Fresh Del Monte Produce Inc.

1998 Annual Report

Del Monte Gold
Del Monte
Quality
Extra Sweet Pineapple
HONEYDEW
Del Monte
Quality
#4034

CORPORATE PROFILE

Fresh Del Monte grows, transports and markets fresh produce worldwide to more than 50 countries. Products are marketed under the century-old Del Monte®, brand name, a widely recognized symbol of quality and reliability. We have an exclusive, perpetual license to use the brand name for fresh fruit, fresh vegetables and other fresh produce.

In recent years, Fresh Del Monte increased its volume of bananas and melons, and introduced the very popular *"Del Monte Gold™ Extra Sweet"* pineapple. During 1998, we began to further diversify our product line of year-round high quality produce to include deciduous fruit such as grapes, plums, nectarines, peaches, apricots, cherries, as well as, apples and pears and citrus. Most recently, we expanded our emphasis on sweet onions, vegetables and other specialty items. We continue to focus on making Del Monte® brand products the consumer's number one choice. To ensure freshness and quality, we employ over 20,000 individuals who grow, harvest, pack, transport, and distribute products worldwide.

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TO OUR SHAREHOLDERS AND EMPLOYEES

Mohammad Abu-Ghazaleh
Chairman and Chief Executive Officer

Our Fresh Del Monte mission is straightforward -- to strengthen our position as a global leader in the fresh produce industry while providing strong shareholder returns. Pursuit of that mission during 1998 resulted in a 10 percent increase in sales and record earnings. We are confident that our momentum entering the new millennium will bring continued dramatic growth.

Strategic acquisitions have increased worldwide market penetration and expanded our company beyond the major product line of bananas, pineapples and melons. In particular, the addition of deciduous fruit, vegetables and other specialty items in September 1998 further broadened our product line. We plan to utilize the Del Monte® brand name to leverage our sales of these new products. In addition to diversifying our product line, in early 1999 we expanded our European presence with the acquisition of a Belgian marketing company and the execution of a banana purchase agreement with a major Colombian producer.

To support our growth plans, we will soon be able to ship an additional five million boxes of fruit annually to Europe, North America and Asia, following construction of a new packing facility in South Africa.

Because we are customer-focused, we depend on an experienced team of over 20,000 employees who are committed to the Del Monte® brand. We are proud of the sincere manner in which our Fresh Del Monte team joined forces to help fellow workers, their families and others in Central America following Hurricane Mitch's devastation. Through the hard work of our employees, Fresh Del Monte played an important role in collecting and transporting relief supplies on our vessels.

Production and distribution of Del Monte® brand products continues to be our primary focus. The Bureau Veritas Quality International acknowledged our commitment to quality management in December with the ISO 14001 environmental management system certification for our Costa Rican pineapple and banana operations, which are Fresh Del Monte's largest growing and packing operations. This milestone demonstrates our company’s level of commitment to not only quality management, but also a safe working environment for our dedicated employees. Fresh Del Monte is in the process of obtaining certification for our other significant operations.

Financial Highlights

The Fresh Del Monte balance sheet remains strong. During 1998, Fresh Del Monte increased gross margins and earnings per share. For the year-end 1998, Fresh Del Monte net sales increased 10 percent to $1.6 billion, which marks a pinnacle in our history. This increase is attributable to sales growth in North America and Europe, as well as successful new product introductions.

Our 1998 gross profit increased 19 percent to $194.7 million, improving profit margins from 11.3 percent in 1997 to 12.2 percent. Operating income was $134.7 million in 1998 (before acquisition-related expenses and Hurricane Mitch charge of $30.5 million), compared with $110.8 million in 1997, representing a $23.9 million increase. Operating margin improved from 7.6 percent in 1997 to 8.4 percent in 1998.

Growth Strategies

The future of the fresh produce industry shows great promise as worldwide fresh fruit and vegetable consumption continues to rise. There is no question that the Del Monte® brand name is synonymous with quality and freshness in the market.

Last year was an impressive growth period for us. In 1999, Fresh Del Monte will seek additional acquisitions to expand our fresh produce lines. We will also pursue other strategies that we believe will increase sales, improve internal efficiencies, reduce costs, and enhance our distribution and marketing capabilities to lend to bottom line growth. We look forward to your support as we continue to fortify our industry leadership and enhance shareholder value.

Sincerely,

Mohammad Abu-Ghazaleh
Chairman and Chief Executive Officer

SUPPLY CHAIN MANAGEMENT

Fresh Del Monte is one of a few fully integrated global fresh produce companies, and is recognized as a leader in the production, transportation and marketing of fresh fruit and vegetables.

Del Monte® brand products are sourced from key growing areas in more than 13 countries in both the Northern and Southern Hemispheres. These strategic locations ensure a consistent year-round supply of quality fruit and vegetables at competitive prices.

As a fully integrated fresh produce company, Fresh Del Monte controls the process from the field to the customer, including planting, growing, harvesting, packing, and the transportation and distribution process. Our globally managed shipping operations, including 42 owned, leased or chartered refrigerated vessels, transport produce to the worldwide marketplace.

We have enhanced our distribution capabilities in key U.S. markets with the addition of new ripening and cold storage facilities. Since January 1998, distribution centers have opened in Atlanta, Chicago, Denver, Fort Lauderdale, Phoenix and Vidalia, and we are working to open three additional centers in North America during 1999. Our purchase of a Belgian banana marketing company in early 1999 has expanded our distribution potential within Europe.

Our worldwide channel strategies are tailored to meet the individual requirements of each market. In North America and the United Kingdom, Fresh Del Monte sells to retailers, wholesalers and distributors. In some European countries, marketing companies work with Fresh Del Monte and share profits. Sales in the Asia Pacific region are largely to independent distributors that have an extensive customer base. Whenever possible, we strive to reduce intermediaries in order to maximize profits through efficient distribution.

In 1998, 37% of our fresh produce was grown on owned or leased farms or by strategic joint ventures. We also benefit from long-standing relationships with independent growers, which account for the remainder of our volume. Fresh Del Monte requires that strict quality control programs be in place at every farm.

Fresh Del Monte's track record of industry innovation is unsurpassed. We are proud to have developed new products such as *"Del Monte Gold™Extra Sweet"* pineapple. In 1998, we also introduced new technologies such as mobile testing labs to ensure low pungency levels in all our sweet onion crops.

Environmental Stewardship

Bureau Veritas Quality International awarded our Costa Rican pineapple and banana operations the ISO 14001 environmental management systems certificate in 1998. This significant achievement marks the first time a fresh pineapple production operation in the world has received this distinction. It recognizes our commitment toward better growing methods as well as the safety of Fresh Del Monte's employees.

FRUIT AND VEGETABLES

Health-conscious consumers are eating more fresh produce than ever and the USDA recommends five servings per day. It is difficult for these consumers to miss the Del Monte® label on fresh fruit and fresh vegetables. Studies show that our brand name is one of the most recognized and respected in the world.

In 1998, we expanded our position as the world's largest fresh pineapple marketer and the world's third largest banana marketer. We also sold more off-season (November to May) cantaloupes and honeydew melons in the United States than any other company.

Strategic acquisitions expanded the Fresh Del Monte product line in 1998 and represent a significant milestone in our effort to diversify. Deciduous fruit such as grapes, plums, nectarines, peaches, apricots, cherries, as well as, apples, pears and citrus and other fresh fruit and vegetables, now carry the Del Monte® label that stands for delicious, premium fresh produce. These new products add value to our brand and provide momentum to increase market presence.

Banana volume increased to an estimated 18 percent global market share in 1998, and banana sales now account for 56 percent of total net sales. Net sales for other major products are comprised of pineapples representing 19 percent, deciduous fruit accounting for 11 percent, and melons representing 7 percent.

North America represented approximately 49 percent of total 1998 net sales of all Fresh Del Monte products. Europe is the second largest market with 32 percent of net sales, followed by the Asia Pacific region with 15 percent of net sales. We continue efforts to maximize our North American leadership role and expand globally with high volume, high growth produce items.

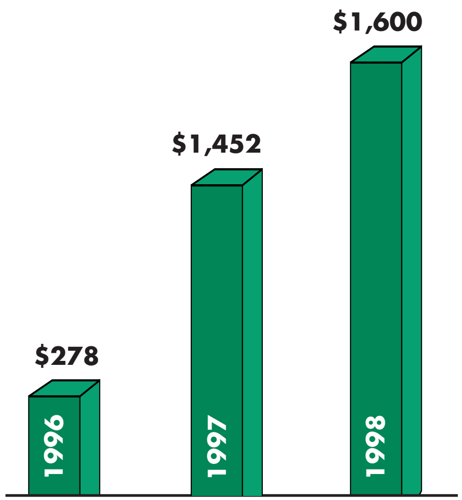
We expect strong recognition of the Del Monte® brand name to remain our driving force. Our ability to rapidly introduce new fresh fruit and vegetables and other produce to the marketplace in a relatively short period of time is a testament to our abilities and consumer commitment.

Expanding Fresh Del Monte

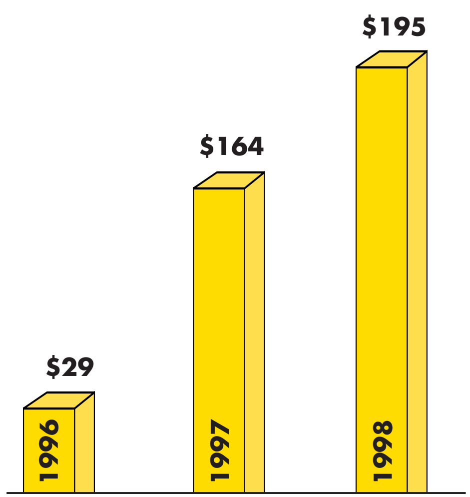
As the Del Monte® brand expands demand for our new deciduous fruit and vegetables will soar. Solid growth of major products such as pineapples, bananas and melons should also continue. Customers know that premium quality fresh produce with the Del Monte® label is a smart purchase. Today, our product line is diverse and never out of season.

(U.S. dollars in millions)

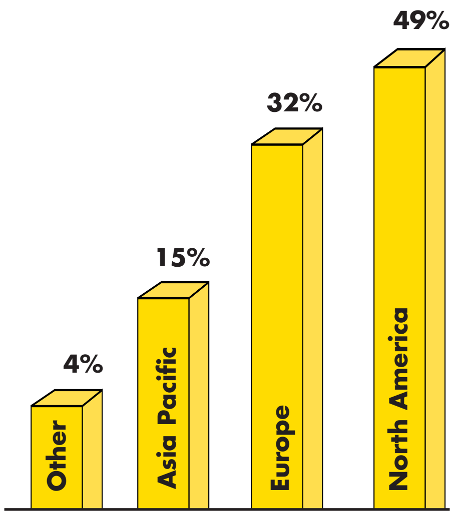
FINANCIAL HIGHLIGHTS



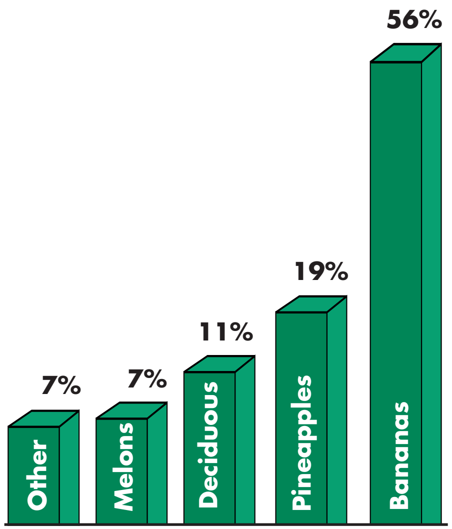
Net Sales



Gross Profit



Net Sales by Geographic Region



Net Sales by Product

FINANCIAL HIGHLIGHTS

(U.S. dollars in millions, except per share data)	Fresh Del Monte Produce Inc. Year Ended January 1, 1999	Fresh Del Monte Produce Inc. Year Ended December 26, 1997	Fresh Del Monte Produce Inc. Year Ended December 27, 1996	FDP N.V. Fifty-one Week Period Ended December 20, 1996
INCOME STATEMENT DATA				
Net sales	$ 1,600.1	$ 1,452.4	$ 278.3	$1,167.5
Gross profit	194.7	163.7	29.0	101.7
Special charges	30.5	—	—	141.9
Operating income (loss)	104.2	110.8	17.5	(96.2)
Income (loss) before extraordinary item	77.4	63.6	8.0	(132.9)
Extraordinary charge on early extinguishment of debt	18.1	10.4	—	—
Net income (loss)	59.3	53.2	8.0	(132.9)
Basic and diluted per share income applicable to ordinary shareholders:				
Before extraordinary item	$ 1.44	$ 0.94	$ 1.20	
Extraordinary charge	$ (0.34)	$ (0.24)	$ —	
Net income	$ 1.10	$ 0.70	$ 1.20	
Weighted average number of ordinary shares outstanding:				
Basic	53,632,656	43,765,188	6,687,776	
Diluted	53,774,831	43,765,188	6,687,776	

	As of January 1, 1999	As of December 26, 1997	As of December 27, 1996
BALANCE SHEET DATA			
Cash and cash equivalents	$ 32.8	$ 85.7	$ 32.4
Working capital	177.2	134.6	85.2
Total assets	1,034.0	1,009.3	920.8
Total debt	354.2	354.1	438.6
Shareholders' equity	$ 382.5	$ 342.8	$ 147.0

For the convenience of the reader and due to the significance of the operations of FDP N.V., which we acquired on December 20, 1996, we are presenting the preceding table of selected consolidated historical financial data for the Company for 1998, 1997 and 1996 and for FDP N.V. for the fifty-one week period ended December 20, 1996. The financial data is derived from the audited consolidated financial statements of the Company and of FDP N.V.

Overview

We are a world leader in the production, distribution and marketing of fresh produce. Our products are marketed throughout the world under the Del Monte® brand name which has been in existence since 1892 and is a widely recognized symbol of product quality and reliability. Our major product categories include bananas, pineapples, deciduous fruit and melons. With 1998 sales of approximately four billion pounds of bananas, 755 million pounds of pineapples, 368 million pounds of deciduous fruit and 409 million pounds of melons, we believe we are the third largest marketer of bananas and the largest marketer of fresh pineapples in the world, as well as the largest marketer of cantaloupes and honeydew melons sold in the United States in the November to May off-season.

