Africa	122.2	136.5
Asia	232.2	197.0
Central America	977.8	963.4
South America	178.9	154.9
Maritime equipment (including containers)	40.1	41.5
Corporate	79.3	86.2
Total identifiable assets	<u>\$ 2,653.3</u>	<u>\$ 2,596.1</u>

North America accounted for approximately 55% of our net sales for 2016, 55% for 2015 and 54% for 2014. Our earnings are heavily dependent on operations located worldwide; however, our net sales are not dependent on any particular country other than the United States, with no other country accounting for greater than 10% of our net sales for 2016, 2015 and 2014. These operations are a significant factor in the economies of some of the countries in which we operate and are subject to the risks that are inherent in operating in such countries, including government regulations, currency and ownership restrictions and risk of expropriation. Management reviews assets on the basis of geographic region and not by reportable segment, which more closely aligns our capital investment with demand for our products. Costa Rica is our most significant sourcing location, representing approximately 40% of our property, plant and equipment as of December 30, 2016. No foreign country other than Costa Rica accounts for greater than 10% of our property, plant and equipment.

One customer accounted for approximately 11% of net sales in 2016, 2015 and 2014. These sales are reported in the banana and other fresh produce segments. No other customer accounted for 10% or more of our net sales. In 2016, our top 10 customers accounted for approximately 31% of net sales as compared with 30% during 2015 and 2014. Identifiable assets by geographic area represent those assets used in the operations of each geographic area. Corporate assets consist of goodwill, building, leasehold improvements and furniture and fixtures.

## 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 none are issued or outstanding, and 200,000,000 ordinary shares of common stock at \$0.01 par value, of which 51,256,906 are issued and outstanding at December 30, 2016.

The ordinary share activity for the years ended December 30, 2016 and January 1, 2016 is summarized as follows:

	Year ended	
	December 30, 2016	January 1, 2016
<b>Ordinary shares issued/(retired) as a result of:</b>		
Stock option exercises	471,653	1,320,103
Restricted stock awards	22,946	21,875
Restricted and performance stock units	544,577	239,624
Ordinary share repurchase and retirement	(2,325,235)	(2,938,560)

On July 29, 2015, our Board of Directors approved a three-year stock repurchase program of up to \$300.0 million of our ordinary shares, in addition to the three-year repurchase program to repurchase up to \$300.0 million of our ordinary shares approved on May 1, 2013. We have repurchased \$398.4 million of our ordinary shares, or 11.4 million ordinary shares, under the aforementioned repurchase programs and retired all the repurchased shares. We have a maximum dollar amount value of \$201.6 million shares that may yet be purchased under the combined stock repurchase programs.

The following represents a summary of repurchase activity during years ended December 30, 2016 and January 1, 2016 (U.S. dollars in millions, except share and per share data):

	Year ended					
	December 30, 2016			January 1, 2016		
	Shares	USD	Average price per share	Shares	USD	Average price per share
Year ended:	2,325,235	\$ 106.6	\$ 45.85	2,938,560	\$ 103.9	\$ 35.34

Subsequent to the year ended December 30, 2016, we repurchased no ordinary shares.

The following is a summary of the dividends declared per share for the years ended December 30, 2016 and January 1, 2016:

	Year ended			
	December 30, 2016		January 1, 2016	
Dividend Declared Date	Cash Dividend Declared, per Ordinary Share		Dividend Declared Date	Cash Dividend Declared, per Ordinary Share
December 9, 2016	\$	0.150	December 4, 2015	\$ 0.125
September 9, 2016	\$	0.150	September 4, 2015	\$ 0.125
June 3, 2016	\$	0.125	May 29, 2015	\$ 0.125
April 1, 2016	\$	0.125	March 27, 2015	\$ 0.125

