Building A Better Business

Fresh Del Monte Produce Inc.

1999 Annual Report

Company Profile

Fresh Del Monte Produce Inc. is a leading producer, distributor and marketer of fresh and fresh-cut fruit, vegetables and other fresh produce in more than 50 countries around the world. The Company markets bananas, pineapples, melons, deciduous fruit, citrus and specialty vegetables under the Del Monte® name, a globally recognized consumer brand that is synonymous with quality and freshness. The Company employs more than 20,000 people around the globe. Fresh Del Monte's shares trade on the NYSE under symbol FDP.

Global Sourcing:

Pineapples

- Costa Rica
- Hawaii
- Philippines

Bananas

- Brazil
- Cameroon
- Colombia
- Costa Rica
- Ecuador
- Guatemala
- Mexico
- Panama
- Philippines

Melons

- Brazil
- Costa Rica
- Guatemala
- Mexico
- United States

Deciduous Fruit

- Chile
- Mexico
- New Zealand
- South Africa
- United States

Vegetables

- Chile
- New Zealand
- Peru
- South Africa
- United States

From field to kitchen, Fresh Del Monte grows, packs, ships and distributes our products to customers throughout the world. This enables us to meet the needs of our customers quickly and maintain the quality standard for which the Del Monte® brand has earned global recognition.

A Diverse Product Line

Fresh Del Monte is a world leader in the production, distribution and marketing of fresh produce. The Company is the world's largest marketer of fresh pineapples and offshore branded melons, and one of the leading marketers of branded bananas in the world.

Fresh Del Monte grows a wide range of fresh produce, including apples, apricots, avocados, bananas, cherries, grapes, kiwis, lemons, limes, mangos, melons, nectarines, papayas, peaches, pears, pineapples, plantains, plums, citrus, specialty vegetables, and sweet onions.

In 1999, Fresh Del Monte entered the fresh-cut produce business in response to rising consumer demand for ready-to-eat, prepackaged, healthful foods. The Company now offers fresh-cut pineapple cylinders, spears and wedges; multiple-serving sizes of cantaloupe, honeydew, and mixed fruit medleys; kiwi slices and mango chunks; as well as fruit and vegetable party platters.

Growing & Distribution

Fresh Del Monte grows and packs more than 6.4 billion pounds of fresh fruit and vegetables annually.

Our packing facilities form the first link in a continuous cold chain from the field to the store's produce department.

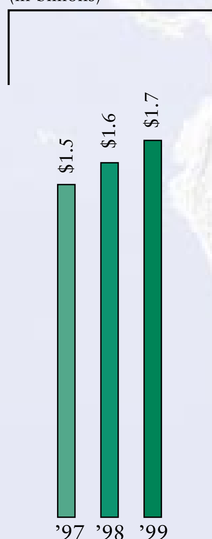
Swift and easy access to our 43 refrigerated vessels on which we transport our products is vital to maintaining freshness.

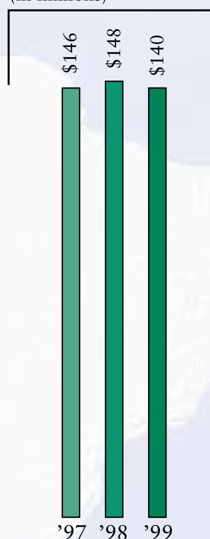
Our vertically integrated structure allows us to control the quality and consistency of our products, facilitating "just-in-time" delivery at the very peak of freshness.

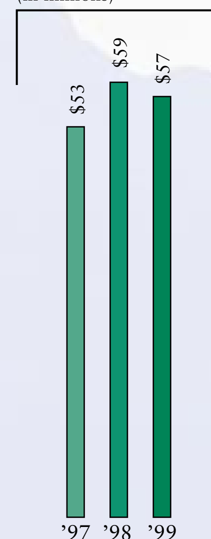
Financial Highlights

(U.S. dollars in millions, except per share data)	Year ended December 31, 1999	January 1, 1999	December 26, 1997
Income Statement Data:			
Net sales	$1,743.2	$1,600.1	$ 1,452.4
Gross profit	150.6	194.7	163.7
Special charges	—	30.5	—
Operating income	84.5	104.2	110.8
Income before extraordinary item	56.9	77.4	63.6
Extraordinary charge on early extinguishment of debt	—	18.1	10.4
Net income	56.9	59.3	53.2
Basic and diluted per share income applicable to ordinary shareholders:			
Before extraordinary item	$ 1.06	$ 1.44	$ 0.94
Extraordinary charge	$ —	$ (0.34)	$ (0.24)
Net income	$ 1.06	$ 1.10	$ 0.70
Weighted average number of ordinary shares outstanding:			
Basic	53,763,600	53,632,656	43,765,188
Diluted	53,805,237	53,774,831	43,765,188

	As of December 31, 1999	January 1, 1999	December 26, 1997
Balance Sheet Data:			
Cash and cash equivalents	$ 31.2	$ 32.8	$ 85.7
Working capital	203.7	177.2	134.6
Total assets	1,216.2	1,034.0	1,009.3
Total debt	504.1	354.2	354.1
Shareholders' equity	$ 425.8	$ 382.5	$ 342.8

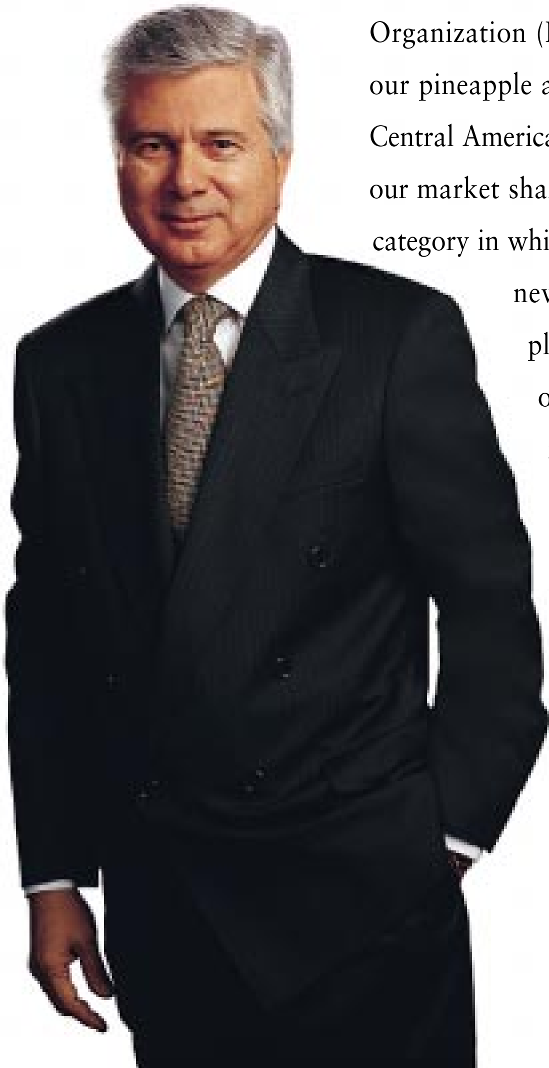






"We spent 1999 building a better business. We face the future with a clear focus on what we must do to maximize our profit potential."

Mohammad Abu-Ghazaleh
Chairman and
Chief Executive Officer



To our Shareholders:

Nineteen ninety-nine was a year of progress and achievement at Fresh Del Monte Produce Inc. During the year, we expanded our fresh produce line and acquired two regional suppliers of fresh-cut produce. We initiated cost-reduction programs in production and shipping, and we added five new distribution centers. We advanced our global presence with the addition of products from Argentina and New Zealand. We employed new technology that created efficiencies and drove greater integration in our global operations. We achieved several landmark International Standards Organization (ISO) certifications in our pineapple and banana operations in Central America. In addition, we increased our market share in almost every produce category in which we compete, achieving new sales growth in pineapples and off-season melons, of which we were the leading global supplier in 1999.

However, these operating achievements were countered by severe challenges in the banana market that impacted our entire industry. These challenges included an oversupply of bananas, lower-than-expected demand, and complex European Union (EU) banana import regulations. These factors, as well as costs associated with damage from Hurricane Mitch in Guatemala, resulted in us missing several key financial targets.

Net sales for the year rose nine percent to $1.7 billion, compared with $1.6 billion in 1998. Net income declined four percent to $56.9 million, or $1.06 per share, including hurricane-related expenses net of related insurance recoveries of $0.08 per share. Net income in 1998 was $59.3 million, or $1.10 per share, including an extraordinary charge on the early extinguishment of debt of $0.34 per share, and net hurricane-related expenses and acquisition-related expenses of $0.57 per share.

Meeting 1999's Tough Banana Challenges

World banana production has risen steadily for many years, climbing 24 percent since the early 1990s. In 1999, we entered a particularly strong banana cycle, as an abundant yield due to favorable weather conditions contributed to an oversupply in global markets.

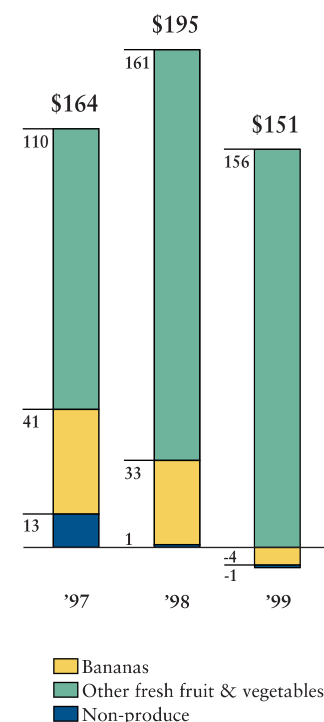
This situation was compounded by weak demand in Russia, Eastern Europe and China and a robust supply of "competing" fruit in Europe and North America. Together, these factors led to weak banana sales and an imbalance in global supply and demand that drove the average price of a box of bananas down to nearly the lowest level in a decade. Banana prices remained depressed for much of 1999, tightening margins and cutting profitability across the industry.