On September 17, 1998, Fresh Del Monte acquired 14 wholly-owned operating companies, which we refer to as IAT, from IAT Group Inc. and its shareholders, which we refer to as the IAT transaction. In connection with the IAT transaction, we issued six million ordinary shares, paid $25.0 million in cash and assumed approximately $130.0 million of indebtedness. Prior to the IAT transaction, IAT Group Inc. was engaged primarily in the production, transportation, distribution and marketing of deciduous fruit and other fresh produce on a worldwide basis and conducted operations in Chile, the United States, The Netherlands and Uruguay.

Because IAT Group Inc. indirectly controlled Fresh Del Monte prior to the IAT transaction, the IAT transaction was accounted for as a combination of entities under common control in a manner similar to a pooling of interests, using the as if pooling of interests method of accounting under United States generally accepted accounting principles. As a result, our consolidated earnings include the consolidated earnings of Fresh Del Monte and IAT for all periods subsequent to the date Fresh Del Monte and IAT came under common control, August 29, 1996. The reported retained earnings of Fresh Del Monte and IAT have been combined and restated as our consolidated retained earnings. Our results prior to August 29, 1996 represent the results of only IAT.

Since December 20, 1996, we have owned both Fresh Del Monte Produce N.V., which we refer to as FDP N.V., and Global Reefer Carriers, Ltd., which we refer to as GRC. Our acquisition of these two companies was accounted for as a purchase and, accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on appraisals and other estimates of their underlying fair values. The excess of the purchase price over the fair value of net assets acquired of $44.8 million was classified as goodwill which is being amortized over 40 years. The results of operations of FDP N.V. and GRC are included in our results commencing December 21, 1996.

Net Sales

Our net sales are affected by numerous factors including the balance between the supply of and demand for our products and competition from other fresh produce. 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 bananas, seasonal variations in demand as a result of increased supply and competition from other fruits are reflected in the seasonal fluctuations in banana prices, with the first six months of the year generally exhibiting stronger demand and higher prices, except in those years where an excess supply exists. Because our operations are conducted in many areas of the world and involve sales denominated in a variety of currencies, net sales as expressed in dollars may also be affected by fluctuations in rates of exchange between currencies.

Average sales prices for bananas in 1998 improved slightly in dollar terms from 1997. The slight increase in average banana sales prices was attributable to a higher average local currency sales price per box in the Asia Pacific region offset by a lower average sales price per box in both North America and Europe and the effect of a stronger dollar. A stronger dollar tends to reduce net sales because our sales are in dollars and a number of other currencies, and we generally are unable to adjust our non-dollar local currency sales prices to compensate for increases in the exchange rate of the dollar against the relevant local currency. Accordingly, if the dollar appreciates relative to the currencies in which we receive sales proceeds, our operating results generally are negatively affected.

Our net sales growth in recent years has been achieved primarily through acquisitions, increased banana and pineapple sales volume in existing markets, higher pricing on the *"Del Monte Gold™ Extra Sweet"* pineapple and sales of bananas in new markets such as Eastern Europe and China. Our net sales growth in recent years is also attributable to a broadening of our product line. This increased unit sales volume and the premium pricing received for *"Del Monte Gold™ Extra Sweet"* pineapples in comparison to traditional varieties resulted in improved gross profit on pineapple sales in 1998 compared to 1997.

Cost of Products Sold

Cost of products sold is principally composed of two elements, product and distribution costs. Product cost for company-grown 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 produce cost, packaging costs and, in some cases, profit sharing. Distribution costs include ocean freight, inland and air freight, port and warehouse expenses. Ocean freight is the most significant component of distribution costs and is comprised of the cost of chartering refrigerated vessels and vessel operating expenses. Vessel operating expenses include ship operation and maintenance, depreciation, fuel, which is subject to international supply and demand trends, and port charges. Variations in paper prices, which affect the cost of boxes and other packaging materials, can have a significant impact on our product cost and, accordingly, profit margins. Paper, plastic and resin prices have historically been volatile. Paper prices increased in 1997 and decreased in the second half of 1998.

Historically, we have received subsidies from the Costa Rican government for the production and export of pineapples which we account for as a reduction in cost of products sold. These subsidies which amounted to approximately $8.2 million for 1998 and $7.4 million for 1997 will not be available after September 30, 1999, when they expire.

In general, changes in the volume of the products we sell have a direct impact on our per-box product cost. Within any particular year, a significant portion of our cost of products sold is fixed, both with respect to company-owned operations and with respect to the farms of independent growers from whom we have agreed to purchase all the products they produce. Accordingly, higher volumes 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 plantations owned by us 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.

In 1998, our Guatemalan banana operations were damaged as a result of Hurricane Mitch. The hurricane damage resulted in a charge of $26.5 million for asset write offs and other costs, net of insurance proceeds received as of February 18, 1999, and reduced banana production by approximately two million boxes in 1998, or approximately 2% of our worldwide banana production.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include primarily the costs associated with selling in North America, Japan and the United Kingdom, where we have our own sales force, advertising and promotional expenses and general corporate overhead and other related administrative functions, including depreciation associated with these operations.

Interest Expense

Interest expense consists primarily of interest on borrowings under working capital facilities that we maintained and interest on long-term debt and capital lease obligations.

Other Income, Net

Other income, net primarily consists of equity earnings in unconsolidated companies including melon and pineapple joint ventures, a deciduous fruit joint venture, a box manufacturing facility, Horn-Linie OHg, a German shipping company that was an unconsolidated subsidiary prior to December 23, 1997, and Internationale Fruchtimport Gesellschaft Weichert & Co., a German limited partnership engaged in the distribution of fresh produce in Northern Europe, together with currency exchange gains or losses and other income or expenses.

Provision for Income Taxes

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. We are subject to U.S. taxation on constructive operating profits of our U.S. distribution company, calculated in accordance with the tax provisions governing related party transactions.

1998 Compared with 1997

Net Sales

In 1998 net sales were $1,600.1 million compared with $1,452.4 million for 1997, an increase of 10%. The increase in net sales of $147.7 million was primarily the result of higher sales volume for all four of our major product categories, bananas, pineapples, deciduous fruit and melons.

Net sales of bananas increased 9% in 1998 compared with 1997, as a result of increased sales volume in Europe and North America and higher per unit sales prices in the Asia Pacific region. Banana unit sales volume increased 9% in 1998 compared with 1997 due primarily to unit sales volume increases in the European and North American markets of 24% and 10%, respectively, partially offset by an 11% decrease in sales volume in the Asia Pacific region. The increase in unit sales volume in Europe and North America resulted from incremental purchases from independent growers and improved yields at some of our banana operations. The decrease in unit sales volume in the Asia Pacific region was due to the lingering effects of the drought that affected production of bananas in this region during 1997 through the third quarter of 1998.

Net sales of pineapples increased 22% in 1998 compared with 1997 primarily due to higher unit sales volume in North America and Europe of 30% and 13%, respectively, and higher per unit sales prices. The increase in unit sales volume in Europe and North America resulted from the conversion and expansion of an existing pineapple plantation in Costa Rica from traditional varieties to *"Del Monte Gold™ Extra Sweet"* pineapples as well as incremental purchases of traditional pineapple varieties from independent growers.

Net sales of deciduous fruit increased 8% in 1998 compared with 1997 primarily as a result of increased per unit sales prices for grapes and stonefruit and increased unit sales volume of other products. These increases were partially offset by a decrease in the per unit sales price for apples in 1998 compared with 1997.

Net sales of melons increased 13% in 1998 compared with 1997 primarily as a result of higher unit sales volume. Melon unit sales volume increased 15% in 1998 compared with 1997, as a result of increased production from our operations in the United States, Mexico and Brazil. The increase in unit sales volume was partially offset by a decrease in per unit sales prices.

Our net sales in 1998 were adversely impacted as a result of the strengthening of the dollar versus the other major currencies in which we receive sales proceeds, principally the Deutsche mark, the Japanese yen and the Italian lira.

Cost of Products Sold

Cost of products sold was $1,405.4 million for 1998 compared with $1,288.7 million for 1997, an increase of 9%. The increase in cost of products sold was principally attributable to the increased unit sales volume.

Gross Profit

Gross profit was $194.7 million for 1998 compared with $163.7 million for 1997, an increase of $31.0 million or 18.9%. As a percentage of net sales, gross profit improved from 11.3% in 1997 to 12.2% in 1998. Gross profit for 1998 was positively impacted by increased sales of higher-margin pineapple, higher volumes of deciduous fruit and melons and reduced cost of ocean freight per unit of sales, offset by reduced gross margin on bananas. This positive impact on gross profit was partially offset by reduced average sales price per box of melons and the strengthening of the dollar.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $6.9 million to $58.3 million in 1998 compared with $51.4 million in 1997. This increase is primarily a result of expenses related to our year 2000 project, which included a worldwide assessment of our computer and embedded systems and the cost of settling a substantial portion of pending DBCP claims.

Acquisition-Related Expenses

We incurred acquisition-related expenses of $4.0 million in the third quarter of 1998 relating to the IAT transaction.

Hurricane Mitch Charge

We recorded a special charge in the fourth quarter of 1998 of $26.5 million in asset write-offs and other costs, net of insurance proceeds received as of February 18, 1999, due to damage incurred to our Guatemalan operations as a result of flooding caused by Hurricane Mitch.

Interest Expense

Interest expense decreased $15.4 million to $30.3 million in 1998 compared with $45.7 million in 1997, principally due to the repayment of $100 million principal amount of the 10% notes issued by FDP N.V., referred to as the N.V. Notes, with proceeds from our initial public offering and the refinancing of the remaining N.V. Notes with borrowings under our $389.0 million revolving credit facility at lower interest rates.

Other Income, Net

Other income, net of $11.4 million in 1998 was $5.4 million higher than the $6.0 million recorded in 1997 reflecting the proceeds from an insurance claim and a reduction in currency exchange losses in 1998.

Provision for Income Taxes

Our effective income tax rate decreased from 17% in 1997 to 14% in 1998 primarily due to an increase in relative contribution to profit of our non-U.S. operations, which are subject to a lower effective tax rate than our U.S. operations. This was partially offset by an increase in the U.S. effective tax rate.

1997 Compared with 1996

Our results of operations for 1997 were materially impacted by the acquisition of the Fresh Del Monte business on December 20, 1996. Our results for 1996 primarily reflect the results of IAT. The financial information for 1996 and 1997 included in this section differs from the financial information previously reported by us.

Net Sales

1997 net sales were $1,452.4 million compared with $278.3 million for 1996.

Cost of Products Sold

Cost of products sold was $1,288.7 million for 1997 compared with $249.3 million for 1996.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $51.4 million in 1997 compared with $11.5 million in 1996.

Interest Expense

Interest expense increased $32.9 million to $45.7 million in 1997 compared to $12.8 million in 1996.

Other Income, Net

Other income, net of $6.0 million in 1997 compared with $1.7 million in 1996.

All of the differences between 1997 and 1996 noted above were primarily a result of the acquisition of FDP N.V. and GRC on December 20, 1996.

Liquidity and Capital Resources

Net cash provided by operating activities for 1998 was $64.0 million, a decrease of $37.1 million from 1997. The decrease in net cash provided by operating activities is primarily attributable to an increase in current assets partially offset by write offs of fixed assets related to Hurricane Mitch and an extraordinary loss on the early extinguishment of debt in 1998.

Net cash used by investing activities was $69.1 million for 1998 and $43.8 million for 1997. The use of cash for 1998 was primarily attributable to capital expenditures. Cash used in 1997 was primarily attributable to capital expenditures and the purchase of the Horn-Linie minority interest.

Capital expenditures were $53.8 million for 1998 and $36.0 million for 1997. Capital expenditures in 1998 were primarily for expansion of our production and distribution facilities and the purchase of two used refrigerated vessels. Capital expenditures in 1997 were primarily for improvements to existing production and distribution facilities and the purchase of a used refrigerated vessel.

On December 23, 1997, we acquired the remaining 49% minority interest in Horn-Linie, a shipping company that was previously an unconsolidated subsidiary. The total consideration paid in connection with the acquisition was $14.7 million. The acquisition was financed through a loan secured by a mortgage on two of Horn-Linie's multi-purpose refrigerated vessels. The $26.0 million loan includes acquisition costs and approximately $10.8 million in existing debt that was refinanced.

On November 25, 1998, we acquired an approximately 62% interest in National Poultry Company PLC, a Jordanian publicly traded company, engaged in the poultry business. The total consideration paid was $11.9 million, of which approximately $6.4 million was used to pay down debt.

Net cash used by financing activities for 1998 of $48.2 million was principally attributed to net payments on short-term borrowings and the cash payment made as part of the IAT transaction, partially offset by net proceeds from the issue of long-term debt under our revolving credit facility. Cash used by financing activities for 1997 was $5.1 million, which consisted primarily of proceeds from our initial public offering reduced by amounts used to purchase and retire the N.V. Notes and to redeem our convertible preferred shares.

On October 29, 1997, we completed an initial public offering of 15,957,000 ordinary shares, at a public offering price of $16.00 per share. We used the net proceeds of $175.3 million that we received from the offering (1) to purchase and retire $100.0 million in aggregate principal amount of the outstanding N.V. Notes, which resulted in an extraordinary charge of $10.4 million; and (2) to redeem all of our issued and outstanding convertible preferred shares for approximately $68.5 million which included a redemption premium of $19.6 million. We recorded the redemption premium as a reduction of net income for purposes of computing net income applicable to ordinary shareholders.

On May 19, 1998, FDP N.V. completed a tender offer to purchase the remaining $200.0 million of the outstanding N.V. Notes and solicitation of consents to certain proposed amendments to the indenture under which the N.V. Notes were issued. We purchased $196.8 million of the N.V. Notes in the tender offer, which we funded by a drawdown of $207.9 million under a revolving credit facility. This revolving credit facility, which expires on May 19, 2003, replaced our $100 million revolving credit facility. The remaining N.V. Notes were redeemed during June 1998 at a redemption price of $1,050 for each $1,000 principal amount of N.V. Notes being redeemed, plus accrued interest to the date of redemption. Completion of the tender offer and the redemption resulted in an extraordinary charge of $18.1 million.