We paid \$28.2 million in dividends during the year ended December 30, 2016 and \$26.2 million during the year ended January 1, 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		Deductions	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts		
<b>Year ended December 30, 2016</b>					
Deducted from asset accounts:					
Valuation accounts:					
Trade accounts receivable	\$ 9.3	\$ 4.0	\$ —	\$ (2.0)	\$ 11.3
Advances to growers and other receivables	7.9	1.4	—	(1.5)	7.8
Deferred tax asset valuation allowance	225.8	27.5	0.2	(21.4)	232.1
Accrued liabilities:					
Provision for Kunia Well Site	13.7	—	(0.4)	0.4	13.7
Total	<u>\$ 256.7</u>	<u>\$ 32.9</u>	<u>\$ (0.2)</u>	<u>\$ (24.5)</u>	<u>\$ 264.9</u>
<b>Year ended January 1, 2016:</b>					
Deducted from asset accounts:					
Valuation accounts:					
Trade accounts receivable	\$ 10.7	\$ 0.4	\$ —	\$ (1.8)	\$ 9.3
Advances to growers and other receivables	4.5	4.8	—	(1.4)	7.9
Deferred tax asset valuation allowance	179.5	62.8	0.2	(16.7)	225.8
Accrued liabilities:					
Provision for Kunia Well Site	14.6	0.3	(0.3)	(0.9)	13.7
Total	<u>\$ 209.3</u>	<u>\$ 68.3</u>	<u>\$ (0.1)</u>	<u>\$ (20.8)</u>	<u>\$ 256.7</u>
<b>Year ended December 26, 2014:</b>					
Deducted from asset accounts:					
Valuation accounts:					
Trade accounts receivable	\$ 8.3	\$ 9.1	\$ —	\$ (6.7)	\$ 10.7
Advances to growers and other receivables	6.1	1.9	—	(3.5)	4.5
Deferred tax asset valuation allowance	180.4	18.5	1.8	(21.2)	179.5
Accrued liabilities:					
Provision for Kunia Well Site	16.4	0.4	(1.4)	(0.8)	14.6
Total	<u>\$ 211.2</u>	<u>\$ 29.9</u>	<u>\$ 0.4</u>	<u>\$ (32.2)</u>	<u>\$ 209.3</u>

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

None.

**Item 9A. Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 30, 2016. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms. Such officers also confirm that there was no change in our internal control over financial reporting during the year ended December 30, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

**Item 9B. Other Information**

None.

## **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 included in our definitive Proxy Statement relating to our 2017 Annual General Meeting of Shareholders with respect to directors, executive officers, audit committee financial experts of the Company and Section 16(a) beneficial ownership reporting compliance, is incorporated herein by reference in response to this item.

#### **Code of Ethics**

We have adopted a Code of Conduct and Business Ethics Policy (“Code of Conduct”) that applies to our principal executive officer, principal financial officer and principal accounting officer as well as all our directors, other officers and employees. Our Code of Conduct can be found on our Web site at [www.freshdelmonte.com](http://www.freshdelmonte.com). We have not waived the requirements of the Code of Conduct for any directors or executive officers and there were no amendments in 2016. We intend to disclose any amendment or waiver of the Code of Conduct promptly on our Web site.

### **Item 11. Executive Compensation**

Information required by Item 11 of Part III of this Annual Report on Form 10-K will be included in our definitive Proxy Statement relating to our 2017 Annual General Meeting of Shareholders with respect to executive compensation, is incorporated herein by reference in response to this item.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information required by Item 12 of Part III of this Annual Report on Form 10-K will be included in our definitive Proxy Statement relating to our 2017 Annual General Meeting of Shareholders with respect to security ownership of certain beneficial owners and management and securities authorized for issuance under equity compensation plans, is incorporated herein by reference in response to this item.

### **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 included in our definitive Proxy Statement relating to our 2017 Annual General Meeting of Shareholders with respect to certain relationships and related transactions and director independence, is incorporated herein by reference 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 included in our definitive Proxy Statement relating to our 2017 Annual General Meeting of Shareholders with respect to principal accountant fees and services, is incorporated by reference in response to this item.