At the same time, we grappled with complexities in Europe related to EU quotas and tariffs on banana imports. Simply put, the EU's system supports banana growth in the former territories of EU countries—from Asia to the Caribbean. At the same time, it employs selective licensing and a quota system that essentially limits the supply of bananas that can be sold in the EU. Based on the latest EU discussions, this system is expected to remain in place until 2006.

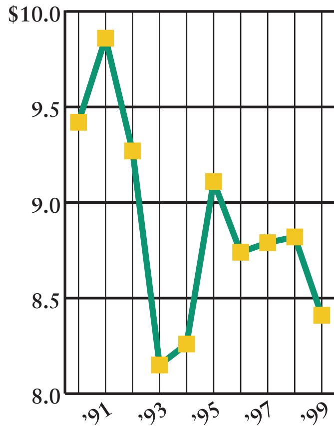
Fresh Del Monte remains fully committed to bananas, which have been the backbone of our business for many years. Bananas allow our Company to leverage our integrated shipping operations to distribute other fruit to global markets, substantially improving profitability in these other product categories. Even in 1999's challenging climate, we remained a world market leader in this product category, selling more than four billion pounds of bananas, comprising 55 percent of our total sales. Fresh Del Monte remains the third largest marketer of bananas in the world with an estimated 19 percent global market share.

However, we also recognize the impact that the banana business took on our Company's 1999 performance, as bananas had a negative gross profit of $4 million in 1999 compared with $33 million gross profit in 1998. During the year, we saw a clear need to improve profitability in this key area and to build a better business for the future. We began this process by cutting production costs and rationalizing our shipping operations. We also continued to accelerate our overall strategy by diversifying our product line into higher margin, more profitable products as a means of expanding our revenue stream and making our performance more predictable.

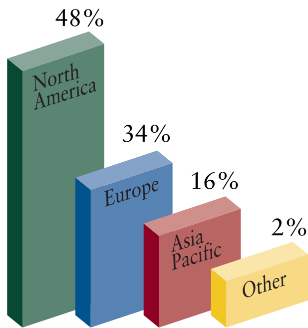
Gross Profit
(in millions)



Average Worldwide Banana Sale Price per Box
(40 lbs. equivalent)



1999 Net Sales by Geographic Region



Reducing Production Costs

Lowering global production costs—in particular those related to banana production—is an ongoing priority for our management team, and one that offers substantial cost-saving opportunities. To meet the competitive and market challenges in the banana business, we took decisive though sometimes painful steps in 1999 to reduce our expenses and become more efficient.

We instituted cost-reduction programs in our principal Costa Rican, Colombian and Guatemalan banana operations. These programs encompassed stringent cost-saving initiatives on our Company-owned farms, as well as the renegotiation of contracts with our independent growers in Costa Rica and Colombia. We also terminated production of our lowest yield operations in Guatemala, dismissing approximately 900 employees—about 20 percent of our Guatemalan workforce—a tough but necessary decision.

Rationalizing our Shipping Operations

We also took steps during the year to rationalize our shipping operations. In what was a very good purchase at the right moment, we acquired six pre-owned ships at a 50 percent discount to book value, replacing six vessels we had previously chartered. In addition, we utilized our fleet of 43 ships more efficiently, deploying them to meet changes in global market demand, reduce waiting time in ports, and transport product between destinations faster and cost effectively. Our flexibility and logistical expertise maximized the amount of product we carried, enabling us to set sail at an average 90 percent capacity. These measures, along with lower prices in vessel chartering during the year, helped to offset the impact of broader market challenges, as well as higher fuel, and plastic and paper packaging material costs.

Diversifying Our Product Line

In 1999, we also accelerated our efforts to diversify our product line—a strategy that is vital to our continued success. By diversifying, we aim to stabilize our Company's profitability and decrease our dependence on any single product or region. We insulate ourselves from the risks of pricing pressures, unfavorable weather conditions and political instability. And we mitigate the seasonality of our business and drive higher margins for off-season sales.

Moreover, by diversifying we spur organic growth without having to make significant additional investments. This is because Fresh Del Monte has a powerful combination of assets that will support our operations regardless of what produce we grow. These assets include our brand, our talented and dedicated management team, our strong shipping capabilities, and our distribution network. Our ability to draw on these assets is crucial to our Company's ability to achieve and sustain growth and to increase shareholder value.

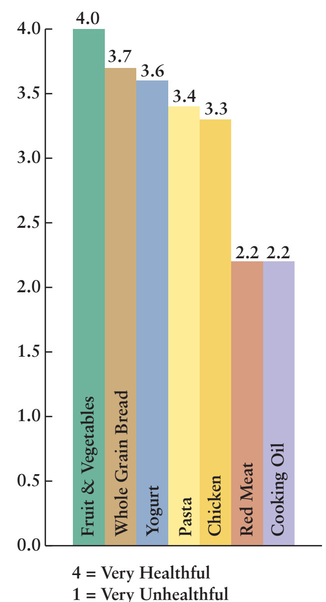
Diversification is also central to my management philosophy, which I have articulated repeatedly since I first joined the Company: we will not expand and grow simply for growth's sake. Doing so is a mistake that some of our larger competitors have made—one that yields only short-term results. In contrast, Fresh Del Monte will grow thoughtfully, strategically and in a way that makes sound business sense. That means leveraging our internal capabilities to strengthen our Company and contribute in a realistic, sustainable way to the bottom line. It also means making acquisitions that truly complement our business, and assimilating those acquisitions synergistically.

Over the past several years, we have pursued strategic growth by continually adding new products that enhance our fresh produce line, including Del Monte Gold® Extra Sweet pineapples, deciduous fruit, off-season melons, Vidalia® sweet onions, citrus and other specialty vegetables. In 1999, we made another commitment to long-term growth by branching into the "value-added" national fresh-cut fruit and vegetable business—an undeveloped and highly fragmented area that holds tremendous growth potential.

Consumers are increasingly demanding healthful, off-the-shelf foods that need little or no preparation, and they are willing to pay more for these foods. This interest has driven strong growth in the fresh-cut fruit and vegetable market, which stands at $9.5 billion according to the International Fresh Cut Produce Association. As consumer demand continues to rise, this figure is expected to more than double by 2005.

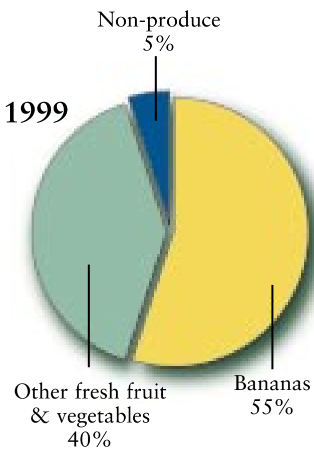
At the same time, there is no nationally branded competition in fresh-cut fruit, and product presentation, freshness and quality are inconsistent. To leverage these trends

Consumer Perceptions: Healthfulness of Foods

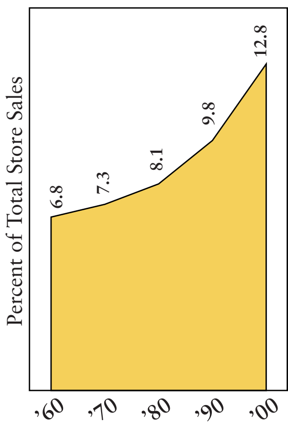


Survey adapted from United Soybean Board, 1998 Annual Survey

Net Sales by Product Category



Produce Sales as a Percent of Total Store Sales
1960-2000



Source: McLaughlin & Perosio, 1994; Cornell Food Executive Projection (1991)

and build a leadership position in this business, in 1999 Fresh Del Monte acquired Handi-Pack Foods, Inc. and Fresh-Cut Fruits, Inc., leading regional fresh-cut produce suppliers in the Midwest and Mid-Atlantic regions. As a result, we now market value-added, fresh-cut products under the Del Monte® brand.

These acquisitions create a winning combination for our Company, our customers and our shareholders. By consolidating large, quality players like these, we believe we can become the market leader in this category. We also see an opportunity to stabilize and diversify our revenue stream and drive better margins by participating in a market with such strong growth potential. And our new fresh-cut production capabilities complement our already solid distribution base in the Midwest and Mid-Atlantic regions.

Expanding Our Capabilities

During the year, we furthered our diversification strategy by expanding our distribution capabilities, our markets and our sourcing locations. In North America, we bolstered our distribution network to increase efficiencies, meet the needs of our supermarket customers and bring our products closer to the ultimate consumer. We added five new temperature-controlled distribution centers in key markets, extending the "cold chain" that begins at the point of harvest. It is in these distribution centers that we provide value-added ripening services to our customers, ensuring that our products arrive at the supermarket "just-in-time" for freshness.

We also expanded our Asia-Pacific distribution capabilities to increase market penetration, reduce costs and control more of the marketing process. We signed lease agreements in four major shipping ports in Japan and established a distribution and sales network in Korea, providing us with an opportunity to market our products directly to the Korean market. Our expanded distribution capability in Asia will provide a new destination for fruit and vegetables from our new sourcing program in New Zealand.