On December 15, 1998, the revolving credit facility was amended to increase the borrowing level to $389.0 million. Under its terms, on each November 1 and May 1, commencing November 1, 1998, the amount of the revolving credit facility will be reduced by $10.8 million. Outstanding borrowings at January 1, 1999 were $264.0 million, bearing interest at a weighted average interest rate of 6.7%.

In connection with the revolving credit facility, we entered into an interest rate swap agreement expiring in 2003 with Rabobank International in order to limit the effect of the increase in interest rates on a portion of the revolving credit facility. The nominal amount of the swap decreases over its life from $150 million in the first three months to $53.6 million in the last three months. The cash differentials paid or received on the swap agreement are accrued and recognized as adjustments to interest expense. Interest expense related to the swap agreement for 1998 was $0.7 million.

In addition to the $389.0 million revolving credit facility, FDP N.V. has $10.6 million of working capital revolving credit facilities with various other banks. These facilities expire at various dates starting on January 31, 1999 and bear interest rates ranging from 2.125% to prime plus 2%. At January 1, 1999 and December 26, 1997 there were no borrowings outstanding under these credit facilities.

At January 1, 1999, we had $399.6 million in committed working capital facilities, of which $118.6 million was available. The major portion of these facilities is represented by the $389.0 million revolving credit facility. At January 1, 1999, $17.0 million of available credit was applied towards the issuance of letters of credit, of which $11.5 million was required under agreements with the owners of vessels under long-term charter. The $11.5 million amount will be reduced by $2.5 million each quarter through March 2000.

As of January 1, 1999, we had $354.2 million of long-term debt and capital lease obligations, including the current portion, consisting of $264.0 million related to the revolving credit facility, $39.9 million of long-term debt from the IAT transaction, $24.3 million of long-term debt related to acquisitions in 1997 and 1998, $13.4 million of other long-term debt and $12.6 million of capital lease obligations.

Net cash provided by operating activities for 1996 was $6.7 million compared to $101.1 million in 1997. The increase in cash provided by operating activities was primarily due to the acquisition of FDP N.V. and GRC on December 20, 1996.

Net cash used by investing activities in 1996 was $72.4 million compared to $43.8 million in 1997. The increase in net cash used by investing activities was primarily due to the acquisition of FDP N.V. and GRC on December 20, 1996. Capital expenditures for 1996 were $21.7 and were primarily for new farm properties in South America.

Net cash provided by financing activities for 1996 was $96.1 million compared to net cash used by financing activities of $5.1 million in 1997. Net cash provided by financing activities in 1996 was primarily due to the issuance of ordinary shares in connection with the acquisition of FDP N.V. and GRC on December 20, 1996.

We believe that cash generated from operations and available borrowings will be adequate to cover our cash needs during 1999.

This belief is based primarily on the additional borrowings available under our $389.0 million revolving credit facility and our 1999 operating plans, as well as reduced interest expense as a result of the retirement of $300 million of N.V. Notes.

Impact of Year 2000 Issue

Many computer systems and programs, including some of those used by us, identify dates using only the last two digits of the year. These computer programs and systems have time-sensitive software unable to distinguish between dates in the year 2000 and dates in the year 1900. That inability, which is referred to as the "year 2000 issue," if not addressed, could cause these systems to fail or provide incorrect information after December 31, 1999 or when using dates after December 31, 1999. The year 2000 problem could also impact the embedded systems in our production, packing and distribution operations. This could have a material adverse impact on us and our results of operations and financial condition, due to both our direct dependence on our own computer systems and programs, particularly with respect to such critical tasks as accounting, billing and ordering, and our indirect dependence on the systems and programs of other entities with whom we interact.

We have implemented a process for identifying, prioritizing and modifying or replacing systems and programs that may be affected by the year 2000 issue. We are also monitoring the adequacy of the manner in which other parties, including vendors of systems with whom we do business, are addressing the year 2000 issue. We have completed an assessment of our computer and embedded systems and determined that we need to modify or replace portions of our software and hardware so that our computer systems will function properly with respect to dates in the year 2000 and after. We believe that our process is designed to be successful. However, because of the complexity of the year 2000 issue, and the interdependence of organizations using computer systems, our efforts, or those of third parties with whom we interact, may not be satisfactorily completed in a timely fashion.

We estimate that our total year 2000 project costs, including assessment, development of a modification or replacement plan, purchase of new hardware and software and implementation, will be approximately $15 million to $20 million. To date, we have incurred approximately $6.5 million, of which $4.0 million has been capitalized and $2.5 million expensed. The costs incurred to date were funded through cash flow from operations. We expect to fund future costs through a combination of cash flow from operations and borrowings under our revolving credit facility.

The project is expected to be completed by September 1999, which is prior to any anticipated impact on our operating systems. With modifications to existing software, conversions to new software and replacement or modification of certain embedded systems, we do not believe the year 2000 issue will pose significant operational problems for our computer systems. However, if modifications and conversions are not made, or are not completed on a timely basis, the year 2000 issue would have a material adverse impact on our results of operations and financial condition.

The estimated costs of the project and the date on which we believe necessary modifications and replacements to address the year 2000 issue will be completed are based on management's estimates. These estimates were derived utilizing numerous assumptions of future events, including the continued availability of certain resources and other factors. As we progress in addressing the year 2000 issue, our estimates of costs involved could change. In addition, we may not be able to adequately assess the impact of the failure of third parties to adequately address the year 2000 issue. Accordingly, we may experience cost overruns or delays in connection with our plan for modifying or replacing systems and programs. Our actual results could differ materially from those anticipated. Specific factors that might cause material differences include, but are not limited to, the availability and cost of personnel trained to address the year 2000 issue and the ability to locate and correct all relevant computer codes.

Because we believe we have secured sufficient resources to address the year 2000 issue as it relates to our computer systems, our assessment of embedded systems is nearing completion, and the manageable quantity of embedded devices that have been identified at our facilities to date, we do not believe that contingency planning is warranted at this time. The assessment of third parties' year 2000 readiness is underway, and the results of this assessment, when completed, may reveal the need for contingency planning at a later date. We will regularly evaluate the need for contingency planning based on the progress and findings of the year 2000 project.

Euro conversion

On January 1, 1999, certain member countries of the European Union established fixed conversion rates between their existing currencies and the European Union's common currency, the

Euro. The transition period for the introduction of the Euro will be between January 1, 1999 and January 1, 2002. We are evaluating methods to address the many issues involved with the introduction of the Euro, including the conversion of our information technology systems, recalculating currency risk, strategies concerning continuity of contracts, and impacts on the processes for preparing taxation and accounting records.

Based on our work to date, we do not believe that the Euro conversion will have a material adverse impact on our results of operations or financial position.

Other

We are involved in several legal and environmental matters, most of which are currently in the early stages. Some of these matters, 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.

Recent Developments

On January 14, 1999, we acquired all of the outstanding shares of Banana Marketing Belgium N.V., which we refer to as ''BMB'', and executed a long-term banana purchase agreement with a subsidiary of C.I. Banacol S.A., which we refer to as ''Banacol.'' Banacol is a significant producer of bananas and BMB was Banacol's exclusive marketing company in Europe. The total consideration paid in connection with the acquisition of BMB was $58.7 million. The acquisition has been accounted for using the purchase method of accounting and accordingly, the purchase price will be allocated to the assets acquired consisting of European banana import licenses based on their underlying fair values. This investment will allow us to enhance our presence in Europe by increasing our banana sales volume by approximately 10%.

REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Certified Public Accountants

Board of Directors and Shareholders
Fresh Del Monte Produce Inc.

We have audited the accompanying consolidated balance sheets of Fresh Del Monte Produce Inc. and subsidiaries as of January 1, 1999 and December 26, 1997, and the related consolidated statements of income, cash flows and shareholders' equity for each of the three years in the period ended January 1, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of United Trading Company Desarrollo y Comercio S.A. and subsidiaries, United Investment Company Inmobiliaria S.A. and subsidiaries and Agricola Medio Oriente Ltda. (collectively UTC), companies included in the accompanying consolidated financial statements, for the year ended September 30, 1996. UTC's financial statements reflect total revenues of $108.9 million for the year ended September 30, 1996. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to data included for UTC, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits, and for 1996 the report of other auditors, 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 January 1, 1999 and December 26, 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 1, 1999, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Miami, Florida
February 18, 1999, except for the last sentence
of the third paragraph of Note 19, as to which
the date is March 26, 1999

Report of Independent Accountants

To the Board of Directors
United Trading Company
Desarrollo y Comercio S.A., United Investment Company Inmobiliaria S.A.
and Agricola Medio Oriente Ltda.

We have audited the consolidated and combined balance sheet of United Trading Company Desarrollo y Comercio S.A. and subsidiaries, United Investment Company Inmobiliaria S.A. and subsidiaries and Agricola Medio Oriente Ltda. as of September 30, 1996 and the related consolidated and combined statements of operations and cash flows for the year then ended, expressed in United States dollars. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We have not audited the consolidated and combined financial statements of United Trading Company Desarrollo y Comercio S.A. and subsidiaries, United Investment Company Inmobiliaria S.A. and subsidiaries and Agricola Medio Oriente Ltda. for any period subsequent to September 30, 1996.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards required 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated and combined financial statements referred to above present fairly, in all material respects, the financial position of United Trading Company Desarrollo y Comercio S.A. and subsidiaries, United Investment Company Inmobiliaria S.A. and subsidiaries and Agricola Medio Oriente Ltda. as of September 30, 1996 and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles in the United States.

Price Waterhouse

Santiago, Chile
November 22, 1996

CONSOLIDATED BALANCE SHEETS

(U.S. dollars in millions)	January 1, 1999	December 26, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 32.8	$ 85.7
Trade accounts receivable, net of allowance of $8.5 and $5.0, respectively	112.7	94.4
Advances to growers and other receivables, net of allowance of $2.6 and $3.1, respectively	55.5	39.7
Inventories	159.8	136.3
Prepaid expenses and other current assets	35.1	18.0
Total current assets	395.9	374.1
Investments in unconsolidated companies	55.7	52.6
Property, plant and equipment, net	503.5	475.3
Receivables from related parties	—	12.7
Other noncurrent assets	29.8	28.3
Goodwill, net of accumulated amortization of $3.2 and $1.5, respectively	49.1	66.3
Total assets	$1,034.0	$1,009.3

See accompanying notes

CONSOLIDATED BALANCE SHEETS—(Continued)

(U.S. dollars in millions, except per share data)	January 1, 1999	December 26, 1997
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable to banks	$ —	$ 45.6
Accounts payable and accrued expenses	194.8	165.3
Current portion of long-term debt and capital lease obligations	17.2	22.2
Income taxes payable	6.7	6.4
Total current liabilities	218.7	239.5
Long-term debt	327.3	277.5
Payables to related parties	—	26.4
Capital lease obligations	9.7	8.8
Retirement benefits	67.4	68.4
Other noncurrent liabilities	8.6	21.0
Deferred income taxes	5.3	12.1
Deferred credit vessel leases	2.9	7.6
Minority interest	11.6	5.2
Total liabilities	651.5	666.5
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; 53,763,600 and 53,600,600 shares issued and outstanding in 1998 and 1997, respectively	0.5	0.5
Paid-in capital	327.1	311.7
Retained earnings	57.8	32.3
Accumulated other comprehensive loss	(2.9)	(1.7)
Total shareholders' equity	382.5	342.8
Total liabilities and shareholders' equity	$1,034.0	$1,009.3

See accompanying notes

CONSOLIDATED STATEMENTS OF INCOME

(U.S. dollars in millions, except per share data)	Year Ended January 1, 1999	December 26, 1997	December 27, 1996
Net sales	$ 1,600.1	$ 1,452.4	$ 278.3
Cost of products sold	1,405.4	1,288.7	249.3
Gross profit	194.7	163.7	29.0
Selling, general and administrative expenses	58.3	51.4	11.5
Amortization of goodwill	1.7	1.5	—
Acquisition related expenses	4.0	—	—
Hurricane Mitch charge	26.5	—	—
Operating income	104.2	110.8	17.5
Interest expense	30.3	45.7	12.8
Interest income	4.3	5.6	1.0
Other income, net	11.4	6.0	1.7
Income before provision (benefit) for income taxes and extraordinary item	89.6	76.7	7.4
Provision (benefit) for income taxes	12.2	13.1	(0.6)
Income before extraordinary item	77.4	63.6	8.0
Extraordinary charge on early extinguishment of debt	18.1	10.4	—
Net income	59.3	53.2	8.0
Redemption premium, dividends and accretion on Convertible Preferred Shares	—	(22.5)	—
Net income applicable to ordinary shareholders	$ 59.3	$ 30.7	$ 8.0
Basic and diluted per share income applicable to ordinary shareholders:			
Before extraordinary item	$ 1.44	$ 0.94	$ 1.20
Extraordinary charge	$ (0.34)	$ (0.24)	$ —
Net income	$ 1.10	$ 0.70	$ 1.20
Weighted average number of ordinary shares outstanding:			
Basic	53,632,656	43,765,188	6,687,776
Diluted	53,774,831	43,765,188	6,687,776

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

(U.S. dollars in millions)	Year Ended January 1, 1999	December 26, 1997	December 27, 1996
OPERATING ACTIVITIES:			
Net income	$ 59.3	$ 53.2	$ 8.0
Adjustments to reconcile net income to cash provided by operating activities:			
Goodwill amortization	1.7	1.5	—
Depreciation and amortization other than goodwill	34.1	30.2	10.9
Deferred credit vessel leases	(3.9)	(3.0)	(0.1)
Equity in earnings of unconsolidated companies, net of dividends	(3.6)	(4.6)	0.2
Extraordinary charge on early extinguishment of debt	18.1	10.4	—
Write-off of fixed assets related to Hurricane Mitch	18.8	—	—
Other, net	1.5	1.6	5.0
Changes in operating assets and liabilities:			
Receivables	(31.6)	1.3	(15.0)
Inventories	(22.8)	(6.9)	(0.3)
Accounts payable and accrued expenses	17.7	10.4	(1.0)
Prepaid expenses and other current assets	(20.9)	2.4	(1.4)
Other noncurrent assets and liabilities	(4.4)	4.6	0.4
Net cash provided by operating activities	64.0	101.1	6.7
INVESTING ACTIVITIES:			
Capital expenditures	(53.8)	(36.0)	(21.7)
Proceeds on sale of assets	4.6	5.7	3.4
Purchase of subsidiaries, less cash acquired of $0.5, $4.7 and $14.9 respectively	(11.4)	(10.0)	(54.0)
Net advances to unconsolidated companies and investments	(6.4)	(2.4)	(0.1)
Other investing activities, net	(2.1)	(1.1)	—
Net cash used in investing activities	$(69.1)	$ (43.8)	$(72.4)