## 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 Inc. and its subsidiaries are included in Item 8. *Financial Statements and Supplementary Data* of this Report:

#### *Consolidated Financial Statements*

Report of Independent Registered Certified Public Accounting Firm on Consolidated Financial Statements

Consolidated Balance Sheets at December 30, 2016 and January 1, 2016

Consolidated Statements of Income for the years ended December 30, 2016, January 1, 2016 and December 26, 2014

Consolidated Statements of Comprehensive Income for the years ended December 30, 2016, January 1, 2016 and December 26, 2014

Consolidated Statements of Cash Flows for the years ended December 30, 2016, January 1, 2016 and December 26, 2014

Consolidated Statements of Shareholders' Equity for the years ended December 30, 2016, January 1, 2016 and December 26, 2014

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 indicated by “\*” which are filed herewith (see accompanying Exhibit Index)

<b>Exhibit No.</b>	<b>Description</b>
3.1	Amended and Restated Memorandum of Association of Fresh Del Monte Produce Inc. (incorporated by reference to Exhibit 3.6 to our Registration Statement on Form F-1 (File No. 333-7708)).
3.2	Amended and Restated Articles of Association of Fresh Del Monte Produce Inc. (incorporated by reference to Exhibit 3.7 to our Registration Statement on Form F-1 (File No. 333-7708)).
4.1	Specimen Certificate of Ordinary Shares of Fresh Del Monte Produce Inc. (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form F-1 (File No. 333-7708)).
10.1	License Agreement, dated as of December 5, 1989, between Del Monte Corporation and Wafer Limited (the “DMC-Wafer License”) (incorporated by reference to Exhibit 10.3 to our Registration Statement on Form F-1 (File No. 333-7708)).

<b>Exhibit No.</b>	<b>Description</b>
10.2	License Agreement, dated as of December 5, 1989, between Del Monte Corporation and Del Monte Tropical Fruit Company, North America (the “NAJ License”) (incorporated by reference 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 Corporation and Del Monte Fresh Fruit International, Inc. (incorporated by reference to Exhibit 10.5 to our 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, between Del Monte Corporation and Wafer Limited (incorporated by reference to Exhibit 10.6 to our Registration 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 Monte Corporation and Del Monte Fresh Produce N.A., Inc. (incorporated by reference to Exhibit 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, 1992, between Del Monte Corporation and Del Monte Fresh Produce International, Inc. (incorporated by reference 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 Fresh Del Monte and FG Holdings Limited (incorporated by reference to Exhibit 10.9 to our Registration Statement on Form F-1 (File No. 333-7708)).
10.8	Strategic Alliance Agreement, dated as of August 29, 1997, by and between the Registrant and IAT Group Inc. (incorporated by reference to Exhibit 10.10 to our Registration Statement on Form F-1 (File No. 333-7708)).
10.9**	Amended and Restated Fresh Del Monte Produce Inc. 1999 Share Incentive Plan, effective as of April 30, 2008 (reflects Amendment No. 1, dated May 1, 2002, Amendments No. 2 through 5 dated April 27, 2005 and Amendment No. 6 dated April 30, 2008) (incorporated by reference 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 reference to Exhibit 10.1 to our First Quarter 2008 Report on Form 10-Q).
10.11**	2003 Performance Incentive Plan for Chairman & CEO (incorporated by reference to Exhibit 10.2 to our First Quarter 2008 Report on Form 10-Q).
10.12**	2004 Performance Incentive Plan for Senior Executives (incorporated by reference to Exhibit 10.3 to our First Quarter 2008 Report on Form 10-Q).
10.13**	2011 Performance Incentive Plan for the Chief Executive Officer ((incorporated by reference to Exhibit 10.1 to our First Quarter 2011 Report on Form 10-Q)
10.14**	Executive Retention and Severance Agreement (Chairman & CEO) (incorporated by reference 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, effective as of May 5, 2010 (incorporated by reference to Exhibit 10.1 to our Second Quarter 2010 Report on Form 10-Q).
10.16**	Amended and Restated Fresh Del Monte Produce Inc. Performance Incentive Plan for Senior Executives, effective May 5, 2010 (incorporated by reference to Exhibit 10.2 to our Second Quarter 2010 Report on Form 10-Q).