We also extended our presence in new markets and expanded our sourcing capabilities to new regions of the world. We began to import pineapples and bananas grown in the Philippines and stonefruit grown in Chile into New Zealand. We expanded our presence in South America by initiating operations in Argentina, creating a new market for Brazilian bananas and melons, Chilean

stonefruit, and Costa Rican Del Monte® Gold Extra Sweet pineapple. We also established a sweet onion operation in Peru, and we began to ship Brazilian bananas to neighboring countries and Europe.

We leveraged all of these measures by continuing to consolidate our global financial, distribution, procurement and human resources systems. The new global enterprise network we are creating is changing the way we do business by integrating the Company around the world, delivering greater operating efficiency, driving profitability and enabling us to capitalize on global opportunities.

Continuing Our Momentum

Fresh Del Monte spent 1999 building a better business. As a result, we face the future with a clear focus on what we must do to maximize our profit potential: Continue to control costs, diversify our product lines and expand our distribution networks. In the year 2000, we will achieve these goals by focusing on:

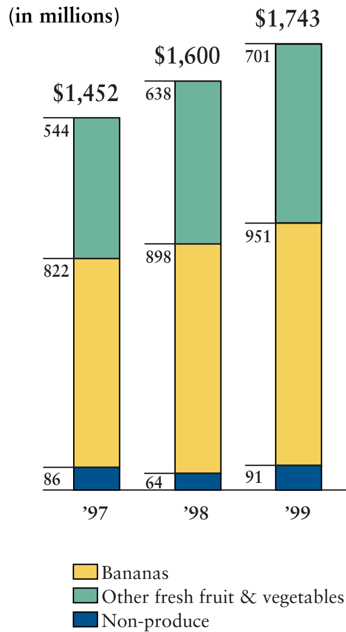
Bananas—Banana pricing is beginning to stabilize in Europe. In 2000 we plan to decrease our European imports by 10 percent in order to optimize demand. We will also carefully rationalize our markets, serving only those that deliver the best prices for our product.

Diversification—We will continue to diversify our product lines and our sources of revenue by expanding our fresh produce product line and introducing a full line of fresh-cut produce in more than a dozen U.S. markets. We will also seek to acquire additional fresh-cut producers that are well priced and complement our existing businesses. We will support this growth by continuing to expand our distribution network. By the end of 2001, we hope to have the most comprehensive fresh-cut business and one of the most powerful distribution networks in the United States.

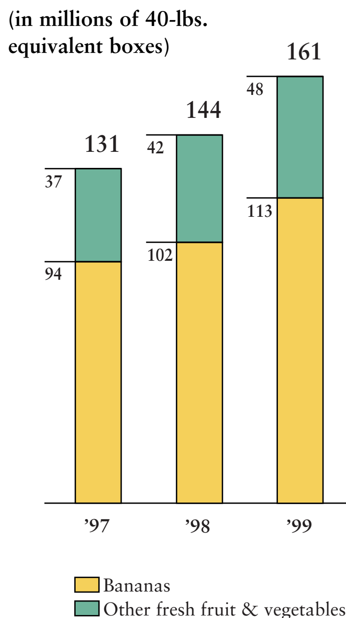
Efficiencies—We will continue to seek ways to improve our efficiencies and better utilize our resources to reduce our production and shipping costs. For example, when long-term leases on six of our ships expire in the middle of the coming year, we plan to return to the charter market where we expect more favorable terms.

Technology—We will implement several Internet strategies to advance our market position. These include launching a new consumer web site to build brand awareness and loyalty, and unveiling an e-commerce capability, geared to place Fresh Del Monte at the leading edge of our industry

Strong Top Line Growth



Growth in Volume and Diversification



in the use of new technologies to access new markets.

A Powerful Company

Fresh Del Monte begins the millennium with confidence in our ability to outperform the industry. We have a century-old brand name that is recognized worldwide for quality and freshness, and we have the right to use that name in perpetuity on a royalty-free basis. We hold a commanding position in several product categories, and we have a powerful distribution network that enables us to meet worldwide demand. We have a broad and diverse product line that is sourced globally, minimizing our risk exposure. We have advanced information systems that help us to manage our growing global interests. As a vertically integrated supplier, we have exceptional control over all aspects of our business. We have aggressive cost-reduction programs, and better margin structures than our peers. And we have a strong balance sheet with a favorable debt-to-capitalization ratio, which positions us to take advantage of industry consolidation through strategic acquisitions.

We also have a sound strategy for both internal expansion and external growth that is executed by the most experienced management team in our business—with each of our top executives having an average of more than 20 years of industry experience. Our team is supported by a world-class Board, which became even stronger in 1999 through the addition of former Deloitte & Touche partner Edward L. Boykin, CPA, and former Secretary of the Navy, John H. Dalton. Most importantly, we have the finest employees in the industry. They are passionate about our success, and they truly "wear the shirt" of the Fresh Del Monte team each and every day.

As we move forward, we do so in the knowledge that we are doing everything right—and that we are building value every day, in everything we do. Ultimately, I believe that the performance of Fresh Del Monte will be clearly reflected in our stock price. In the meantime, we deeply appreciate the support of our customers, employees and shareholders.

Mohammad Abu-Ghazaleh
Chairman and Chief Executive Officer

Management's Discussion and Analysis of Financial Condition and Results of Operations

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 and other fresh fruit and vegetables, which includes primarily pineapples, deciduous fruit and melons. With 1999 sales of over four billion pounds of bananas and approximately two billion pounds of other fresh fruit and vegetables, 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 honeydews sold in the United States in the off-season, November to May.

In September 1998, we combined the fresh produce business of IAT Group Inc. with our fresh produce business, we refer to this 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. was indirectly controlled by 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 FDP N.V. and 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 1999 decreased significantly from 1998. The decrease in average banana sales prices was attributable to a depressed banana market in Europe and North America, partially offset by the effect of a weaker dollar against the Japanese Yen. A weaker dollar tends to increase net sales because our sales are denominated in a variety of currencies.

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, China and South America. Our net sales growth in recent years is also attributable to a broadening of our product line in the other fresh fruit and vegetables category.

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 linerboard prices, which affect the cost of boxes and other packaging materials, and fuel prices, can have

a significant impact on our product cost and, accordingly, profit margins. Linerboard, plastic, resin and fuel prices have historically been volatile. Linerboard and fuel prices increased in 1999 as compared to 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 $9.3 million for 1999, $8.2 million for 1998 and $7.4 million for 1997, expired on December 31, 1999.

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 product 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, 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 and reduced banana production by approximately six million and two million boxes in 1999 and 1998, respectively, or approximately 5% and 2%, respectively, 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, the United Kingdom, Belgium and Holland, 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 maintain and interest on other long-term debt and capital lease obligations.

Other Income, Net

Other income, net, primarily consists of Hurricane Mitch insurance proceeds in 1999, equity earnings in unconsolidated companies including melon and pineapple and deciduous fruit joint ventures, a box manufacturing facility, a German shipping company that was an unconsolidated subsidiary prior to December 23, 1997, and 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. During 1999, we recognized $13.5 million of insurance proceeds in connection with Hurricane Mitch, which is included in other income, net.

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.

1999 COMPARED WITH 1998

Net Sales

In 1999 net sales were $1,743.2 million compared with $1,600.1 million for 1998, an increase of 9%. The increase in net sales of $143.1 million was primarily the result of higher sales volume of our major product categories, bananas and other fresh fruit and vegetables, partially offset by lower per unit sales prices of bananas.

Net sales of bananas increased 6% in 1999 compared with 1998, as a result of increased sales volume in Europe and North America and higher per unit sales prices in the Asia Pacific region, partially offset by lower per unit sales prices in Europe and North America. Banana unit sales volume increased 11% in 1999 compared with 1998 due primarily to unit sales volume gains in the North American and European markets of 22% and 9%, respectively. The increase in unit sales volume in North America and Europe resulted primarily from incremental purchases from independent growers. The decrease in per unit sales pricing in Europe and North America resulted from an oversupply in these markets.

Net sales of other fresh fruit and vegetables increased 10% in 1999 compared with 1998 primarily due to higher unit sales volume in Europe and North America of 14% and 7%, respectively, partially offset by lower 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.

Our net sales in 1999 were positively impacted by the weakening of the dollar versus the Japanese yen, partially offset by the strengthening of the dollar against European currencies for which we receive sales proceeds, principally the Deutsche Mark, Lira and Pound Sterling.

Cost of Products Sold

Cost of products sold was $1,592.6 million for 1999 compared with $1,405.4 million for 1998, an increase of 13%. The increase in cost of products sold was principally attributable to the increased unit sales volume.

Gross Profit

Gross profit was $150.6 million for 1999 compared with $194.7 million for 1998, a decrease of $44.1 million or 23%. As a percentage of net sales, gross profit decreased from 12.2% in 1998 to 8.6% in 1999 and was negatively impacted by lower per unit sales price of bananas in North America and Europe. The negative impact of per unit banana sales prices was partially offset by higher net sales in the other fresh fruit and vegetable category, primarily due to strong pineapple pricing combined with reduced cost of ocean freight on a per unit basis.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $5.2 million to $63.5 million in 1999 compared with $58.3 million in 1998. This increase is primarily a result of increased selling and marketing expenses related to the increase in sales volume together with an increase in professional fees.

Interest Expense

Interest expense of $30.2 million in 1999 remained relatively constant compared with 1998.

Other Income, Net

Other income, net of $14.7 million in 1999 was $3.3 million higher than the $11.4 million recorded in 1998. This change represents the proceeds from an insurance claim related to Hurricane Mitch of $13.5 million, partially offset by a decrease in equity earnings in unconsolidated subsidiaries and an increase in currency exchange losses in 1999.

Provision for Income Taxes

Our effective income tax rate increased from 14% in 1998 to 21% in 1999 primarily due to an increase in taxable income for certain subsidiaries in jurisdictions with higher tax rates.