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)

(U.S. dollars in millions)	Year Ended January 1, 1999	December 26, 1997	December 27, 1996
FINANCING ACTIVITIES:			
Proceeds from issuance of ordinary shares	$ 2.6	$ 175.3	$ 68.9
Proceeds from long-term debt	433.5	31.4	2.9
Payments on long-term debt	(412.7)	(124.0)	—
Proceeds from short-term borrowings	211.5	7.0	34.4
Payments on short-term borrowings	(261.8)	(18.2)	(15.0)
Dividend paid in connection with the IAT transaction	(25.0)	—	—
Redemption of Convertible Preferred Shares	—	(68.5)	—
Other, net	3.7	(8.1)	4.9
Net cash (used) provided by financing activities	(48.2)	(5.1)	96.1
Effect of exchange rate changes on cash and cash equivalents	0.4	1.1	(0.1)
Cash and cash equivalents:			
Net change	(52.9)	53.3	30.3
Beginning balance	85.7	32.4	2.1
Ending balance	$ 32.8	$ 85.7	$ 32.4
SUPPLEMENTAL NON-CASH ACTIVITIES:			
Capital lease obligations for new assets	$ 10.3	$ 4.3	$ —
Issuance of 55,000 Convertible Preferred Shares in connection with the FDP/GRC Acquisition	$ —	$ —	$ 46.0

See accompanying notes

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(U.S. dollars in millions)	Ordinary Shares Outstanding	Ordinary Shares	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 30, 1995	6,000,000	$0.1	$ 53.2	$ 13.0	$ 0.2	$ 66.5
Capital contributions	—	—	7.6	—	—	7.6
Dividend	—	—	—	(4.0)	—	(4.0)
Issuance of ordinary shares in connection with the FDP/GRC Acquisition	35,862,600	0.3	68.6	—	—	68.9
Net income	—	—	—	8.0	—	8.0
Balance at December 27, 1996	41,862,600	0.4	129.4	17.0	0.2	147.0
Issuance of ordinary shares, net of offering expenses of $1.7 million	11,738,000	0.1	175.2	—	—	175.3
Capital contributions	—	—	3.4	—	—	3.4
Retained earnings capitalized	—	—	3.7	(3.7)	—	—
Dividend	—	—	—	(11.7)	—	(11.7)
Redemption premium, dividends and accretion on Convertible Preferred Shares	—	—	—	(22.5)	—	(22.5)
Comprehensive income:						
Net income	—	—	—	53.2	—	53.2
Currency translation adjustment	—	—	—	—	(1.9)	(1.9)
Comprehensive income						51.3
Balance at December 26, 1997	53,600,600	0.5	311.7	32.0	(1.7)	342.8
Capital contributions	—	—	8.0	—	—	8.0
Issuance of ordinary shares upon exercise of stock options	163,000	—	2.6	—	—	2.6
Dividend	—	—	—	(4.0)	—	(4.0)
Dividend paid in connection with the IAT transaction	—	—	4.8	(29.8)	—	(25.0)
Comprehensive income:						
Net income	—	—	—	59.3	—	59.3
Currency translation adjustment	—	—	—	—	(1.2)	(1.2)
Comprehensive income						58.1
Balance at January 1, 1999	53,763,600	$0.5	$327.1	$ 57.8	$(2.9)	$382.5

See accompanying notes

1. General

Fresh Del Monte Produce Inc. (Fresh Del Monte) and its wholly owned subsidiary, FDM Holdings Limited (FDM Holdings), were organized for the purpose of acquiring beneficial ownership and control of all of the outstanding common stock of Fresh Del Monte Produce N.V. (FDP N.V.) and Global Reefer Carriers, Ltd. (GRC) pursuant to a Share Purchase Agreement dated as of December 19, 1996, among Grupo Agrícola Empresarial Mexicano, S.A. de C.V. (GEAM), Fresh Del Monte Produce Inc. and FDM Holdings (the Share Purchase Agreement). Fresh Del Monte is 57.6% owned by IAT Group Inc. which is 100% beneficially owned by members of the Abu-Ghazaleh family. Fresh Del Monte was incorporated under the laws of the Cayman Islands on August 29, 1996 and was initially capitalized by the sale of 35,862,600 ordinary shares for $68.9 million.

On September 17, 1998, Fresh Del Monte acquired 14 wholly owned operating companies from IAT Group Inc. and its shareholders (collectively, such companies are known as IAT and their acquisition is known as the IAT transaction). At the time of the IAT transaction, IAT Group Inc. owned approximately 86% of FG Holdings Limited, which in turn owned approximately 63% of Fresh Del Monte. As a result, the IAT transaction has been accounted for as a combination of entities under common control using the as if pooling of interests method of accounting. The consideration given in the IAT transaction consisted of $25.0 million in cash, the assumption of existing debt of approximately $130.0 million and the issuance to companies controlled by the Abu-Ghazaleh family of six million of Fresh Del Monte's ordinary shares. IAT had operations in Chile, the United States, The Netherlands and Uruguay. IAT was a private international grower and exporter of primarily deciduous fresh fruit and vegetables.

Under the as if pooling of interests method of accounting, the historical results of Fresh Del Monte have been restated to combine the operations of Fresh Del Monte and IAT for all periods subsequent to August 29, 1996, the date Fresh Del Monte and IAT came under common control. The recorded assets and liabilities of Fresh Del Monte and IAT have been carried forward to Fresh Del Monte's consolidated financial statements at their historical amounts. Consolidated earnings of Fresh Del Monte include the earnings of Fresh Del Monte and IAT for all periods subsequent to the date Fresh Del Monte and IAT came under common control. The results of Fresh Del Monte prior to the date Fresh Del Monte and IAT came under common control represent the results of only IAT.

Combined and separate net sales and net income of Fresh Del Monte and IAT for 1997 and 1996 are presented in the following table (U.S. dollars in millions, except per share data):

	Year Ended	
	December 26, 1997	December 27, 1996
Net sales		
Fresh Del Monte	$1,208.4	$ 21.7
IAT	248.6	256.6
Elimination	(4.6)	—
Combined	$1,452.4	$278.3
Net income (loss)		
Fresh Del Monte	$ 43.8	$ (0.7)
IAT	9.4	8.7
Combined	$ 53.2	$ 8.0
Basic and diluted per share income applicable to ordinary shareholders:		
Fresh Del Monte		
Before extraordinary item	$ 0.72	$ (0.10)
Extraordinary charge	$ (0.24)	$ —
Net income	$ 0.48	$ (0.10)
IAT	$ 0.22	$ 1.30
Combined	$ 0.70	$ 1.20

In connection with the IAT transaction, Fresh Del Monte incurred $4.0 million of acquisition expenses which have been expensed in 1998. Acquisition expenses include professional, legal, accounting and other fees.

On December 20, 1996, Fresh Del Monte directly and through its wholly-owned subsidiary, FDM Holdings, acquired ownership and control of all of the outstanding shares of FDP N.V. and GRC pursuant to the Share Purchase Agreement (the FDP/GRC Acquisition). The results of operations of FDP N.V. and GRC are included in the accompanying consolidated financial statements starting December 21, 1996.

The total equity purchase consideration in the FDP/GRC Acquisition consisted of approximately $61.7 million in cash, the issuance by Fresh Del Monte of 55,000 Series 1 Convertible Preferred Shares, each with a par value of $.01 and an initial liquidation preference of $1,000 per share (the Convertible Preferred Shares), with an aggregate assigned fair value of $46.0 million, to GEAM, which was the seller of the shares of FDP N.V. and GRC, and $7.2

million of acquisition costs incurred. In addition, at the time of the FDP/GRC Acquisition, FDP N.V. and GRC had liabilities totaling approximately $544.0 million.

The FDP/GRC Acquisition was accounted for as a purchase and, accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on appraisals and other estimates of their underlying fair values.

The purchase transaction was "pushed-down" to FDP N.V. and GRC. During 1998, Fresh Del Monte decreased the deferred tax asset valuation allowance by $22.3 million due to the expected realization of net operating loss carry forwards and adjusted other tax liabilities which resulted in a decrease in the excess of the purchase price over the fair value of net assets acquired of $17.0 million. The excess of the purchase price over the fair value of net assets acquired of $44.8 million was classified as goodwill and is being amortized over 40 years.

The following is a summary of the purchase price allocated to FDP N.V. and GRC (U.S. dollars in millions):

	Total
Net working capital, including cash of $14.9	$ 105.0
Property, plant and equipment	258.5
Investments in unconsolidated companies	59.9
Deferred income taxes	11.1
Other assets	22.0
Long-term debt	(288.0)
Other noncurrent liabilities	(86.9)
Deferred credit vessel leases	(11.5)
Excess of purchase price over the fair value of net assets acquired	44.8
	$ 114.9

The following unaudited pro forma information presents the 1996 consolidated results of operations of Fresh Del Monte as if the FDP/GRC Acquisition had occurred on December 30, 1995 (U.S dollars in millions, except per share data):

	1996
Net sales	$1,459.9
Cost of products sold	1,329.2
Gross profit	130.7
Selling, general and administrative expenses	66.0
Amortization of goodwill	1.5
Acquisition related expenses	3.2
Special charge to goodwill	138.7
Operating loss	(78.7)
Interest expense	50.5
Interest income	3.3
Other income, net	6.8
Income before provision for income taxes	(119.1)
Provision for income taxes	4.9
Net loss	(124.0)
Dividends and accretion on Convertible Preferred Shares	3.5
Net loss applicable to ordinary shareholders	$ (127.5)
Net loss per share applicable to ordinary shareholders	$ (3.05)
Number of ordinary shares used in the computation	41,862,600

The unaudited pro forma results do not purport to be indicative of the results of operations which actually would have resulted had the FDP/GRC Acquisition occurred on December 30, 1995, or of future results of operations of the consolidated entities.

Fresh Del Monte and its subsidiaries are engaged primarily in the worldwide production, transportation and marketing of fresh produce. Fresh Del Monte and its subsidiaries source their products (bananas, pineapples, deciduous fruit, melons and other fresh produce) from 13 locations in North and South America, the Asia Pacific region and Africa and distribute their products in North America, Europe, the Asia Pacific region and Latin America. Products are sourced from company-owned farms, through joint venture arrangements and through supply contracts with independent growers.

GRC and its subsidiaries are primarily engaged in the maritime transportation on refrigerated vessels of fresh fruit and other produce, principally for FDP N.V. At the date of the FDP/GRC

Acquisition and through December 23, 1997, GRC, through a German subsidiary, had a non-controlling 51% interest in Horn-Linie OHg (Horn-Linie), a partnership organized under the laws of Germany engaged in shipping activities. On December 23, 1997, Fresh Del Monte acquired the remaining 49% minority interest in Horn-Linie (see Note 3). GRC also has a non-controlling 80% limited partnership interest in Internationale Fruchtimport Gesellschaft Weichert & Co. (Interfrucht), a limited partnership organized under the laws of Germany engaged in the distribution of fresh fruit and other produce, principally for FDP N.V., in Germany and other Northern European countries.

On October 29, 1997, Fresh Del Monte sold, in an initial public offering, 11,738,000 ordinary shares, at a public offering price of $16.00 per share (the Initial Public Offering), resulting in net proceeds to Fresh Del Monte of $175.3 million. Of the net proceeds, approximately $106.5 million was used to purchase and retire $100.0 million in aggregate principal amount of the outstanding 10% notes due 2003 (the N.V. Notes) issued by FDP N.V., which resulted in an extraordinary loss of $10.4 million. Of the net proceeds, approximately $68.5 million was used to redeem all the issued and outstanding Convertible Preferred Shares issued to GEAM in the FDP/GRC Acquisition which included a redemption premium of approximately $19.6 million. Fresh Del Monte recorded the redemption premium as a reduction of 1997 net income for purposes of computing net income applicable to ordinary shareholders.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Fresh Del Monte and its majority owned subsidiaries which Fresh Del Monte controls. Fresh Del Monte's year end is the last Friday of the calendar year or the first Friday subsequent to the end of the calendar year. IAT's fiscal year end is September 30. As a result, the accompanying consolidated financial statements include the financial position of IAT as of September 30, 1998 and September 30, 1997 and the results of operations of IAT for the years ended September 30, 1998, 1997 and 1996. During the three month period ended January 1, 1999, $77.2 million was advanced by Fresh Del Monte to IAT. Of this amount, $57.9 was used for the repayment of existing IAT debt and such repayments have been reflected as a reduction of debt in the accompanying consolidated balance sheets. The remaining $19.3 million was not eliminated in the accompanying consolidated balance sheet as of January 1, 1999 due to the different fiscal year-ends. As such, this amount has been included in "Prepaid expenses and other current assets" in the accompanying consolidated balance sheet. All other significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

Preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Cash and Cash Equivalents

Fresh Del Monte classifies as cash equivalents all highly liquid investments with a maturity of three months or less at the time of purchase.

Inventories

Inventories are valued at the lower of cost or market. Cost is computed using the weighted average cost method for fresh produce, principally in-transit, and the first-in first-out, actual cost or average cost methods for raw materials and packaging supplies. Raw materials inventory consists primarily of spare parts and agricultural supplies.

Growing Crops

Expenditures on pineapple, deciduous fruit and melon growing crops are deferred and charged to income when the related crop is harvested and sold. The deferred growing costs consist primarily of land preparation, cultivation, irrigation and fertilization costs. Expenditures related to banana crops are expensed as incurred.