<b>Exhibit No.</b>	<b>Description</b>
10.17**	Fresh Del Monte Produce Inc. Long-Term Incentive Plan, effective January 1, 2008 (as Amended May 5, 2010) (incorporated by reference to Exhibit 10.3 to our Second Quarter 2010 Report on Form 10-Q).
10.18**	2011 Omnibus Share Incentive Plan (incorporated by reference to Exhibit A in the Company's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 24, 2011)
10.19**	2014 Omnibus Share Incentive Plan (incorporated by reference to Exhibit A in the Company's Definitive Proxy Statement on Schedule 14A files with the Securities and Exchange Commission on March 31, 2014)
10.20	Standard Fruit and Vegetable Co., Inc. Stock Purchase Agreement, dated as of January 27, 2003, between Del Monte Fresh Produce N.A., Inc. and Standard Fruit and Vegetable Co., Inc. et al. (incorporated by reference to Exhibit 4.13 to our 2002 Annual Report on Form 20-F).
10.21	Credit Agreement, dated as of April 16, 2015, (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on April 21, 2015) by and among Fresh Del Monte Produce Inc., and certain subsidiaries named therein and the lenders and agents named therein.
10.22**	Separation and Release Agreement dated as of September 26, 2016, between Fresh Del Monte Produce Inc. and Hani El-Naffy (incorporated by reference to Exhibit 10.1 to the 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 Monte Produce Inc. and Hani El-Naffy (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 30, 2016).
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-14(a).
31.2*	Certification of Chief Financial Officer filed pursuant to 17 CFR 240.13a-14(a).
32*	Certifications of Chief Executive Officer and Chief Financial Officer furnished pursuant to 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.
101.DEF*,***	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*,***	XBRL Taxonomy Extension Label Linkbase Document.



Exhibit No.	Description
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 (Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 30, 2016 and January 1, 2016 , (ii) Consolidated Statements of Income for the years ended December 30, 2016, January 1, 2016 and December 26, 2014, (iii) Consolidated Statements of Comprehensive Income for the years ended December 30, 2016, January 1, 2016, and December 26, 2014, (iv) Consolidated Statements of Cash Flows for the years ended December 30, 2016, January 1, 2016 and December 26, 2014 and (v) Notes to Consolidated Financial Statements.

**Item 16. Form 10-K Summary**

Not applicable.

***Exhibit Index***

<b>Exhibit No.</b>	<b>Description</b>
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-14(a).
31.2*	Certification of Chief Financial Officer filed pursuant to 17 CFR 240.13a-14(a).
32*	Certifications of Chief Executive Officer and Chief Financial Officer furnished pursuant to 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.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

## SIGNATURES

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

### FRESH DEL MONTE PRODUCE INC.

Date: February 21, 2017

By: /s/ Youssef Zakharia

Youssef Zakharia

President & Chief Operating Officer

Date: February 21, 2017

By: /s/ Richard Contreras

Richard Contreras

Senior Vice President & Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated below on the 21st day of February, 2017:

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

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

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

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

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

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

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

By /s/ Madeleine Champion  
Madeleine Champion  
Director

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

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

**COMPANY INFORMATION**

Fresh Del Monte Produce Inc.  
U.S. Executive Offices, c/o Del Monte Fresh Produce Company  
241 Sevilla Avenue  
Coral Gables, Florida 33134  
Web site: [www.freshdelmonte.com](http://www.freshdelmonte.com)  
Web site: [www.fruits.com](http://www.fruits.com)

**STOCK INFORMATION**

Fresh Del Monte Produce Inc.'s Ordinary Shares are listed on the New York Stock Exchange under the symbol FDP.

**ANNUAL GENERAL MEETING OF SHAREHOLDERS**

May 3, 2017 at 11:30 a.m., Eastern Time  
Hotel Colonnade  
180 Aragon Avenue  
Coral Gables, Florida 33134

**SHARES OUTSTANDING**

As of March 14, 2017 there were 50,727,860 Ordinary Shares outstanding.

**FORWARD-LOOKING INFORMATION**

Our Annual Report contains statements about our expectations, plans and prospects, which constitute forward-looking statements for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act. These statements are based on current Company expectations and are subject to risks and uncertainties that could cause actual results to differ materially. The Company undertakes no obligation to update any such statements. Such risks and uncertainties include those identified in the Company's Annual Report on Form 10-K for the year ended December 30, 2016 and other reports the Company files with the Securities and Exchange Commission ("SEC").