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 our major product categories, bananas and other fresh fruit and vegetables.

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 other fresh fruit and vegetables increased 17% in 1998 compared with 1997 primarily due to higher unit sales volume in Europe and North America of 22% and 14%, respectively, and higher per unit sales prices in Europe. 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 and increased melon production from our operations in the United States, Mexico and Brazil.

Our net sales in 1998 were adversely impacted by the strengthening of the dollar versus the other major currencies in which we receive sales proceeds, principally the Deutsche Mark, 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 other fresh fruit and vegetables, primarily due to increased sales of higher-margin pineapple, higher volumes of deciduous fruit and melons and reduced cost of ocean freight per unit of sales, partially 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.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities for 1999 was $38.9 million, a decrease of $25.1 million from 1998. The decrease in net cash provided by operating activities is primarily attributable to an increase in inventory, partially offset by an increase in depreciation and amortization.

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 $172.3 million for 1999, $69.1 million for 1998 and $43.8 million for 1997. The use of cash for 1999, 1998 and 1997 was primarily attributable to capital expenditures and purchases of subsidiaries.

Capital expenditures were $100.8 million for 1999, $53.8 million for 1998 and $36.0 million for 1997. Capital expenditures in 1999 were primarily for expansion of our production and distribution facilities and the purchase of five pre-owned refrigerated vessels. Capital expenditures in 1998 were primarily for expansion of our production and distribution facilities and the purchase of two pre-owned refrigerated vessels. Capital expenditures in 1997 were primarily for the improvement of existing production and distribution facilities and the purchase of a pre-owned refrigerated vessel.

Purchase of subsidiaries, net of cash acquired, totalled $67.7 million for 1999, $11.4 million for 1998 and $10.0 million for 1997. Purchase of subsidiaries in 1999 was primarily for the acquisition of BMB, a Belgian marketing company. Purchase of subsidiaries in 1998 was primarily for the acquisition of a 62% interest in National Poultry Company PLC, a Jordanian publicly traded company, engaged in the poultry business. Purchase of subsidiaries in 1997 was in connection with the acquisition of the remaining 49% minority interest in Horn-Linie, a shipping company that was previously an unconsolidated subsidiary.

Net cash provided by financing activities for 1999 of $144.5 million was primarily attributed to borrowing under our revolving credit facility. Net cash used by financing activities for 1998 of $48.2 million was principally attributed to net payments on short-term borrowings, the redemption of the remaining N.V. Notes 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 a portion of the N.V. Notes and to redeem our convertible preferred shares.

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 and on May 20, 1999, the revolving credit facility was amended again to increase the borrowing level to $450.0 million. Under its terms, on each November 1 and May 1, the amount of the revolving credit facility will be reduced by $10.8 million, commencing on November 1, 1999. Outstanding borrowings at December 31, 1999 were $397.8 million, bearing interest at a weighted average interest rate of 8.41%.

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 1999 and 1998 was $0.9 million and $0.7 million, respectively.

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.

In addition to the $450.0 million revolving credit facility, we have $14.6 million of working capital revolving credit facilities with various other banks. These facilities expire at various dates starting on January 2000 and bear interest rates ranging from 2.38% to 10%. At December 31, 1999, there were $3.2 million of borrowings outstanding under these credit facilities. At January 1, 1999 there were no borrowings outstanding under these credit facilities.

At December 31, 1999, we had $466.7 million in committed working capital facilities, of which $59.6 million was available. The major portion of these facilities is represented by the $450.0 million revolving credit facility. At December 31, 1999, $6.0 million of available credit was applied towards the issuance of letters of credit, of which $2.9 million was required under agreements with the owners of vessels under long-term charter which expire during the year 2000.

As of December 31, 1999, we had $500.9 million of long-term debt and capital lease obligations, including the current portion, consisting of $397.8 million related to the revolving credit facility, $54.9 million of long-term debt related to acquisitions in 1997 and 1998, $22.3 million of long-term debt related to the acquisition of five used refrigerated vessels in 1999, $14.3 million of other long-term debt and $11.6 million of capital lease obligations.

On February 9, 2000, we entered into a revolving credit agreement with Rabobank International, New York Branch, as agent. This revolving credit agreement permits borrowings up to $25.0 million, bears interest at LIBOR plus 2.75% and terminates on August 9, 2000. The revolving credit agreement is unsecured and contains covenants which require us to maintain certain minimum financial ratios. There are no borrowings outstanding under this revolving credit agreement as of the date hereof.

We believe that cash generated from operations and available borrowings will be adequate to cover our cash needs during 2000. This belief is based primarily on the additional borrowings available under our $450.0 million revolving credit facility and our 2000 operating plans.

IMPACT OF YEAR 2000

In prior years, we discussed the nature and progress of our plans to become Year 2000 ready. In late 1999, we completed our remediation and testing of systems. As a result of our planning and implementation efforts, we did not experience significant disruptions in our computer systems or embedded systems and we believe those systems successfully responded to the Year 2000 date change. Year 2000 costs related to software and hardware were capitalized. As of December 31, 1999, we incurred costs of approximately $23.3 million (of which approximately $18.9 million was capitalized and $4.4 million was expensed). We are not aware of any material problems resulting from Year 2000 issues, either with our computer systems, our embedded systems, or the products and services of third parties. We will continue to monitor our computer systems and embedded systems throughout the year 2000 to ensure that any latent Year 2000 matters that may arise are addressed promptly.

OTHER

We are involved in several legal and environmental matters which, 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.

Consolidated Balance Sheets

Fresh Del Monte Produce Inc. and Subsidiaries

	December 31,	January 1,
(U.S. dollars in millions, except per share data)	1999	1999
Assets		
Current assets:		
Cash and cash equivalents	$ 31.2	$ 32.8
Trade accounts receivable, net of allowance of $9.9 and $8.5, respectively	136.4	112.7
Advances to growers and other receivables, net of allowance of $4.5 and $2.6, respectively	52.3	55.5
Inventories	198.9	159.8
Prepaid expenses and other current assets	13.4	35.1
Total current assets	432.2	395.9
Investments in unconsolidated companies	51.9	55.7
Property, plant and equipment, net	590.6	503.5
Other noncurrent assets	62.1	29.8
Goodwill, net of accumulated amortization of $5.9 and $3.2, respectively	79.4	49.1
Total assets	$1,216.2	$1,034.0
Liabilities and shareholders' equity		
Current liabilities:		
Notes payable to banks	$ 3.2	$ —
Accounts payable and accrued expenses	195.2	194.8
Current portion of long-term debt and capital lease obligations	24.9	17.2
Income taxes payable	5.2	6.7
Total current liabilities	228.5	218.7
Long-term debt	467.7	327.3
Capital lease obligations	8.3	9.7
Retirement benefits	53.9	67.4
Other noncurrent liabilities	8.7	8.6
Deferred income taxes	11.3	5.3
Deferred credit vessel leases	—	2.9
Minority interest	12.0	11.6
Total liabilities	790.4	651.5
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 shares issued and outstanding	0.5	0.5
Paid-in capital	327.1	327.1
Retained earnings	107.1	57.8
Accumulated other comprehensive loss	(8.9)	(2.9)
Total shareholders' equity	425.8	382.5
Total liabilities and shareholders' equity	$1,216.2	$1,034.0

See accompanying notes.

Consolidated Statements of Income

Fresh Del Monte Produce Inc. and Subsidiaries

Year ended	December 31,	January 1,	December 26,
(U.S. dollars in millions, except per share data)	1999	1999	1997
Net sales	$1,743.2	$1,600.1	$1,452.4
Cost of products sold	1,592.6	1,405.4	1,288.7
Gross profit	150.6	194.7	163.7
Selling, general and administrative expenses	63.5	58.3	51.4
Amortization of goodwill	2.6	1.7	1.5
Acquisition related expenses	—	4.0	—
Hurricane Mitch charge	—	26.5	—
Operating income	84.5	104.2	110.8
Interest expense	30.2	30.3	45.7
Interest income	2.6	4.3	5.6
Other income, net	14.7	11.4	6.0
Income before provision for income taxes and extraordinary item	71.6	89.6	76.7
Provision for income taxes	14.7	12.2	13.1
Income before extraordinary item	56.9	77.4	63.6
Extraordinary charge on early extinguishment of debt	—	18.1	10.4
Net income	56.9	59.3	53.2
Redemption premium, dividends and accretion on Convertible Preferred Shares	—	—	(22.5)
Net income applicable to ordinary shareholders	$ 56.9	$ 59.3	$ 30.7
Basic and diluted per share income applicable to ordinary shareholders:			
Before extraordinary item	$ 1.06	$ 1.44	$ 0.94
Extraordinary charge	$ —	$ (0.34)	$ (0.24)
Net income	$ 1.06	$ 1.10	$ 0.70
Weighted average number of ordinary shares outstanding:			
Basic	53,763,600	53,632,656	43,765,188
Diluted	53,805,237	53,774,831	43,765,188

See accompanying notes.