Investments in Unconsolidated Companies

Investments in unconsolidated companies are accounted for under the equity method of accounting for investments in 20% to 50% owned companies and for investments in over 50% owned companies over which Fresh Del Monte does not have control.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is recorded following the straight-line method over the estimated useful lives of the assets, which ranges from 10 to 30 years for buildings, 10 to 20 years for ships and containers, 2 to 20 years for machinery and equipment, 3 to 20 years for furniture, fixtures and office equipment and 2 to 10 years for automotive equipment. Leasehold improvements are amortized over the life of the lease or the related asset, whichever is shorter. 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 when incurred. Significant expenditures, which extend useful lives of assets, are capitalized. Costs related to land improvements for banana, pineapple, and deciduous fruit agricultural projects are deferred during the formative stage and are amortized over the estimated life of the project.

Goodwill

Goodwill is amortized on a straight-line basis over 40 years. Fresh Del Monte continually assesses the carrying value of goodwill in order to determine whether an impairment has occurred. This assessment takes into account both historical and forecasted results of operations including consideration of a terminal value.

Impairment of Long-Lived Assets

Fresh Del Monte accounts for the impairment of long-lived assets under Statement of Financial Accounting Standards No. 121, ''Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of'' (SFAS No. 121). SFAS No. 121 requires impairment losses 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. Based on current circumstances, Fresh Del Monte does not believe that any impairment indicators are present.

Revenue Recognition

Revenue is recognized on sales of products when the customer receives title to the goods, generally upon delivery.

Cost of Products Sold

Cost of products sold includes the cost of produce, packaging materials, labor and overhead, ocean and inland freight and other distribution costs.

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 effect taxable income. Valuation allowances are established when deemed more likely than not that future taxable income will not be sufficient to realize income tax benefits. Generally, income tax expense is the tax payable for the year and the net change during the year in deferred tax assets and liabilities.

Deferred Credit Vessel Leases

Deferred credit vessel leases represents the excess of amounts due under long-term operating leases of six vessels over the estimated fair value of such leases. At the time of the FDP/GRC Acquisition on December 20, 1996, Fresh Del Monte revalued the liability for deferred credit vessel leases to its fair value of $14.5 million. On January 1, 1999 and December 26, 1997, $2.9 million and $7.6 million, respectively, were classified as deferred credit vessel leases and $4.7 million and $3.9 million were included in accrued expenses as of January 1, 1999 and December 26, 1997, respectively. These amounts are amortized over the remaining life of the leases, which expire during the year 2000.

Currency Translation

For Fresh Del Monte's 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 at the average exchange rate for the year. The gains and losses resulting from the changes in exchange rates from year to year are recorded as a separate component of shareholders' equity.

For Fresh Del Monte's other operations where the functional currency is the U.S. dollar or where the operations are located in highly inflationary countries, non-monetary assets 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 depreciation, are translated at the average rate for the year. These translation adjustments are included in the determination of net income.

Other income, net in the accompanying consolidated statements of income includes approximately $(1.5) million, $(2.0) million, and $0.8 million in net gains/(losses) on foreign exchange for 1998, 1997 and 1996, respectively. These amounts include the effect of foreign currency translation and realized foreign currency gains and losses.

Net Income Per Ordinary Share

In 1997, Fresh Del Monte adopted Statement of Financial Accounting Standards No. 128, ''Earnings Per Share'' (SFAS No. 128). SFAS No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Basic earnings per share will typically be higher than primary earnings per share due to the exclusion of any dilutive effects of options, warrants and convertible securities from the calculation. Diluted earnings per share is similar to the previously reported fully diluted earnings per share. The adoption of SFAS No. 128 had no impact on Fresh Del Monte.

Net income per ordinary share represents the net income applicable to ordinary shareholders after deducting the redemption premium, dividends and accretion on the Convertible Preferred Shares. Net income per ordinary share is computed by dividing the net income applicable to ordinary shareholders by the weighted average number of ordinary shares outstanding during such year.

Stock Based Compensation

Statement of Financial Accounting Standards No. 123, ''Accounting for Stock-Based Compensation'' (SFAS No. 123) encourages, but does not require, companies to record stock-based compensation plans at fair value. Fresh Del Monte has chosen, as allowed by the provisions of SFAS No. 123, to account for its Stock Plan under Accounting Principles Board Opinion No. 25, ''Accounting for Stock Issued to Employees'' (APB No. 25) and related interpretations. Under APB No. 25, because the exercise price of Fresh Del Monte's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recorded. SFAS No. 123 requires disclosure of the estimated fair value of employee stock options granted after 1994 and pro forma financial information assuming compensation expense was recorded using these fair values.

Off Balance Sheet Risk

Fresh Del Monte enters into currency forward contracts as a hedge against certain currency exposures, principally relating to sales made in Europe and in the Asia Pacific region. Gains and losses on these contracts are included in income when the contracts are closed and are included in other income, net in the accompanying consolidated statements of income.

Reclassifications

Certain amounts from 1997 and 1996 have been reclassified to conform to the 1998 presentation.

New Accounting Pronouncements

In 1998, Fresh Del Monte adopted Statement of Financial Accounting Standards No. 130, ''Reporting Comprehensive Income'' (SFAS No. 130), which establishes standards for reporting and displaying comprehensive income. SFAS No. 130 affected Fresh Del Monte's disclosure information only.

In 1998, Fresh Del Monte adopted Statement of Financial Accounting Standards No. 131, ''Disclosures about Segments of an Enterprise and Related Information'' (SFAS No. 131). SFAS No. 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. The adoption of SFAS No. 131 affected Fresh Del Monte's disclosure information only.

In 1998, Fresh Del Monte adopted Statement of Financial Accounting Standards No. 132, ''Employers' Disclosures about Pensions and Other Postretirement Benefits – an amendment of FASB Statements No. 87, 88 and 106'' (SFAS No. 132). SFAS No. 132 revises employers' disclosures about pension and other postretirement benefit plans. It does not change the measurement or recognition of those plans, therefore, the adoption of SFAS No. 132 affected Fresh Del Monte's disclosure information only.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, ''Accounting for Derivative Instruments and Hedging Activities'' (SFAS No. 113) which is effective for fiscal quarters of fiscal years beginning after June 15, 1999. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Fresh Del Monte plans to adopt SFAS No. 133 in the year 2000 and is currently assessing the impact this statement will have on its consolidated financial statements.

3. Acquisitions

National Poultry

On November 25, 1998, Fresh Del Monte acquired a 62% majority interest in National Poultry Company PLC (National Poultry), a publicly traded company in Jordan, engaged in the poultry business. The total consideration paid was $11.9 million, of which approximately $6.4 million was used to pay down existing debt. The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on estimates of their underlying fair values. The excess purchase price over the fair value of the net assets acquired of $0.8 million has been classified as goodwill and is being amortized over 10 years. The allocation of the purchase price is preliminary pending finalization of appraisals and other estimates. A portion of the acquired shares were purchased from members of the Abu-Ghazaleh family for a total purchase price of $4.5 million, based on a fairness opinion from an independent party.

The following unaudited pro forma information presents a summary of 1998 consolidated results of operations of Fresh Del Monte as if the acquisition of National Poultry had occurred on December 27, 1997 (U.S dollars in millions, except per share data):

	1998
Net sales	$1,615.1
Income before extraordinary item	74.2
Net income	$ 56.1
Net income per ordinary share	$ 1.04
Number of ordinary shares used in computation	53,774,831

The unaudited pro forma results do not purport to be indicative of the results of operations which actually would have resulted had the acquisition of National Poultry occurred on December 27, 1997, or of future results of operations of the consolidated entities.

Horn-Linie

On December 23, 1997, Fresh Del Monte acquired the remaining 49% minority interest in Horn-Linie. The total consideration paid in connection with the acquisition was $14.7 million and the assumption of approximately $22.3 million in liabilities (including $10.8 million in long-term debt). The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on appraisals and other estimates of their underlying fair values. The excess purchase price over the fair value of the net assets acquired of $6.0 million has been classified as goodwill and is being amortized over 40 years. The acquisition was financed through a loan secured by a mortgage on two of Horn-Linie's multi-purpose refrigerated vessels (see Note 12). The loan amount of $26.0 million includes the consideration paid in connection with the acquisition as well as approximately $10.8 million in existing debt that was refinanced. For the year ended December 26, 1997, Fresh Del Monte accounted for the earnings from its investment in Horn-Linie using the equity method of accounting (see Note 5).

The following unaudited pro forma information presents a summary of 1997 consolidated results of operations of Fresh Del Monte as if the acquisition of the remaining 49% interest in Horn-Linie had occurred on December 28, 1996 (U.S dollars in millions, except per share data):

	1997
Net sales	$1,461.4
Income before extraordinary item	64.6
Net income	54.2
Net income applicable to ordinary shareholders	$ 31.7
Net income per ordinary share	$ 0.72
Number of ordinary shares used in computation	43,765,188

The unaudited pro forma results do not purport to be indicative of the results of operations which actually would have resulted had the acquisition of the remaining 49% interest in Horn-Linie occurred on December 28, 1996, or of future results of operations of the consolidated entities.

4. Inventories

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

	January 1, 1999	December 26, 1997
Fresh produce, principally in-transit	$ 46.5	$ 32.9
Raw materials and packaging supplies	62.0	58.6
Growing crops	51.3	44.8
	$159.8	$136.3

5. Investments in and Advances to Unconsolidated Companies

Fresh Del Monte accounts for investments in 20% to 50% owned companies and for investments in over 50% owned companies over which Fresh Del Monte does not have control under the equity method of accounting. Investments in unconsolidated companies accounted for under the equity method amounted to $55.7 million and $52.6 million at January 1, 1999 and December 26, 1997, respectively. At January 1, 1999 and December 26, 1997, net amounts receivable from unconsolidated companies, which are included in advances to growers and other receivables in the accompanying consolidated balance sheets, amounted to $8.8 million and $2.4 million, respectively.

These unconsolidated companies are engaged in the manufacturing of corrugated boxes (Compañia Industrial Corrugadora Guatemala, S.A. – 50% owned); manufacturing of plastic products (Plastic Omnium S.A., Chile – 49% owned); maritime transportation (Horn-Linie – a non-controlling 51% interest through December 23, 1997 (see Note 3)); and the production and distribution of fresh fruit and other produce (Davao Agricultural Ventures Corporation – 40% owned; Agricola Villa Alegre, Ltda – 50% owned; various melon farms – 50% owned; Interfrucht – a non-controlling 80% interest (see Note 1)).

Purchases from these companies were $55.5 million, $50.5 million and $2.7 million for 1998, 1997 and 1996, respectively.

Combined financial data of these companies is summarized as follows (U.S. dollars in millions):

	January 1, 1999	December 26, 1997
Current assets	$ 55.7	$ 47.1
Noncurrent assets	81.1	82.6
Current liabilities	(32.6)	(23.0)
Noncurrent liabilities	(9.6)	(19.1)
Net worth	$ 94.6	$ 87.6

	Year Ended		
	January 1, 1999	December 26, 1997	December 27, 1996
Net sales	$263.0	$285.8	$13.2
Gross profit	23.6	23.5	0.1
Net income	12.4	16.4	(0.3)

Fresh Del Monte's portion of earnings in unconsolidated companies amounted to $8.9 million in 1998, $9.0 million in 1997 and $(0.2) million in 1996 and is included in other income, net in the accompanying consolidated statements of income.

6. Property, Plant and Equipment

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

	January 1, 1999	December 26, 1997
Land and land improvements	$181.2	$191.5
Buildings and leasehold improvements	114.6	106.7
Ships and containers	156.0	138.9
Machinery and equipment	91.3	69.9
Furniture, fixtures and office equipment	17.2	13.9
Automotive equipment	15.9	12.6
Construction-in-progress	23.4	8.0
	599.6	541.5
Less accumulated depreciation	(96.1)	(66.2)
	$503.5	$475.3

Depreciation and amortization expense amounted to $33.1 million, $26.7 million and $10.9 million for 1998, 1997 and 1996, respectively.

Buildings, containers, machinery and equipment and automotive equipment under capital leases totaled $16.3 million and $14.9 million at January 1, 1999 and December 26, 1997, respectively. Accumulated amortization for assets under capital leases was $1.5 million and $1.6 million at January 1, 1999 and December 26, 1997, respectively.

7. Hurricane Mitch

Fresh Del Monte recorded a charge in 1998 of $26.5 million in asset write-offs and other costs, net of insurance proceeds already received as of February 18, 1999 of $3.0 million, due to damage incurred to its Guatemalan operations as a result of excessive flooding caused by Hurricane Mitch.

Fresh Del Monte maintains insurance for both property damage and business interruption applicable to its production facilities including its operations in Guatemala. The policies providing the coverages are subject to deductibles of $0.1 million for property damage and business interruption. Fresh Del Monte is pursuing additional recoveries under both its property damage and business interruption coverages related to the damage of its operations in Guatemala. The amount of total recoveries cannot be estimated at this time.

8. Other Noncurrent Assets

Included in other noncurrent assets at January 1, 1999 and December 26, 1997 are $14.3 million and $7.0 million, respectively, related to a real estate project under construction in South America. Fresh Del Monte will recognize revenue as units are sold. No sales have been recorded as of January 1, 1999.

9. Accounts Payable and Accrued Expenses

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

	January 1, 1999	December 26, 1997
Trade payables	$ 97.1	$ 89.4
Payroll and employee benefits	11.4	11.8
Vessel and port operating expenses	12.4	9.1
Accrued interest payable	2.8	6.1
Current portion of deferred credit vessel leases	4.7	3.9
Other payables and accrued expenses	66.4	45.0
	$194.8	$165.3

10. Provision for Income Taxes

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

	Year Ended		
	January 1, 1999	December 26, 1997	December 27, 1996
Current:			
U.S. federal income tax	$ 4.5	$ 4.7	$ 0.1
State	0.5	0.4	—
Non-U.S.	4.9	8.8	(0.6)
	9.9	13.9	(0.5)
Deferred:			
U.S.	1.5	(0.1)	0.2
Non-U.S.	0.8	(0.7)	(0.3)
Provision for income taxes	$12.2	$13.1	$(0.6)

Total income tax payments during 1998, 1997 and 1996 were $7.4 million, $6.9 million and $0.1 million, respectively.