**CORPORATE AND SHAREHOLDER INFORMATION**

Corporate and shareholder information and a copy of the Company's Annual Report on Form 10-K (which includes the officer certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002), as filed with the SEC, may be obtained free of charge by contacting Investor Relations at Fresh Del Monte Produce Inc., U.S. Executive Offices, c/o Del Monte Fresh Produce Company, 241 Sevilla Avenue, Coral Gables, Florida 33134, 305-520-8400 or by visiting the Company's Web site at [www.freshdelmonte.com](http://www.freshdelmonte.com).

**TRANSFER AGENT AND REGISTRAR**

Computershare Investor Services  
P.O. Box 30170  
College Station, Texas 77842  
Customer Service Toll Free: 866-245-9962  
TDD for Hearing Impaired: 800-231-5469  
Foreign Shareholders: 201-680-6578  
TDD Foreign Shareholders: 201-680-6610  
Web site: [www.computershare.com/investor](http://www.computershare.com/investor)

**INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM**

Ernst & Young LLP  
201 South Biscayne Boulevard  
Suite 3000  
Miami, Florida 33131

**EXECUTIVE OFFICERS**

Mohammad Abu-Ghazaleh  
Chairman and Chief Executive Officer

Youssef Zakharia  
President and Chief Operating Officer

Richard Contreras  
Senior Vice President and Chief Financial Officer

Bruce A. Jordan  
Senior Vice President, General Counsel and Secretary

Marissa R. Tenazas  
Senior Vice President, Human Resources

José Antonio Yock  
Senior Vice President, Colombia, Ecuador, Central America and Brazil, (CECAB)

**EXECUTIVE OFFICERS (Continued)**

Emanuel Lazopoulos  
Senior Vice President, North America Sales, Marketing and Product Management

Paul Rice  
Senior Vice President, North America Operations

Hector Rivera  
Vice President, Asia Pacific

Sergio Mancilla  
Vice President, South America

Mohammed Abbas  
Vice President, Middle East and North Africa, (MENA)

Gianpaolo Renino  
Vice President, Europe and Africa

**DIRECTORS**

Mohammad Abu-Ghazaleh  
Chairman and Chief Executive Officer  
Fresh Del Monte Produce Inc.

Hani El-Naffy  
Former President and Chief Operating Officer  
Fresh Del Monte Produce Inc.

Amir Abu-Ghazaleh  
General Manager and Partner  
Abu-Ghazaleh & Sons Co. Ltd.

Salvatore H. Alfiero <sup>(2)(3)(4)</sup>  
Founder, Chairman and Chief Executive Officer  
P I Ventures, LLC

Michael J. Berthelot, C.P.A. <sup>(1)(2)(5)</sup>  
Chief Executive Officer  
Mission Manager Inc., its parent Vigilys Inc. and Cito Capital Corporation  
Also serves as the Managing Principal and Founder of Corporate Governance Advisors Inc.

Edward L. Boykin, C.P.A., (Retired) <sup>(1)(3)(6)(7)</sup>  
Consultant and Former Partner  
Deloitte & Touche LLP

Robert S. Bucklin <sup>(1)(3)</sup>  
Business Advisor  
Retired Vice Chairman of Rabobank International's North America Wholesale Banking  
Also serves on the Board of Directors of the following privately held entities: OSI Group, LLC, Agrivida, Inc., Frequentz Inc. and Bay State Milling Company

Madeleine L. Champion <sup>(2)(3)</sup>  
Chief Executive Officer  
Champion Global Advisors, LLC

John H. Dalton <sup>(1)(2)</sup>  
President  
Housing Policy Council of the Financial Services Roundtable  
Also serves on the Board of Directors of WashingtonFirst Bancshares, Inc. and BGC Partners, Inc.

- (1) Member of the Audit Committee
- (2) Member of the Compensation Committee
- (3) Member of the Governance Committee
- (4) Governance Committee Chairman
- (5) Compensation Committee Chairman
- (6) Audit Committee Chairman
- (7) Lead Independent Director