Consolidated Statements of Cash Flows

Fresh Del Monte Produce Inc. and Subsidiaries

Year ended	December 31,	January 1,	December 26,
(U.S. dollars in millions)	1999	1999	1997
Operating activities:			
Net income	$ 56.9	$ 59.3	$ 53.2
Adjustments to reconcile net income to cash provided by operating activities:			
Goodwill amortization	2.6	1.7	1.5
Depreciation and amortization other than goodwill	42.6	34.1	30.2
Deferred credit vessel leases	(4.8)	(3.9)	(3.0)
Equity in earnings of unconsolidated companies, net of dividends	2.1	(3.6)	(4.6)
Extraordinary charge on early extinguishment of debt	—	18.1	10.4
Write-off of fixed assets related to Hurricane Mitch	—	18.8	—
Gain on insurance proceeds related to Hurricane Mitch	(13.5)	—	—
Deferred income taxes	6.4	1.4	(1.9)
Other, net	2.0	0.1	3.5
Changes in operating assets and liabilities:			
Receivables	(22.9)	(31.6)	1.3
Inventories	(40.3)	(22.8)	(6.9)
Accounts payable and accrued expenses	(1.6)	17.7	10.4
Prepaid expenses and other current assets	21.6	(20.9)	2.4
Other noncurrent assets and liabilities	(12.2)	(4.4)	4.6
Net cash provided by operating activities	38.9	64.0	101.1
Investing activities:			
Capital expenditures	(100.8)	(53.8)	(36.0)
Capital expenditures due to Mitch, net of insurance proceeds	(2.8)	—	—
Proceeds on sale of assets	0.1	4.6	5.7
Purchase of subsidiaries, net of cash acquired	(67.7)	(11.4)	(10.0)
Other investing activities, net	(1.1)	(8.5)	(3.5)
Net cash used in investing activities	(172.3)	(69.1)	(43.8)
Financing activities:			
Proceeds from issuance of ordinary shares	—	2.6	175.3
Proceeds from long-term debt	321.6	433.5	31.4
Payments on long-term debt	(181.4)	(412.7)	(124.0)
Proceeds from short-term borrowings	10.6	211.5	7.0
Payments on short-term borrowings	(5.9)	(261.8)	(18.2)
Dividend paid in connection with the IAT transaction	—	(25.0)	—
Redemption of Convertible Preferred Shares	—	—	(68.5)
Other, net	(0.4)	3.7	(8.1)
Net cash provided by (used in) financing activities	144.5	(48.2)	(5.1)
Effect of exchange rate changes on cash and cash equivalents	(4.5)	0.4	1.1
Cash and cash equivalents:			
Net change	6.6	(52.9)	53.3
Beginning balance	32.8	85.7	32.4
Net cash change due to change in year end of subsidiaries	(8.2)	—	—
Ending balance	$ 31.2	$ 32.8	$ 85.7
Supplemental non-cash activities:			
Capital lease obligations for new assets	$ 2.5	$ 10.3	$ 4.3

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Fresh Del Monte Produce Inc. and Subsidiaries

(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 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	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	32.3	(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
Net loss of IAT for the three month period ended January 1, 1999	—	—	—	(7.6)	—	(7.6)
Comprehensive income:						
Net income	—	—	—	56.9	—	56.9
Unrealized loss on available-for-sale marketable securities	—	—	—	—	(3.7)	(3.7)
Currency translation adjustment	—	—	—	—	(2.3)	(2.3)
Comprehensive income						50.9
Balance at December 31, 1999	53,763,600	$0.5	$327.1	$107.1	$(8.9)	$425.8

See accompanying notes.

Notes to Consolidated Financial Statements

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. In addition, members of the Abu-Ghazaleh family directly own 9.3% of the outstanding ordinary shares of Fresh Del Monte. 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.

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

Net sales	
Fresh Del Monte	$1,208.4
IAT	248.6
Elimination	(4.6)
Combined	$1,452.4
Net income	
Fresh Del Monte	$ 43.8
IAT	9.4
Combined	$ 53.2
Basic and diluted per share income applicable to ordinary shareholders:	
Fresh Del Monte	
Before extraordinary item	$ 0.72
Extraordinary charge	$ (0.24)
Net income	$ 0.48
IAT	$ 0.22
Combined	$ 0.70

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

Prior to January 2, 1999, IAT's fiscal year end was September 30. Effective January 2, 1999, IAT's fiscal year end was changed to conform to Fresh Del Monte's fiscal year end. As a result of this change in fiscal year ends, the year ended December 31, 1999 reflects the operating results of Fresh Del Monte and subsidiaries, including IAT, for the same months. The results of operations for IAT for the period from October 1, 1998 to January 1, 1999 are not included in the consolidated statements of income or cash flows for any of the periods presented, but are reflected as an adjustment to retained earnings as of January 2, 1999. For the period from October 1, 1998 to January 1, 1999, IAT incurred a net loss of $7.6 million.

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 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.

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 and other fresh fruit and vegetables which includes pineapples, deciduous fruit, melons and other fresh produce) from 13 locations in North and Latin 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. Through December 23, 1997, 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. As discussed in Note 1, IAT changed its year end as of January 2, 1999 to conform to Fresh Del Monte's year end. Prior to January 2, 1999, IAT's fiscal year end was September 30. As a result, the accompanying consolidated financial statements include the financial position of IAT as of December 31, 1999 and September 30, 1998, and the results of operations of IAT for the years ended December 31, 1999, September 30, 1998, and September 30, 1997. 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 million 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 sheet as of January 1, 1999. 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 as of January 1, 1999. 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 agricultural supplies and spare parts.

Growing Crops

Expenditures on pineapple, deciduous fruit and melon growing crops are valued at the lower of cost or market and 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, deciduous fruit and other 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 its estimated useful life which ranges from 10 to 40 years. Fresh Del Monte continually assesses the carrying value of its 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.

Environmental Remediation Liabilities

Losses associated with environmental remediation obligations are accrued when such losses are probable and can be reasonably estimated.

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. At December 31, 1999 and January 1, 1999, $2.9 million and $4.7 million, respectively, were included in accrued expenses. At January 1, 1999, $2.9 million was classified as deferred credit vessel leases. 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 component of accumulated other comprehensive loss.

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 exchange 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 $3.6 million, $1.5 million and $2.0 million in net losses on foreign exchange for 1999, 1998 and 1997, respectively. These amounts include the effect of foreign currency translation and realized foreign currency gains and losses.

Net Income Per Ordinary Share

Basic and diluted earnings per share is calculated in accordance with Financial Accounting Standards No. 128, "Earnings per Share" (SFAS No. 128). All earnings per share amounts for all periods have been presented, and where appropriate, restated to conform to the requirements of SFAS No. 128.

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 1998 and 1997 have been reclassified to conform to the 1999 presentation.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). 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. In June 1999, the FASB issued Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133" (SFAS No. 137), which delayed the effective date of SFAS No. 133 until the first fiscal quarter of fiscal years beginning after June 15, 2000. Fresh Del Monte plans to adopt SFAS No. 133 in the year 2001 and is currently assessing the impact this statement will have on its consolidated financial statements.

3 ACQUISITIONS

Belgian Acquisition

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 was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the assets acquired of $36.9 million, consisting primarily of European banana import licenses, based on an appraisal. The value assigned to the banana import licenses is included in other noncurrent assets and is being amortized over their estimated life of five years. The excess of the purchase price over the fair value of net assets acquired of $21.8 million was classified as goodwill and is being amortized over 20 years.

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. During 1999, Fresh Del Monte acquired an additional 17% interest in National Poultry. The acquisitions were accounted for using the purchase method of accounting and, accordingly, the purchase prices

were allocated to the assets acquired and liabilities assumed based on estimates of their underlying fair values. A portion of the acquired shares were purchased from members of the Abu-Ghazaleh family for a total purchase price of $4.5 million in 1998, 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):

	December 31, 1999	January 1, 1999
Fresh produce, principally in-transit	$ 57.9	$ 46.5
Raw materials and packaging supplies	89.0	62.0
Growing crops	52.0	51.3
	$198.9	$159.8

5 INVESTMENTS IN UNCONSOLIDATED COMPANIES

Fresh Del Monte utilizes 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. Investments in unconsolidated companies accounted for under the equity method amounted to $51.9 million and $55.7 million at December 31, 1999 and January 1, 1999, respectively. At December 31, 1999 and January 1, 1999, net amounts receivable from unconsolidated companies amounted to $9.6 million and $13.5 million, respectively.

These unconsolidated companies are engaged in the manufacturing of corrugated boxes (Compañia Industrial Corrugadora Guatemala, S.A.—50% 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 unconsolidated companies were $58.7 million, $55.5 million and $50.5 million for 1999, 1998, and 1997, respectively.

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

	December 31, 1999	January 1, 1999
Current assets	$ 52.4	$ 55.7
Noncurrent assets	82.5	81.1
Current liabilities	(36.5)	(32.6)
Noncurrent liabilities	(7.7)	(9.6)
Net worth	$ 90.7	$ 94.6

Year ended	December 31, 1999	January 1, 1999	December 26, 1997
Net sales	$228.4	$263.0	$285.8
Gross profit	14.0	23.6	23.5
Net income	6.3	12.4	16.4

Fresh Del Monte's portion of earnings in unconsolidated companies amounted to $3.7 million in 1999, $8.9 million in 1998 and $9.0 million in 1997 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):

	December 31, 1999	January 1, 1999
Land and land improvements	$ 209.0	$181.2
Buildings and leasehold improvements	141.3	114.6
Ships and containers	182.2	156.0
Machinery and equipment	106.4	91.3
Furniture, fixtures and office equipment	41.8	17.2
Automotive equipment	15.6	15.9
Construction-in-progress	26.8	23.4
	723.1	599.6
Less accumulated depreciation	(132.5)	(96.1)
	$ 590.6	$503.5

Depreciation and amortization expense amounted to $36.3 million, $33.1 million and $26.7 million for 1999, 1998 and 1997, respectively.

Buildings, containers, machinery and equipment and automotive equipment under capital leases totaled $17.2 million and $16.3 million at December 31, 1999 and January 1, 1999, respectively. Accumulated amortization for assets under capital leases was $2.7 million and $1.5 million at December 31, 1999 and January 1, 1999, 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 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. Additional insurance recoveries related to Hurricane Mitch of $13.5 million during 1999 are included in other income, net for the year ended December 31, 1999.