Income before provision (benefit) for income taxes and extraordinary item consisted of the following (U.S. dollars in millions):

	Year Ended		
	January 1, 1999	December 26, 1997	December 27, 1996
United States	$14.7	$ 9.1	$0.6
Non-U.S.	74.9	67.6	6.8
	$89.6	$76.7	$7.4

The differences between the reported provision (benefit) 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		
	January 1, 1999	December 26, 1997	December 27, 1996
Income tax provision computed at the U.S. statutory federal income tax rate	$ 31.4	$ 26.1	$ 2.5
Effect of non-U.S. operations and tax rates	(19.1)	(12.1)	(3.1)
Other	(0.1)	(0.9)	—
	$ 12.2	$ 13.1	$(0.6)

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

	January 1, 1999	December 26, 1997
Deferred tax liabilities:		
Inventories	$ (7.7)	$ (1.0)
Investments	(1.8)	(1.8)
Depreciation	(14.1)	(14.6)
Equity in earnings of unconsolidated companies	(3.5)	(3.5)
Other, net	—	(0.9)
Total deferred tax liabilities	(27.1)	(21.8)
Deferred tax assets:		
Pension liability	2.9	4.0
Post-retirement benefits other than pension	6.4	6.9
Net operating loss carryforwards (non U.S.)	20.6	28.1
Other, net	6.1	7.2
Total deferred tax assets	36.0	46.2
Valuation allowance	(14.2)	(36.5)
Net deferred tax liabilities	$ (5.3)	$(12.1)

The valuation allowance established with respect to the deferred tax assets relates primarily to net operating losses and employee benefit accruals in taxing jurisdictions where, due to Fresh Del Monte's current and foreseeable operations within the various jurisdictions, it is deemed more likely than not that future taxable income will not be sufficient within such jurisdictions to realize the related income tax benefits. During 1998, the valuation allowance decreased by $22.3 million (see Note 1).

11. Notes Payable to Banks

In connection with the FDP/GRC Acquisition, FDP N.V. entered into a revolving collateralized credit facility with two major financial institutions. Under this facility, FDP N.V., through specified subsidiaries, could borrow up to $100.0 million. There were no outstanding borrowings under this credit facility at December 26, 1997. On May 19, 1998, this credit facility was replaced with a $350.0 million five-year syndicated credit facility which was increased to $389.0 million on December 15, 1998 (see Note 12).

Also, in 1997 Fresh Del Monte had approximately $104.0 million of working capital facilities with various banks in South America, North America and Europe bearing interest at rates ranging from LIBOR plus 2% to LIBOR plus 4.3%. At December 26, 1997, there were borrowings outstanding of $45.6 million under these working capital facilities. The working capital facilities were secured by various assets of IAT and were guaranteed by IAT Group Inc.

Fresh Del Monte has $10.6 million of working capital revolving credit facilities with various other banks in Japan and Latin America. These facilities expire at various dates starting on January 31, 1999 and bear interest at rates ranging from 2.125% to Prime plus 2%. At January 1, 1999 and December 26, 1997, there were no borrowings outstanding under these credit facilities.

The weighted average interest rate on borrowings under short-term credit facilities for 1998 and 1997 was 10.31% and 8.55%, respectively. The cash payments for interest on notes payable to banks and other financial institutions were $6.1 million, $7.0 million and $4.7 million for 1998, 1997 and 1996, respectively.

12. Long-Term Debt

The following is a summary of long term-debt (U.S. dollars in millions):

	January 1, 1999	December 26, 1997
$389.0 million five-year syndicated credit facility (see below)	$264.0	$ —
N.V. Notes bearing interest at 10%, interest only payable semi-annually, principal due in 2003 (see below).	—	193.3
Term notes bearing interest at various rates ranging from LIBOR plus 1.25% (6.31% at January 1, 1999) to 7.14%, payable in quarterly installments of principal and interest maturing from August 2001 to January 2005 with a balloon payment of $6.9 million due in January 2005 secured by mortgages on five of Fresh Del Monte's vessels.	33.4	31.1
Mortgage notes payable to financial institutions, various rates ranging from LIBOR plus 1.6% to LIBOR plus 1.8% (6.7% to 6.9% at January 1, 1999), due 1999 to 2002, secured by five vessels and refrigerated containers.	35.0	44.4
Notes payable to banks, bearing interest at various rates ranging from LIBOR plus 1.75% to LIBOR plus 4.5% (6.81% to 9.56% at January 1, 1999), due 1999 to 2006, secured by certain assets of Fresh Del Monte's operations in Chile and California.	2.9	26.1
Other	6.3	2.3
Total	341.6	297.2
Less current portion	(14.3)	(19.7)
	$327.3	$277.5

At the FDP/GRC Acquisition date, FDP N.V. had $300 million in N.V. Notes outstanding (see Note 1). At that date, the N.V. Notes were recorded at their fair market value of $288.0 million. The difference between the face value of the N.V. Notes and their fair value was being accreted by periodic charges to interest expense over the remaining life of the debt. Fresh Del Monte used approximately $106.5 million of the net proceeds from the Initial Public Offering (see Note 1) to purchase and retire $100.0 million in aggregate principal amount of the then outstanding N.V. Notes, which resulted in an extraordinary loss of $10.4 million.

On May 19, 1998, FDP N.V. completed its tender offer to purchase the remaining $200.0 million of outstanding N.V. Notes and solicitation of consents to certain proposed amendments to the indenture under which the N.V. Notes were issued. Approximately 98.4%, or $196.8 million, of the N.V. Notes were purchased in the tender offer. The purchase was funded by a drawdown of $207.9 million from a $350.0 million, five-year syndicated credit facility (the Revolving Credit Facility) entered into by Fresh Del Monte, and certain wholly-owned subsidiaries of Fresh Del Monte, with Rabobank International, New York Branch, as agent, which replaced Fresh Del Monte's then existing $100.0 million revolving credit facility. The remaining N.V. Notes were redeemed in June 1998 at a redemption price of $1,050 for each $1,000 principal amount of N.V. Notes being redeemed, plus accrued interest to the date of redemption. Completion of the tender offer and the redemption resulted in an extraordinary charge of $18.1 million.

On December 15, 1998, the Revolving Credit Facility was amended to increase the borrowing level to $389.0 million. The Revolving Credit Facility includes a swing line facility, a letter of credit facility and an exchange contract facility. The Revolving Credit Facility is collateralized directly or indirectly by substantially all of Fresh Del Monte's assets. The facility expires on May 19, 2003, and permits borrowings with an interest rate based on a spread over the London Interbank offered rate (LIBOR). Outstanding borrowings at January 1, 1999 were $264.0 million, bearing interest at an average interest rate of 6.7%.

The Revolving Credit Facility contains covenants which require Fresh Del Monte to maintain certain minimum financial ratios, limits the payment of future dividends and contains a semi annual reduction in the borrowing level of $10.8 million, commencing May 1, 1999. In connection with the Revolving Credit Facility, Fresh Del Monte entered into an interest rate swap agreement expiring in 2003 with the same bank to limit the effect of increases in interest rates on a portion of the Revolving Credit Facility. The nominal amount of the swap decreases over its life from $150.0 million in the first three months, to $53.6 million in the last three months. The cash differentials paid or received on the swap agreement are accrued and recognized as adjustments to interest expense. Interest expense related to the swap agreement for 1998 amounted to $0.7 million. At January 1, 1999, Fresh Del Monte applied $17.0 million of available credit under this facility towards the issuance of letters of credit, of which $11.5 million was required pursuant to agreements with the owners of certain vessels on long-term charter which will be reduced $2.5 million quarterly through March 2000.

In connection with the acquisition of Horn-Linie (see Note 3), GRC, one of Fresh Del Monte's subsidiaries, entered into a note payable with a bank in the amount of $26.0 million (the GRC Term Note). The proceeds from the GRC Term Note were used to fund the acquisition price of $14.7 million, to repay $10.8 million of assumed debt, and to fund working capital. The GRC Term Note is secured by a mortgage on two of Fresh Del Monte's multi-purpose refrigerated vessels.

Cash payments of interest on long-term debt were $22.3 million, $34.6 million and $5.3 million for 1998, 1997 and 1996, respectively.

Maturities on long-term debt during the next five years are (U.S. dollars in millions):

1999	$ 14.3
2000	15.9
2001	19.1
2002	11.8
2003	268.1
Thereafter	12.4
	$341.6

13. Capital Lease Obligations

Fresh Del Monte leases certain buildings, machinery and equipment and vehicles under capital leases. These lease obligations are payable in monthly installments. The future minimum lease payments at January 1, 1999 are as follows (U.S. dollars in millions):

1999	$ 3.6
2000	3.1
2001	3.0
2002	3.0
2003	2.1
Total payments remaining under capital leases	14.8
Less amount representing interest	(2.2)
Present value of capital leases	12.6
Less current portion	(2.9)
Capital lease obligations, net of current portion	$ 9.7

14. Convertible Preferred Shares

In connection with the FDP/GRC Acquisition, Fresh Del Monte issued 55,000 Series 1 Convertible Preferred Shares with a face amount of $55.0 million (see Note 1). Cumulative dividends were payable in kind at a fixed annual rate of 6% beginning June 30, 1997, and commencing in January 2002, dividends were payable in cash at a rate of 8% per year. Each Convertible Preferred Share had an initial liquidation preference of $1,000 and was convertible into shares of Fresh Del Monte's Class B ordinary shares initially representing 20% of Fresh Del Monte's ordinary shares. In connection with the acquisition, the Convertible Preferred Shares were recorded at fair value at the date of issuance less issue costs. The excess of the preference over the fair value was being accreted by periodic charges to retained earnings over the original life of the issue resulting in an effective interest rate of 9%. The terms of the Convertible Preferred Shares restricted, among other things, the sale of Fresh Del Monte and certain other significant transactions by Fresh Del Monte.

On October 29, 1997, Fresh Del Monte completed its Initial Public Offering (see Note 1). Fresh Del Monte used $68.5 million of the net proceeds from the Initial Public Offering to redeem all of its issued and outstanding Convertible Preferred Shares with a book value of $48.9 million. As a result of the redemption, Fresh Del Monte recorded a $19.6 million charge to retained earnings, representing the difference between the redemption price and the book value of the Convertible Preferred Shares.

15. Earnings Per Share

Basic and diluted per share income applicable to ordinary shareholders is calculated as follows (U.S. dollars in millions, except per share data):

	Year Ended		
	January 1, 1999	December 26, 1997	December 27, 1996
Numerator:			
Income before extraordinary item	$ 77.4	$ 63.6	$ 8.0
Extraordinary charge on early extinguishment of debt	18.1	10.4	—
Net income	59.3	53.2	8.0
Redemption premium, dividends and accretion on Convertible Preferred Shares	—	(22.5)	—
Net income applicable to ordinary shareholders	$ 59.3	$ 30.7	$ 8.0
Denominator:			
Denominator for basic earnings per share – weighted average number of ordinary shares outstanding	53,632,656	43,765,188	6,687,776
Effect of dilutive securities:			
Employee stock options	119,152	—	—
Shares issuable in connection with an acquisition	23,023	—	—
Denominator for diluted earnings per share	53,774,831	43,765,188	6,687,776
Basic and diluted per share income applicable to ordinary shareholders:			
Before extraordinary item	$ 1.44	$ 0.94	$ 1.20
Extraordinary charge	$ (0.34)	$ (0.24)	$ —
Net income	$ 1.10	$ 0.70	$ 1.20

16. Retirement and Other Employee Benefits

Fresh Del Monte sponsors three non-contributory defined benefit pension plans which cover substantially all of its U.S. based employees. These plans provide benefits based on the employees' years of service and qualifying final average compensation.

Fresh Del Monte's funding policy 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 assets of the plans would be adequate to provide benefits. Substantially all of the plans' assets are invested in fixed income and equity funds.

As of July 31, 1997, a subsidiary of Fresh Del Monte "froze" (i.e., ceased accruing benefits under) its cash balance pension plan covering all salaried employees who are U.S. based and work a specified minimum number of hours. The hypothetical account balances under such plan will continue to be credited with monthly interest and participants who are not fully vested in such plan will continue to earn vesting services after July 31, 1997.

Fresh Del Monte provides contributory health care benefits to its U.S. retirees and their dependents. Fresh Del Monte has recorded a liability equal to the unfunded accumulated benefit obligation as required by the provisions of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" (SFAS No. 106). SFAS No. 106 requires that the cost of these benefits, which are primarily for health care and life insurance, be recognized in the financial statements throughout the employees' active working careers. Claims under the plan are funded by Fresh Del Monte as they are incurred and, accordingly, the plan has no assets.

The weighted average discount rate used in determining the accumulated benefit obligation for postretirement pension benefit obligation was 6.75% and 7.25% at January 1, 1999 and December 26, 1997. For measuring the liability as of January 1, 1999, a 6.75% annual rate of increase in real medical inflation, declining gradually to 4.75% by the year 2003 and thereafter, were assumed.

The assumptions used in the calculation of the actuarial present value of the projected benefit obligation and expected long-term return on plan assets for Fresh Del Monte's defined benefit pension plans consisted of the following:

	January 1, 1999	December 26, 1997
Weighted average discount rate	6.00% - 7.25%	6.50% - 7.25%
Rate of increase in compensation levels	4.50%	2.50% - 4.50%
Expected long-term return on assets	7.75% - 8.75%	8.75%

The following table sets forth a reconciliation of benefit obligations, plan assets and funded status for Fresh Del Monte's defined benefit pension plans and post retirement pension plan as of January 1, 1999 and December 26, 1997 (U.S. dollars in millions):

	Postretirement Plan		Defined Benefit Plans	
	January 1, 1999	December 26, 1997	January 1, 1999	December 26, 1997
Changes in Benefit Obligation:				
Benefit obligation at beginning of period	$ 19.6	$ 16.5	$32.1	$30.7
Service cost	0.3	0.6	0.3	0.9
Interest cost	0.7	1.3	2.2	2.4
Actuarial (gain)/loss	(8.9)	1.3	2.2	(0.3)
Benefits paid	(0.5)	(0.1)	(3.3)	(3.4)
Horn-Linie acquisition	—	—	—	1.8
Foreign exchange translation	—	—	0.2	—
Benefit obligation at end of period	$ 11.2	$ 19.6	$33.7	$32.1
Change in Plan Assets:				
Fair value of plan assets at beginning of period	$ —	$ —	$29.2	$27.6
Actual return on plan assets	—	—	3.1	3.8
Employer contribution	0.5	0.1	0.6	1.2
Benefits paid	(0.5)	(0.1)	(3.3)	(3.4)
Fair value of plan assets at end of period	$ —	$ —	$29.6	$29.2
Reconciliation:				
Funded status	$(11.2)	$(19.6)	$ (4.1)	$ (2.9)
Unrecognized net (gain)/loss	(7.0)	1.3	0.3	(0.6)
Accrued benefit cost	$(18.2)	$(18.3)	$ (3.8)	$ (3.5)

The following table sets forth the net periodic pension cost of Fresh Del Monte's defined benefit pension plans for 1998 and 1997. There was no periodic pension cost for 1996 (U.S. dollars in millions):

	Year Ended	
	January 1, 1999	December 26, 1997
Service cost-benefits earned during the period	$ 0.3	$ 0.8
Interest cost on projected benefit obligation	2.2	2.2
Return on assets	(2.1)	(3.8)
Net amortization and deferral	—	1.6
Net periodic pension expense for defined benefit plans	$ 0.4	$ 0.8

The following table sets forth the net periodic pension cost of Fresh Del Monte's postretirement pension plan for 1998 and 1997. There was no periodic pension cost for 1996 (U.S. dollars in millions):

	Year Ended	
	January 1, 1999	December 26, 1997
Service cost-benefits earned during the period	$ 0.3	$0.6
Interest cost on accumulated postretirement benefit obligation	0.7	1.3
Net amortization of deferred gain	(0.6)	—
Net periodic postretirement benefit cost	$ 0.4	$1.9

The cost trend rate assumption has a significant impact on the amounts reported. For example, increasing the cost trend rate 1% each year would increase the accumulated postretirement benefit obligation by $1.6 million and $2.7 million at January 1, 1999 and December 26, 1997, respectively, and would increase the total of the service and interest cost components of net periodic postretirement benefit cost by $0.2 million and $0.3 million for 1998 and 1997, respectively.

Fresh Del Monte also participates in several multi-employer pension plans for the benefit of its U.S. employees who are union members. In 1997, Fresh Del Monte ceased certain of its stevedoring operations performed by one of its subsidiaries, reducing its participation in these plans. The data available from administrators of the multi-employer pension plans is not sufficient to determine the accumulated benefit obligations, or the net assets attributable to the multi-employer plans in which Fresh Del Monte employees participate.

Fresh Del Monte also sponsors 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 Fresh Del Monte 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 $0.3 million for 1998 and 1997. There was no expense for this plan during 1996.

Fresh Del Monte provides retirement benefits to substantially all 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. The majority of these programs are commonly referred to as termination indemnities which provide retirement benefits in accordance with programs mandated by the governments of the countries in which such employees work. The expense pertaining to these programs was $6.4 million, $8.8 million and $0.7 million for 1998, 1997 and 1996, respectively.

Funding generally occurs when employees cease active service. The most significant of these programs pertains to one of Fresh Del Monte's subsidiaries in Central America for which a liability of $24.9 million and $23.3 million was recorded at January 1, 1999 and December 26, 1997, respectively. Expenses for this program for 1998 and 1997 amounted to $3.4 million and $4.8 million, respectively, including service cost earned of $1.7 million and $3.2 million, and interest of $1.7 million and $0.9 million, respectively.

As of August 31, 1997, a subsidiary of the Fresh Del Monte "froze" (i.e., ceased accruing benefits under) its salary continuation plan covering all Latin American management personnel. At January 1, 1999 and December 26, 1997, Fresh Del Monte had $8.2 million and $10.1 million, respectively, accrued for this plan.

17. Stock Options

Effective upon the completion of the Initial Public Offering, Fresh Del Monte established a share option plan pursuant to which options to purchase ordinary shares may be granted to certain directors, officers and key employees of Fresh Del Monte chosen by the Board of Directors (the Option Plan). Under the Option Plan, the Board of Directors is authorized to grant options to purchase an aggregate of 2,380,030 ordinary shares. Under this plan, options have been granted to directors, officers and other key employees to purchase ordinary shares of Fresh Del Monte at the fair market value at the date of grant.

The exercise price of a stock option granted under the Option Plan is not less than fair market value of the ordinary shares on the date of grant. Twenty percent of the options vest immediately and the remaining options vest in equal installments over the next four years and may be exercised over a period not in excess of ten years.

A summary of Fresh Del Monte's stock option activity and related information is as follows:

	Number of Shares	Option Price	Weighted Average Exercise Price
Options outstanding at December 28, 1996	—	—	—
Granted	1,355,000	$16.00	$16.00
Exercise	—	—	—
Canceled	—	—	—
Options outstanding at December 26, 1997	1,355,000	$16.00	$16.00
Granted	60,000	$14.22	$14.22
Exercised	(163,000)	$16.00	—
Canceled	(25,000)	$16.00	—
Options outstanding at January 1, 1999	1,227,000	$14.22 - $16.00	$15.91
Exercisable at January 1, 1999	390,000		
Exercisable at December 26, 1997	271,000		

The weighted average remaining contractual life of options outstanding at January 1, 1999 is approximately nine years.

SFAS No. 123 requires pro forma information regarding net income and earnings per share determined as if Fresh Del Monte had accounted for its employee stock options under the fair value method of SFAS No. 123. The fair value for the outstanding options was estimated at the date of grant using a Black-Scholes option pricing model.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility.

For purposes of pro forma disclosures required by SFAS No. 123, the estimated fair value of the options is amortized to expense over the options' vesting period. Fresh Del Monte's 1998 and 1997 pro forma information follows (U.S. dollars in millions, except per share data):

	Year Ended	
	January 1, 1999	December 26, 1997
Net income	$56.9	$52.8
Net income applicable to ordinary shares	56.9	30.3
Net income per ordinary share	$1.06	$0.69

The fair value of each option grant is estimated at $9.25 and $8.76 in 1998 and 1997, respectively, on the date of grant using the Black-Scholes option-pricing model using the following assumptions: dividend yield of 0%, expected volatility of 0.766 in 1998 and 0.568 in 1997, risk free interest rate of 4.53% in 1998 and 5.75% in 1997 and expect lives of five years.

In accordance with APB No. 25, because the exercise price of Fresh Del Monte's employee stock options equaled the market price of the underlying stock on the date of grant, no compensation expense was recorded for 1998 or 1997 in connection with the Option Plan.

18. Commitments and Contingencies

Fresh Del Monte leases agricultural land and certain property, plant and equipment, including office facilities and vessels, under operating leases. The aggregate minimum rental payments under all operating leases with initial terms of one year or more at January 1, 1999 are as follows (U.S. dollars in millions):

1999	$27.0
2000	15.4
2001	5.0
2002	4.8
2003	4.7
Thereafter	6.1
	$63.0

Total rent expense for all operating leases amounted to $59.7 million, $51.5 million and $1.2 million for 1998, 1997 and 1996, respectively, of which $43.4 million and $39.9 million in 1998 and 1997, respectively, pertained to vessel charter lease commitments.

Fresh Del Monte also has agreements to purchase substantially all of the production of certain independent growers in Costa Rica, Guatemala, Ecuador, Cameroon, Colombia, Indonesia, Chile and the Philippines. Total purchases under these agreements amounted to $481.2 million, $327.9 million and $37.9 million for 1998, 1997 and 1996, respectively.

In connection with the construction of certain vessels, FDP N.V. entered into a deposit financing agreement with two Spanish banks whereby funds irrevocably deposited with such banks earn interest at a rate in excess of the interest rate on related loans from such banks. Based on this deposit financing agreement, FDP N.V. will not require further funding to pay the outstanding loans. At January 1, 1999, the related bank deposits/interest differential benefit and bank loans, each aggregating $7.1 million, were offset in the accompanying financial statements since the loans will be repaid by the deposits and related interest differential benefit.

Two of Fresh Del Monte's subsidiaries guarantee the debt on vessels owned by Interfrucht. The debt totaled $7.1 million and $8.6 million at January 1, 1999 and December 26, 1997, respectively.

19. Litigation

Beginning in December 1993, three of Fresh Del Monte's subsidiaries have been defendants in a series of similar actions filed in the United States, Costa Rica and the Philippines that allege that numerous foreign plaintiffs were injured during the 1970s and 1980s by exposure to a nematocide containing the chemical Dibromochloropropane (DBCP). There were approximately 24,000 claimants associated with these actions. All of the actions that were pending in the United States have been dismissed on the grounds of forum non-conveniens and/or lack of personal jurisdiction. The plaintiffs have appealed the dismissal of all of these U.S. actions. The Costa Rican actions and two of the five Philippine actions have also been dismissed.

In December 1998, Fresh Del Monte's defendant subsidiaries entered into a settlement agreement with counsel for the claimants in three of the DBCP actions that were pending in the United States and two of three DBCP actions that remain pending in the

Philippines. Under the terms of Fresh Del Monte's settlement, 10,329 claimants who do not allege employment by a company-related farm will dismiss their claims with prejudice and without payment. 2,643 claimants who allege employment by a company-related farm in Costa Rica or the Philippines will receive a share of the settlement funds upon their execution of a release in favor of Fresh Del Monte and its subsidiaries. The total settlement amount is $4.6 million, of which $1.6 million has been recovered from Fresh Del Monte's insurance carriers. The balance of the settlement amount was expensed in 1998. In addition, four other defendant manufacturers and Chiquita Brands International, Inc. have also settled with a group of approximately 7,000 claimants. If the settlements are consummated with all of the claimants included in the settlements, there will be approximately 4,000 remaining claimants with pending claims.

In July 1994, one of Fresh Del Monte's subsidiaries entered into a contract to purchase bananas from a Philippine producer, Tagum Agricultural Development Company Inc. (TADECO), after being contacted by TADECO and TADECO confirming, in writing, that it had rescinded its contract with Chiquita International Limited (Chiquita) and had no intention of continuing its business relationship with Chiquita . On August 19, 1994, Chiquita filed suit in Circuit Court in Dade County, Florida against FDP N.V. seeking injunctive relief and damages for tortious interference and conspiracy. The complaint was amended to include two of Fresh Del Monte's other subsidiaries as defendants. The suit alleges that Fresh Del Monte's subsidiaries induced Chiquita's sole supplier of bananas in the Philippines, TADECO, to breach its contract thereby driving Chiquita out of business in the Asian and Middle East markets. Discovery revealed that Chiquita is seeking approximately $220 million in damages. On October 29, 1998, Fresh Del Monte's defendant subsidiaries filed a motion for summary judgment on all counts of the complaint. On March 26, 1999, the court entered an order granting the motion.

On January 13, 1995 and at various times after that date, two of Fresh Del Monte's U.S. subsidiaries were served with a number of different actions filed in Circuit Court in Broward County, Florida by Ecuadorian shrimp farmers. The first group of these actions allege that the named defendants (including manufacturer-defendants Ciba-Geigy Ltd. and BASF Aktiengesellschaft and distributor-defendant International Fertilizer Ltd.) had used or had caused to be used agricultural chemicals in Ecuador that caused a substantial reduction in the productivity of the plaintiffs' shrimp farms. The plaintiffs seek unspecified damages.

On April 16, 1996, the Broward County Circuit Court denied defendants' motion to dismiss for *forum non conveniens,* and defendants later filed an appeal of this order with the Fourth District Court of Appeal. On March 26, 1997, the Fourth District Court of Appeal reversed the Broward County Circuit Court's order and dismissed the actions based on the federal doctrine of *forum non conveniens.* On September 10, 1997, the Florida Supreme Court denied discretionary review of this ruling. On November 13, 1997, the Broward County Circuit Court entered an order (effective October 9, 1997) implementing the mandate of the Court of Appeals to dismiss the consolidated cases in this matter, subject to certain conditions set forth in the order.

In February 1998, the plaintiffs in these actions re-filed their claims in Ecuador and shortly thereafter filed an emergency motion before the Broward County Circuit Court. The motion alleged that many of the actions that had been re-filed in Ecuador had been dismissed. The court agreed with the defendants' position that the plaintiffs were improperly seeking an advisory opinion concerning plaintiffs' obligation to appeal these dismissals and that the court did not have jurisdiction with respect to matters that were pending in Ecuador. On February 1, 1999, plaintiffs filed a motion to reinstate their claims before the Florida court based upon the allegation that all of the re-filed actions in Ecuador had been dismissed.

On March 18, 1998, two of Fresh Del Monte's subsidiaries were served with a new series of complaints filed in Broward County, Florida. A third subsidiary was also named along with manufacturer-defendant E.I. Dupont De Nemours and distributor-defendant International Fertilizer Ltd. The new complaints raise the same allegations as the prior complaints, but allege that the cause of the damage to the plaintiffs' shrimp farms was defendants' use of the chemical Benlate rather than the fungicides alleged in the prior complaints. In July 1998, the court entered an order staying discovery in the new series of complaints. On February 1, 1999 the plaintiffs filed a motion to move forward with discovery in these new actions.

On October 20, 1997, Nordeste Investimentos e Participações S.A. (''Nordeste'') and Directivos Agricola, S.A., an affiliate of

Nordeste, agreed with a subsidiary of Fresh Del Monte to submit to arbitration their disputes related to a Brazilian joint venture entered into in 1993 that was terminated by that subsidiary in August 1997. The dispute relates to the parties allegations that each of the parties breached contractual obligations under two separate joint venture agreements. Fresh Del Monte's subsidiary seeks injunctive relief and $43.0 million in damages while Nordeste seeks to recover damages of approximately $39.2 million. The joint venture agreements contain a number of liquidated damage provisions that form the basis for a substantial portion of each party's respective claims. Other than the submission of pleadings, no further proceedings have taken place.