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 for losses caused by Hurricane Mitch were subject to deductibles of $0.1 million for property damage and business interruption. Fresh Del Monte is pursuing additional recoveries under its business interruption coverages related to the damage of its operations in Guatemala caused by Hurricane Mitch. The amount of total recoveries under business interruption coverages cannot be estimated at this time.

8 ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss consists of the following (U.S. dollars in millions):

	December 31, 1999	January 1, 1999
Currency translation adjustment	$(5.2)	$(2.9)
Unrealized loss on available-for-sale securities	(3.7)	—
	$(8.9)	$(2.9)

9 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	December 31, 1999	January 1, 1999
Trade payables	$ 90.3	$ 97.1
Payroll and employee benefits	10.2	11.4
Vessel and port operating expenses	19.6	12.4
Accrued interest payable	3.1	2.8
Current portion of deferred credit vessel leases	2.9	4.7
Other payables and accrued expenses	69.1	66.4
	$195.2	$194.8

10 PROVISION FOR INCOME TAXES

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

Year ended	December 31, 1999	January 1, 1999	December 26, 1997
Current:			
U.S. federal income tax	$ 2.5	$ 4.5	$ 4.7
State	0.3	0.5	0.4
Non-U.S.	5.8	4.9	8.8
	8.6	9.9	13.9
Deferred:			
U.S.	1.7	1.5	(0.1)
Non-U.S.	4.4	0.8	(0.7)
Provision for income taxes	$14.7	$12.2	$13.1

Total income tax payments during 1999, 1998 and 1997 were $5.9 million, $7.4 million and $6.9 million, respectively.

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

Year ended	December 31, 1999	January 1, 1999	December 26, 1997
United States	$ 3.3	$13.8	$ 9.1
Non-U.S.	68.3	75.8	67.6
	$71.6	$89.6	$76.7

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

Year ended	December 31, 1999	January 1, 1999	December 26, 1997
Income tax provision computed at the U.S. statutory federal income tax rate	$ 25.1	$ 31.4	$ 26.1
Effect of non-U.S. operations and tax rates	(10.5)	(19.1)	(12.1)
Other	0.1	(0.1)	(0.9)
	$ 14.7	$ 12.2	$ 13.1

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

	December 31, 1999	January 1, 1999
Deferred tax liabilities:		
Inventories	$ (8.5)	$ (7.7)
Investments	(1.8)	(1.8)
Depreciation	(12.7)	(13.2)
Equity in earnings of unconsolidated companies	(4.0)	(3.5)
Total deferred tax liabilities	(27.0)	(26.2)
Deferred tax assets:		
Pension liability	1.4	2.9
Post-retirement benefits other than pension	6.7	6.4
Net operating loss carryforwards (non U.S.)	23.6	20.6
Other, net	5.2	5.2
Total deferred tax assets	36.9	35.1
Valuation allowance	(21.2)	(14.2)
Net deferred tax liabilities	$(11.3)	$ (5.3)

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 1999, the valuation allowance increased by $7.0 million. At December 31, 1999, Fresh Del Monte had approximately $105.4 million of tax operating loss carry forwards in certain Non-U.S. jurisdictions as follows (U.S. dollars in millions):

Expiration	Amount
2000	$ 23.4
2001	36.3
2003	0.4
2004	1.5
No Expiration	43.8
	$105.4

11 NOTES PAYABLE TO BANKS

Fresh Del Monte has $14.6 million of working capital revolving credit facilities with various banks in Japan, Latin America and Europe. These facilities expire at various dates starting on January 2000 and bear interest, as of December 31, 1999, at rates ranging from 2.38% to 10%. At December 31, 1999, there was $3.2 million of borrowings outstanding under these credit facilities. There were no borrowings outstanding under these credit facilities at January 1, 1999.

The weighted average interest rate on borrowings under these short-term credit facilities for 1999 and 1998 was 9.74% and 10.31%, respectively. The cash payments for interest on notes payable to banks and other financial institutions was $0.2 million, $6.1 million and $7.0 million for 1999, 1998 and 1997, respectively.

12 LONG-TERM DEBT

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

	December 31, 1999	January 1, 1999
$450.0 million five-year syndicated credit facility (see below)	$397.8	$264.0
Term notes bearing interest at 7.365%, payable in quarterly installments of principal and interest maturing in January 2003, secured by mortgages on five of Fresh Del Monte's vessels	22.3	—
Term notes, including GRC term note, bearing interest at various rates ranging from LIBOR plus 1.25% (7.75% at December 31, 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	28.2	33.4
Mortgage notes payable to financial institutions, various rates ranging from LIBOR plus 1.6% to LIBOR plus 1.8% (8.1% to 8.3% at December 31, 1999), due 1999 to 2002, secured by five vessels and refrigerated containers	29.2	35.0
Various other notes payable	11.8	9.2
Total	489.3	341.6
Less current portion	(21.6)	(14.3)
	$467.7	$327.3

At the date of the FDP/GRC Acquisition, 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. 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 and on May 20, 1999, the Revolving Credit Facility was amended to increase the borrowing level to $450.0 million. By its terms, the amount of the revolving credit facility will be reduced by $10.8 million on each November 1 and May 1, commencing on November 1, 1999. 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 the assets of Fresh Del Monte and its subsidiaries. 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 December 31, 1999 were $397.8 million,

bearing interest at an average interest rate of 8.41%. At December 31, 1999, Fresh Del Monte applied $6.0 million of available credit under this facility towards the issuance of letters of credit, of which $2.9 million was required pursuant to agreements with the owners of certain vessels on long-term charter which expire during the year 2000.

The Revolving Credit Facility contains covenants which require Fresh Del Monte to maintain certain minimum financial ratios and limits the payment of future dividends. 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 1999 and 1998 amounted to $0.9 million and $0.7 million, respectively.

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 $29.4 million, $22.3 million and $34.6 million for 1999, 1998 and 1997, respectively.

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

2000	$ 21.6
2001	22.7
2002	20.9
2003	411.9
2004	3.6
Thereafter	8.6
	$489.3

13 CAPITAL LEASE OBLIGATIONS

Fresh Del Monte leases certain buildings, machinery and equipment under capital leases. These lease obligations are payable in monthly installments. The future minimum lease payments at December 31, 1999 are as follows (U.S. dollars in millions):

2000	$ 4.3
2001	4.0
2002	3.2
2003	2.1
Total payments remaining under capital leases	13.6
Less amount representing interest	(2.0)
Present value of capital leases	11.6
Less current portion	(3.3)
Capital lease obligations, net of current portion	$ 8.3

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	December 31, 1999	January 1, 1999	December 26, 1997
Numerator:			
Income before extraordinary item	$56.9	$ 77.4	$ 63.6
Extraordinary charge on early extinguishment of debt	—	18.1	10.4
Net income	$56.9	$ 59.3	$ 53.2
Redemption premium, dividends and accretion on Convertible Preferred Shares	—	—	(22.5)
Net income applicable to ordinary shareholders	$56.9	$ 59.3	$ 30.7
Denominator:			
Denominator for basic earnings per share—weighted average number of ordinary shares outstanding	53,763,600	53,632,656	43,765,188
Effect of dilutive securities:			
Employee stock options	41,637	119,152	—
Shares issuable in connection with an acquisition	—	23,023	—
Denominator for diluted earnings per share	53,805,237	53,774,831	43,765,188
Basic and diluted per share income applicable to ordinary shareholders:			
Before extraordinary item	$1.06	$ 1.44	$ 0.94
Extraordinary charge	$ —	$(0.34)	$(0.24)
Net income	$1.06	$ 1.10	$ 0.70

16 RETIREMENT AND OTHER EMPLOYEE BENEFITS

U.S. Plans

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 compensation. Fresh Del Monte's funding policy for these plans 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 has adopted an amendment to terminate the cash balance plan effective as of December 31, 1999. As of October 18, 1999, Fresh Del Monte settled all retiree liabilities and assets under the cash balance. The gain recognized due to settlement amounted to $0.2 million for 1999.

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 7.5% and 6.75% at December 31, 1999 and January 1, 1999, respectively. For measuring the liability as of December 31, 1999, a 6.25% 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:

	December 31, 1999	January 1, 1999
Weighted average discount rate	6.00%–6.75%	6.00%–7.25%
Rate of increase in compensation levels	4.50%	4.50%
Expected long-term return on assets	7.75%–8.75%	7.75%–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 December 31, 1999 and January 1, 1999 (U.S. dollars in millions):

	Postretirement Plan		Defined Benefit Plans	
	December 31,	January 1,	December 31,	January 1,
	1999	1999	1999	1999
Changes in Benefit Obligation:				
Benefit obligation at beginning of period	$ 11.2	$ 19.6	$ 33.7	$32.1
Service cost	0.4	0.3	0.4	0.3
Interest cost	0.9	0.7	2.1	2.2
Actuarial (gain)/loss	0.5	(8.9)	(1.0)	2.2
Benefits paid	(0.5)	(0.5)	(2.6)	(3.3)
Settlements	—	—	(11.0)	—
Foreign exchange translation	—	—	(0.4)	0.2
Benefit obligation at end of period	$ 12.5	$ 11.2	$ 21.2	$33.7
Change in Plan Assets:				
Fair value of plan assets at beginning of period	$ —	$ —	$ 29.6	$29.2
Actual return on plan assets	—	—	1.5	3.1
Employer contribution	0.5	0.5	1.0	0.6
Benefits paid	(0.5)	(0.5)	(2.6)	(3.3)
Settlements	—	—	(11.0)	—
Fair value of plan assets at end of period	$ —	$ —	$ 18.5	$29.6
Reconciliation:				
Funded status	$(12.5)	$(11.2)	$ (2.7)	$ (4.1)
Unrecognized net (gain)/loss	(6.3)	(7.0)	(0.1)	0.3
Accrued benefit cost	$(18.8)	$(18.2)	$ (2.8)	$ (3.8)