In November 1994, the Philippine Bureau of Internal Revenue (BIR) issued a favorable ruling for a subsidiary of Fresh Del Monte holding that it was not subject to certain Philippine income and other taxes. The BIR also found that any taxable activities of the subsidiary occurred outside the Philippine tax jurisdiction. Despite this finding, the Philippine Economic Intelligence & Investigation Bureau ("EIIB") subsequently investigated the subsidiary's tax status. Based upon this investigation, the BIR concluded that the subsidiary was doing business in the Philippines and was therefore subject to certain Philippine income and other taxes. In June 1996, the BIR revoked its favorable ruling for the subsidiary and filed a criminal complaint against a Fresh Del Monte subsidiary with the Philippine Department of Justice alleging that the subsidiary failed to pay certain Philippine income and other taxes for 1994. The complaint alleges that the amount in question is equal to the local currency equivalent of approximately $19.8 million (based on exchange rates at January 1, 1999). It is unclear from the allegations of the complaint whether this amount includes penalties and interest. In September 1996, the subsidiary filed a motion to dismiss the criminal complaint. On November 17, 1998, the Department of Justice entered an order dismissing the complaint without prejudice. The BIR filed a motion for reconsideration and the subsidiary filed a memorandum in opposition to that motion.

Fresh Del Monte intends to vigorously defend itself in all of these matters. At this time, management is not able to evaluate the likelihood of a favorable or unfavorable outcome in any of the above-described matters, except for the settled DBCP actions. Accordingly, management is not able to estimate the range or amount of loss, if any, on any of the above-described matters and no accruals have been recorded except for the accrual recorded for the settled DBCP action.

In addition to the foregoing, we are involved from time to time in various claims and legal actions incident to Fresh Del Monte's 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 Fresh Del Monte.

In 1980, elevated levels of certain chemicals were detected in the soil and ground water at Fresh Del Monte's plantation in Hawaii (Kunia Well Site). Shortly thereafter, Fresh Del Monte discontinued use of the Kunia Well and provided an alternate water source to area well users and commenced Fresh Del Monte's own voluntary cleanup operation. In 1993, the Environmental 19. Litigation (Continued) 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. We entered into an order with the EPA for the Kunia Well Site on September 28, 1995. Under the terms of the order, we submitted a remedial investigation report in November 1998 for review by the EPA. The remedial investigation report was approved by the EPA in February 1999. A draft feasibility study was submitted for EPA review in February 1999, and we are continuing to assess the effectiveness of one possible remedial alternative.

The ultimate outcome and any potential costs associated with this matter cannot be reasonably estimated until the EPA further evaluates the results of the remedial investigation report and feasibility study and makes a decision about the nature and extent of the further action that may be needed at this site.

20. Financial Instruments and Concentration of Credit Risk

Financial instruments that potentially subject Fresh Del Monte to concentrations of credit risk consist principally of temporary cash investments and trade receivables. Fresh Del Monte places its temporary cash investments with highly-rated financial institutions. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising Fresh Del Monte's customer base, and their dispersion across many different geographical regions. Generally, Fresh Del Monte does not require collateral or other security to support customer receivables.

Off Balance Sheet Risk

Fresh Del Monte enters into currency forward contracts as a hedge against certain currency exposures, principally relating to sales made in Europe and the Asia Pacific region. Gains and losses on these contracts are included in other income, net when the contracts are closed. At December 26, 1997, there was $1.3 million (notional amount) of currency forward contracts outstanding, $0.6 million for Deutsche Mark and $0.7 million for Italian Lira. There were no currency forward contracts outstanding at January 1, 1999.

Counterparties expose Fresh Del Monte to credit loss in the event of non-performance on currency forward contracts. However, because the contracts are entered into with highly-rated financial institutions, Fresh Del Monte does not anticipate non-performance by any of these counterparties. The exposure is usually the amount of the unrealized gains, if any, in such contracts.

Fresh Del Monte, in estimating its fair value disclosures for financial instruments, used the following methods and assumptions:

Cash and cash equivalents, accounts receivable and accounts payable: The carrying value reported in the balance sheet for these items approximates their fair value.

Capital lease obligations. The carrying value of Fresh Del Monte's capital lease obligations approximate their fair value based on current interest rates for similar instruments.

Notes payable and long-term debt: The carrying value of Fresh Del Monte's notes payable and long-term debt approximate their fair value since they bear interest at variable rates, except for the N.V. Notes at December 26, 1997, whose value was based on available market information.

The carrying amounts and fair values of Fresh Del Monte's financial instruments are as follows (U.S. dollars in millions):

	January 1, 1999		December 26, 1997	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 32.8	$ 32.8	$ 85.7	$ 85.7
Accounts receivables	112.7	112.7	94.4	94.4
Accounts payable	(97.1)	(97.1)	(89.4)	(89.4)
Notes payable	—	—	(45.6)	(45.6)
Long-term debt	(341.6)	(341.6)	(297.2)	(311.9)
Capital lease obligations	(12.6)	(12.6)	(11.3)	(11.3)

21. Related Party Transactions

Amounts payable to related parties of $26.4 million at December 26, 1997 represented loans payable to IAT Group Inc., Uni Invest Inc. and Southfruit N.V., related parties through common ownership. Amounts receivable from related parties of $12.7 million at December 26, 1997, represented amounts due from IAT Group Inc., primarily for interest free advances. These amounts were collected or repaid prior to the IAT transaction, except for $6.6 million which was contributed to paid-in capital as part of the IAT transaction.

Fresh Del Monte's products are distributed in Northern Europe by Interfrucht, an unconsolidated subsidiary of GRC. Receivables from Interfrucht, included in accounts receivable in the accompanying consolidated balance sheet, were $2.8 million and $2.5 million at January 1, 1999 and December 26, 1997, respectively. Sales to this distributor amounted to $131.2 million and $109.7 million for 1998 and 1997. There were no sales to this related party during 1996.

Sales to Ahmed Abu-Ghazaleh & Sons Company, a related party through common ownership, were $1.9 million, $4.9 million and $5.5 million in 1998, 1997 and 1996, respectively. At January 1, 1999 and December 26, 1997, there were $0.1 million and $4.4 million of receivables from this related party which are included in trade accounts receivable in the accompanying consolidated balance sheets.

Management fees paid to IAT Group Inc. from the 14 IAT companies were $1.4 million in 1997 and were included in selling, general and administrative expenses in the accompanying statements of operations. During 1998, Fresh Del Monte discontinued the policy of paying management fees of any kind to IAT Group Inc.

Fresh Del Monte does not receive any administrative or other services from affiliated companies outside the consolidated group, other than those described above.

22. Unaudited Quarterly Financial Information

The following summarizes certain quarterly operating data (U.S. dollars in millions, except per share data):

	Quarter Ended			
	March 27, 1998	June 26, 1998	Sept. 25, 1998	Jan. 1, 1999
Net sales	$369.2	$473.9	$382.5	$374.5
Gross profit	35.4	99.0	44.5	15.8
Net income (loss) before extraordinary item	13.1	75.6	19.8	(31.1)
Net income (loss)	$ 13.1	$ 57.5	$ 19.8	$ (31.1)
Net income (loss) per share	$ 0.24	$ 1.07	$ 0.37	$ (0.58)

	Quarter Ended			
	March 28, 1997	June 27, 1997	Sept. 26, 1997	Dec. 26, 1997
Net sales	$374.6	$440.7	$332.2	$304.9
Gross profit	56.9	61.3	30.1	15.4
Net income (loss) before extraordinary item	26.9	41.1	3.0	(7.4)
Net income (loss)	26.9	41.1	3.0	(17.8)
Net income (loss) applicable to ordinary shareholders	$ 25.9	$ 40.3	$ 1.9	$ (37.4)
Net income (loss) per share applicable to ordinary shareholders	$ 0.62	$ 0.96	$ 0.05	$ (0.76)

23. Business Segment Data

Fresh Del Monte is principally engaged in one major line of business, the production, distribution and marketing of bananas, pineapples, deciduous fruit, melons and other fresh produce. Fresh Del Monte's products are sold in markets throughout the world, with its major producing operations located in North and South America, the Asia Pacific region, and Africa.

Fresh Del Monte's operations have been aggregated on the basis of products, bananas, pineapples, deciduous fruit and melons. The other category primarily represents shipping for third parties, vegetables and other fruit products.

Fresh Del Monte evaluates performance based on several factors, of which gross profit by product and total assets by geographic region are the primary financial measures (U.S. dollars in millions):

	Year Ended					
	January 1, 1999		December 26, 1997		December 27, 1996	
	Net Sales	Gross Profit	Net Sales	Gross Profit	Net Sales	Gross Profit
Bananas	$ 897.5	$ 32.7	$ 822.3	$ 40.6	$ 17.5	$ 0.4
Pineapples	302.4	125.7	247.1	88.3	3.3	0.5
Deciduous fruit and citrus	176.4	18.9	162.7	10.8	184.1	8.3
Melons	110.1	12.8	97.3	10.4	0.5	0.1
Other	113.7	4.6	123.0	13.6	72.9	19.7
Total	$1,600.1	$194.7	$1,452.4	$163.7	$278.3	$29.0

	January 1, 1999	December 26, 1997
Long-lived assets:		
North America	$ 59.4	$ 41.2
Europe	112.9	96.0
Asia Pacific	20.5	18.9
Central and South America	306.6	318.7
Corporate	4.1	0.5
Total long-lived assets	$ 503.5	$ 475.3
Identifiable assets:		
North America	$ 202.2	$ 156.5
Europe	193.7	206.7
Asia Pacific	85.9	46.7
Central and South America	488.5	481.5
Corporate	63.7	117.9
Total assets	$1,034.0	$1,009.3

Fresh Del Monte's earnings are heavily dependent on operations located worldwide. These operations are a significant factor in the economies of some of the countries where it operates 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.

Fresh Del Monte has three principal sales agreements for the distribution of its fresh produce, which principally cover sales in the European and Japanese markets. Sales made through these agreements approximated 21%, 26% and 2% of total net sales for 1998, 1997 and 1996, respectively.

Identifiable assets by geographic area represent those assets used in the operations of each geographic area. Corporate assets consist of an allocation of goodwill, leasehold improvements and furniture and fixtures.

24. Subsequent Event

On January 14, 1999, Fresh Del Monte acquired all of the outstanding shares of Banana Marketing Belgium N.V. (BMB) and executed a long-term banana purchase agreement with a subsidiary of C.I. Banacol S.A. (Banacol). Banacol is a significant producer of bananas and BMB was Banacol's exclusive marketing company in Europe. The total consideration paid in connection with the acquisition of BMB was $58.7 million. The acquisition has been accounted for using the purchase method of accounting and, accordingly, the purchase price will be allocated to the assets acquired, consisting primarily of European banana import licenses, based on their underlying fair values.

SHAREHOLDER INFORMATION

Dividend Information

The company has not paid cash dividends on its Ordinary Shares and has no present intention of doing so. Certain loan provisions restrict the amount of dividends that the Company may pay.

Shareholders of Record

As of January 1, 1999, there were 53,763,600 ordinary shares outstanding. Due to the limited information currently available to us, we are not able to determine the number of these shares that were held of record by U.S. holders as of January 1, 1999. We believe that approximately 27% of the ordinary shares were held by holders in the United States, as of January 1, 1999. Symbol NYSE: FDP.

Ordinary Share Prices

The following table presents the high and low sale prices of the ordinary shares for the calendar quarters indicated as reported on the New York Stock Exchange Composite Tape:

	High	Low
1997		
Fourth quarter (commencing October 24, 1997)	$18	$13 1/8
1998		
First quarter	$16 3/16	$10 1/2
Second quarter	$19 15/16	$15 5/16
Third quarter	$20 3/16	$14 1/2
Fourth quarter	$23 5/8	$14

Forward-Looking Information

Our Annual Report contains certain forward-looking statements regarding the intents, beliefs or current expectations of the company or its officers with respect to various matters. These forward-looking statements are based on information currently available to the company as of the date of this release. It is important to note that these forward-looking statements are not guarantees of future performance and involve risks and uncertainties. The company's actual results may differ materially from those in the forward-looking statements as a result of various important factors, including those described under the caption "Description of Business - Risk Factors" in Fresh Del Monte Produce Inc.'s Form 20-F for the fiscal year ended January 1, 1999, as filed with the Securities and Exchange Commission.

SHAREHOLDER INFORMATION (Continued)

Corporate and Shareholder Information

Corporate and shareholder information and a copy of the company's annual report on Form 20-F, as filed with Securities and Exchange Commission, may be obtained free of charge by contacting Margaret Pearson, Director of Investor Relations, at Fresh Del Monte Produce Inc., 800 Douglas Entrance, North Tower, Coral Gables, FL 33134 or by visiting the company's web site at www.freshdelmonte.com.

Transfer Agent and Registrar

ChaseMellon Shareholder Services
450 West 33rd Street, 15th Floor
New York, NY 10001

Auditors

Ernst & Young LLP
200 S. Biscayne Blvd.
Suite 3900
Miami, FL 33131

Corporate Counsel

Cleary, Gottlieb, Steen and Hamilton
1 Liberty Plaza
New York, NY 10006

Annual Meeting

May 11, 1999
Hyatt Regency Coral Gables
50 Alhambra Plaza
Coral Gables, FL 33134

Executive Officers

Mohammad Abu-Ghazaleh
Chairman and Chief Executive Officer

Hani El-Naffy
President and Chief Operating Officer

John F. Inserra
Executive Vice President and Chief Financial Officer

M. Bryce Edmonson
Senior Vice President - North America

Jean-Pierre Bartoli
Senior Vice President - Europe and Africa

Randolf Berschini
Vice President - Asia Pacific

Daniel W. Funk, Ph.D.
Senior Vice President - Production and Agricultural Services

José Antonio Yock
Senior Vice President - Central America

Sergio Mancilla
Senior Vice President - Shipping Operations

Bradley D. Hornbacher
Vice President, General Counsel and Secretary

Directors

Mohammad Abu-Ghazaleh
Chairman

Amir Abu-Ghazaleh

Mahar Abu-Ghazaleh

Hani El-Naffy

Marvin P. Bush

Stephen L. Way

Fresh Del Monte Produce Inc.
800 Douglas Entrance - North Tower
Coral Gables, FL 33134
(305) 520-8400