The following table sets forth the net periodic pension cost of Fresh Del Monte's defined benefit pension plans for 1999, 1998 and 1997 (U.S. dollars in millions):

Year ended	December 31,	January 1,	December 26,
	1999	1999	1997
Service cost-benefits earned during the period	$ 0.4	$ 0.3	$ 0.8
Interest cost on projected benefit obligation	2.1	2.2	2.2
Return on assets	(2.1)	(2.1)	(3.8)
Net amortization and deferral	—	—	1.6
Net periodic pension expense for defined benefit plans	$ 0.4	$ 0.4	$ 0.8

The following table sets forth the net periodic pension cost of Fresh Del Monte's postretirement pension plan for 1999, 1998 and 1997 (U.S. dollars in millions):

Year ended	December 31,	January 1,	December 26,
	1999	1999	1997
Service cost-benefits earned during the period	$ 0.4	$ 0.3	$0.6
Interest cost on accumulated post-retirement benefit obligation	0.9	0.7	1.3
Net amortization of deferred gain	(0.3)	(0.6)	—
Net periodic post-retirement benefit cost	$ 1.0	$ 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 as of December 31, 1999 and the total of service cost plus interest cost by $0.2 million for 1999. In addition, decreasing the trend rate by 1% would decrease the accumulated postretirement benefit obligation by $1.4 million as of December 31, 1999 and the total of the service cost plus interest cost by $0.2 million for 1999.

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 $0.4 million, $0.3 million and $0.3 million for 1999, 1998 and 1997, respectively.

Non U.S. Plans

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 $7.5 million, $6.4 million and $8.8 million for 1999, 1998 and 1997, 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 $15.8 million and $24.9 million was recorded at December 31, 1999 and January 1, 1999, respectively. Expenses for this program for 1999, 1998 and 1997 amounted to $3.3 million, $3.4 million and $4.8 million, respectively, including service cost earned of $1.6 million, $1.7 million and $3.2 million, and interest cost of $1.7 million, $1.7 million and $0.9 million, respectively. The decrease in the liability in 1999 was caused primarily by payments made under the program to employees covered by the program who were terminated during 1999.

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 December 31, 1999 and January 1, 1999, Fresh Del Monte had $8.2 million 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 of the ordinary shares at the date of grant.

On May 11, 1999, Fresh Del Monte's shareholders approved and ratified the 1999 Share Incentive Plan (the 1999 Plan). Under the 1999 Plan, the Board of Directors is authorized to grant options to purchase an aggregate of 2,000,000 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 of the ordinary shares at the date of grant.

Under the plans, 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	$16.000	$16.000
Exercised	—	—	—
Canceled	—	—	—
Options outstanding at December 26, 1997	1,355,000	$16.000	$16.000
Granted	60,000	$14.220	$14.220
Exercised	(163,000)	$16.000	—
Canceled	(25,000)	$16.000	—
Options outstanding at January 1, 1999	1,227,000	$14.220–$16.000	$15.910
Granted	1,960,000	$ 8.375–$15.688	$10.885
Exercised	—	—	—
Canceled	(79,000)	$ 9.281–$16.000	—
Options outstanding at December 31, 1999	3,108,000	$ 8.375–$16.000	$12.757
Exercisable at December 26, 1997	271,000		$16.000
Exercisable at January 1, 1999	390,000		$15.950
Exercisable at December 31, 1999	1,155,000		$14.100

The weighted average remaining contractual life of options outstanding at December 31, 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 1999, 1998 and 1997 pro forma information follows (U.S. dollars in millions, except per share data):

Year ended	December 31, 1999	January 1, 1999	December 26, 1997
Net income	$52.4	$56.9	$52.8
Net income applicable to ordinary shares	52.4	56.9	30.3
Net income per ordinary share	$0.97	$1.06	$0.69

The weighted-average fair value of each option granted during 1999, 1998 and 1997 is estimated at $5.18, $9.25 and $8.76, respectively, on the date of grant using the Black-Scholes option-pricing model using the following assumptions: dividend yield of 0%, expected volatility of 0.45, 0.766 and 0.568 in 1999, 1998 and 1997, respectively, risk free interest rate of 6.13%, 4.53% and 5.75% in 1999, 1998 and 1997, respectively and expected 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 1999, 1998 or 1997 in connection with the Option Plan and the 1999 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 December 31, 1999 are as follows (U.S. dollars in millions):

2000	$16.7
2001	5.3
2002	5.0
2003	4.2
2004	4.0
Thereafter	6.7
	$41.9

Total rent expense for all operating leases amounted to $55.2 million, $59.7 million and $51.5 million for 1999, 1998 and 1997, respectively, of which $40.9 million, $43.4 million and $39.9 million in 1999, 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, Chile and the Philippines. Total purchases under these agreements amounted to $560.9 million, $481.2 million and $327.9 million for 1999, 1998 and 1997, respectively.

Two of Fresh Del Monte's subsidiaries guarantee the debt on a vessel owned by Interfrucht, an unconsolidated subsidiary of Fresh Del Monte. The debt totaled $1.9 million and $3.8 million at December 31, 1999 and January 1, 1999, respectively.

19 LITIGATION

Starting in December 1993, two of Fresh Del Monte's U.S. subsidiaries were named among the defendants in a number of actions in courts in Texas, Louisiana, Mississippi, Hawaii, Costa Rica and the Philippines involving allegations by numerous foreign plaintiffs that they were injured as a result of exposure to a nematocide containing the chemical dibromochloropropane (DBCP) during the period 1965 to 1990.

In December 1998, these subsidiaries entered into a settlement in the amount of $4.6 million with counsel representing approximately 25,000 individuals. Of the six principal defendants in these DBCP cases, Dow Chemical Company, Shell Oil Company, Occidental Chemical Corporation and Chiquita Brands, Inc. have also settled these claims. Under the terms of our settlement, approximately 22,000 of these claimants dismissed their claims with prejudice and without payment. The 2,643 claimants who allege employment on a company-related farm in Costa Rica and the Philippines and who demonstrated some injury were offered a share of the settlement funds upon execution of a release. Over 98% of these claimants accepted the terms of our settlement, the majority of which has been recovered from our insurance carriers.

On February 16, 1999, two of Fresh Del Monte's U.S. subsidiaries were purportedly served in the Philippines in an action entitled *Davao Banana Plantation Workers' Association of Tiburcia, Inc. v. Shell Oil Co., et al.* The action is brought by a Banana Workers' Association purportedly on behalf of its 34,852 members for injuries they allege to have incurred as a result of DBCP exposure. At this time, it is not known how many, if any, of the Association's members are claiming against the Company's subsidiaries and whether these are the same individuals who have already settled their claims against our subsidiaries. The Company's subsidiaries moved to dismiss the action on jurisdictional grounds, which motion was denied. The Company's subsidiaries have moved for reconsideration of that decision, which remains pending.

Fresh Del Monte's U.S. subsidiaries have not settled the DBCP claims of approximately 3,500 claimants represented by different counsel who filed actions in Mississippi in 1996 and Hawaii in 1997. Each of those actions was dismissed by a federal district court on grounds of *forum non conveniens* in favor of the courts of the plaintiffs' home countries. In each case, the plaintiffs have appealed the dismissal, which appeals remain pending.

On November 15, 1999, one of the Company's U.S. subsidiaries was served in two actions entitled, *Godoy Rodriguez, et al. v. AMVAC Chemical Corp., et al* and *Martinez Puerto, et al. v. AMVAC Chemical Corp., et al.,* in the 29th Judicial District Court for the Parish of St. Charles, Louisiana. These actions were removed to federal court, where they have been consolidated. These actions are brought on behalf of claimants represented by the same counsel who filed the Mississippi and Hawaii actions as well as a number of the claimants who have not accepted our settlement offer. The Company's subsidiary has been given an indefinite extension of time to respond to the complaints. At this time, it is not known how many of the 2,962 *Godoy Rodriguez* and *Martinez Puerto* plaintiffs are claiming against the Company's subsidiaries. At this time, it is premature to evaluate the likelihood of a favorable or unfavorable outcome with respect to any of the non-settled DBCP claims.

On August 19, 1994, Chiquita International Limited ("Chiquita") filed suit in Circuit Court in Dade County, Florida against FDP N.V. seeking injunctive relief and damages of approximately $220 million for tortious interference and conspiracy with respect to a contractual relationship with a Philippine producer, Tagum Agricultural Development Company, Inc. ("Tadeco") and thereafter amended its complaint to include two of Fresh Del Monte's subsidiaries as defendants. On March 26, 1999, the court granted Fresh Del Monte's motion for summary judgment. That order was affirmed by the Florida Third District Court of Appeals on January 26, 2000. Chiquita appealed this decision to the Florida Supreme Court. FDP N.V. has entered into a settlement agreement with Chiquita whereby Chiquita agreed to dismiss its appeal to the Florida Supreme Court in exchange for FDP N.V.'s agreement not to pursue its claim for attorney's fees against Chiquita.

On January 13, 1995 and at various times after that date, two of our U.S. subsidiaries were served with a number of different actions filed in the 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' demand was not specified.

On November 13, 1997, the Broward County Circuit Court entered an order dismissing the first group of actions on grounds of *forum non covneniens* in favor of the courts of Ecuador. In February 1998, the plaintiffs in these actions re-filed their claims in Ecuador. On February 1, 1999 the plaintiffs filed a motion to reinstate their claims before the Florida court based upon the allegation that their re-filed actions in Ecuador had been dismissed on procedural grounds without reaching the merits of their claims. On September 24, 1999, the Broward County Circuit Court denied the plaintiffs' motion to reassert jurisdiction. The plaintiffs did not appeal that decision.

On March 18, 1998 three of our subsidiaries were served with a new series of complaints filed in Broward County, Florida by the same group of Ecuadorian shrimp farmers. The new complaints named as defendants two of the Company's subsidiaries, as well as, International Fertilizer Ltd. and manufacturer-defendant E.I. DuPont de Nemours. The new complaints raised the same allegations as the prior complaints, but alleged that the cause of the damage to the plaintiffs' shrimp farms was the use of the chemical Benlate, rather than the other fungicides alleged in the prior complaints. Following the court's denial of the motion to reassert jurisdiction with respect to the first group of actions, on October 12, 1999, the plaintiffs in the new series of actions voluntarily dismissed (without prejudice) their claims against the Company's subsidiaries.

Thereafter, the plaintiffs proposed a settlement under which the Ecuadorian shrimp farmers would dismiss their claims against our subsidiaries, Ciba-Geigy Ltd. and BASF Aktiengesellschaft wherever filed. The parties are currently in the process of executing settlement documents relinquishing all claims with prejudice and terminating the litigations without cost or payment by us.

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. In the dispute, each party alleges that the other party breached its 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. The arbitration took place in Rio de Janeiro, Brazil, from October 5, 1999 through October 8, 1999. Each party provided post-hearing briefs and responsive papers to the tribunal. The decision of the arbitration tribunal is expected by July 2000.

In June 1996, the Philippine Bureau of Internal Revenue ("BIR") filed a criminal complaint against one of our subsidiaries alleging that it failed to pay certain Philippine income and other taxes for 1994. The BIR filed suit notwithstanding a ruling it made in November 1994 that the subsidiary was not subject to these Philippine taxes. The complaint alleged that the amount in question, translated into U.S. dollars as of December 31, 1999, was $19.0 million. On November 17, 1998, the Philippine Department of Justice entered an order dismissing the complaint without prejudice. The BIR's motion for reconsideration of the dismissal was denied on June 15, 1999, thereby upholding the dismissal of the criminal complaint.

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. 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 as of December 31, 1999.

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 Site and provided an alternate water source to area well users and commenced Fresh Del Monte's own voluntary cleanup operation. In 1993, the Environmental Protection Agency (EPA) identified the Kunia Well Site for potential listing on the National Priorities List (NPL) under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended. On December 16, 1994, the EPA issued a final rule adding the Kunia Well Site to the NPL. One of Fresh Del Monte's subsidiaries entered into an order with the EPA for the Kunia Well Site on September 28, 1995. Under the terms of the order, Fresh Del Monte's subsidiary 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 final draft feasibility study was submitted for EPA review in December 1999, and Fresh Del Monte expects that the feasibility study will be finalized by the third quarter of 2000.

Based on the draft feasibility study submitted to the EPA in December 1999, the estimated remediation costs associated with this matter are expected to be between $4.2 million and $28.1 million (a portion of these estimates have been discounted using a 5% interest rate. The undiscounted estimates are between approximately $5.0 million and $30.0 million). As of December 31, 1999, Fresh Del Monte recorded a liability of approximately $4.2 million, which is included in other noncurrent liabilities in the accompanying balance sheet.

In addition to the foregoing, Fresh Del Monte is 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.

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 31, 1999, there was $10.8 million (notional amount) of currency forward contracts outstanding for Japanese Yen with an unrealized gain of $0.2 million at December 31, 1999. 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 or fixed rates which approximate market.

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

	December 31, 1999		January 1, 1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 31.2	$ 31.2	$ 32.8	$ 32.8
Accounts receivables	136.4	136.4	112.7	112.7
Accounts payable	(90.3)	(90.3)	(97.1)	(97.1)
Long-term debt	(489.3)	(489.3)	(341.6)	(341.6)
Capital lease obligations	(11.6)	(11.6)	(12.6)	(12.6)
Forward contracts	—	(0.2)	—	—
Swap agreement	—	1.5	(0.2)	(3.6)

21 RELATED PARTY TRANSACTIONS

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 sheets, were $4.5 million and $2.8 million at December 31, 1999 and January 1, 1999, respectively. Sales to this distributor amounted to $112.5 million, $131.2 million and $109.7 million for 1999, 1998 and 1997.

Sales to Ahmed Abu-Ghazaleh & Sons Company, a related party through common ownership, were $8.7 million, $1.9 million and $4.9 million in 1999, 1998 and 1997, respectively. At December 31, 1999 and January 1, 1999, there were $0.7 million and $0.1 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 IAT companies were $1.4 million in 1997 and are included in selling, general and administrative expenses in the accompanying statements of income. 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	April 2, 1999	July 2, 1999	October 1, 1999	December 31, 1999
Net sales	$493.4	$476.2	$369.1	$404.5
Gross profit	64.9	54.2	26.2	5.3
Net income (loss)	$ 35.4	$ 33.5	$ 6.6	$ (18.6)
Net income (loss) per share	$ 0.66	$ 0.62	$ 0.12	$ (0.34)

Quarter ended	March 27, 1998	June 26, 1998	September 25, 1998	January 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 extra-ordinary 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)

23 BUSINESS SEGMENT DATA

Fresh Del Monte is principally engaged in one major line of business, the production, distribution and marketing of bananas, other fresh fruit and vegetables and non-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, other fresh fruit and vegetables and non-produce. The non-produce category primarily represents shipping for third parties and packaging 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	December 31,		January 1,		December 26,	
	1999		1999		1997	
	Net Sales	Gross Profit	Net Sales	Gross Profit	Net Sales	Gross Profit
Bananas	$ 951.3	$ (4.0)	$ 897.5	$ 32.7	$ 822.3	$ 40.6
Other fresh fruit and vegetables	701.3	155.5	638.2	160.6	544.3	109.9
Non-produce	90.6	(0.9)	64.4	1.4	85.8	13.2
Total	$1,743.2	$150.6	$1,600.1	$194.7	$1,452.4	$163.7

Year ended	December 31,	January 1,	December 26,
	1999	1999	1997
Net sales by geographic region:			
North America	$ 830.4	$ 781.0	$ 710.7
Europe	601.5	522.8	425.8
Asia Pacific	280.7	237.7	233.9
Other	30.6	58.6	82.0
Total net sales	$1,743.2	$1,600.1	$1,452.4

	December 31,	January 1,
	1999	1999
Property plant and equipment:		
North America	$ 75.9	$ 59.4
Europe	122.8	112.9
Asia Pacific	30.4	20.5
Central and South America	340.9	306.6
Corporate	20.6	4.1
Total property, plant and equipment	$ 590.6	$ 503.5
Identifiable assets:		
North America	$ 219.8	$ 202.2
Europe	315.2	193.7
Asia Pacific	66.9	85.9
Central and South America	529.2	488.5
Corporate	85.1	63.7
Total assets	$1,216.2	$1,034.0

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 Fresh Del Monte 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%, 21% and 26% of total net sales for 1999, 1998 and 1997, 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 February 9, 2000, Fresh Del Monte entered into a revolving credit agreement with Rabobank International, New York Branch, as agent. This revolving credit agreement permits borrowings up to $25.0 million, bears interest at LIBOR plus 2.75% and terminates on August 9, 2000. The revolving credit agreement is unsecured and contains covenants which require Fresh Del Monte to maintain certain minimum financial ratios. There have been no borrowings under this credit agreement up to the date of this report.

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 December 31, 1999 and January 1, 1999, and the related consolidated statements of income, cash flows and shareholders' equity for each of the three years in the period ended December 31, 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 conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fresh Del Monte Produce Inc. and subsidiaries at December 31, 1999 and January 1, 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

Miami, Florida
February 14, 2000

Ordinary Share Prices

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

1998	**High**	**Low**
First Quarter	$16.19	$10.50
Second Quarter	$19.94	$15.00
Third Quarter	$20.19	$14.50
Fourth Quarter	$23.63	$14.25
1999	**High**	**Low**
First Quarter	$21.00	$15.25
Second Quarter	$18.44	$13.00
Third Quarter	$15.69	$10.56
Fourth Quarter	$11.38	$ 6.31

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 December 31, 1999, there were 53,763,600 ordinary shares outstanding. We believe that approximately 29% of the outstanding ordinary shares were held by holders in the United States, as of December 31, 1999. Symbol NYSE: FDP.

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 document. 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 December 31, 1999 as filed with the Securities and Exchange Commission.

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

Transfer Agent and Registrar
ChaseMellon Shareholder Services, L.L.C.
85 Challenger Road
Overpeck Center
Richfield Park, NJ 07660

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 9, 2000
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

Randolph Breschini
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

Marissa R. Tenazas
Vice President—Human Resources

Zoltan Pinter
Vice President, General Counsel and Secretary

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

Maher Abu-Ghazaleh
Managing Director
Suma International General Trading and Contracting Company

Amir Abu-Ghazaleh
General Manager
Abu-Ghazaleh International Company

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

Marvin P. Bush[1][2]
Co-Founder and Managing Director
Winston Partners Group

Stephen L. Way[2]
Chairman of the Compensation Committee
Chairman and Chief Executive Officer
HCC Insurance Holdings, Inc.

John H. Dalton[1]
Chairman and Chief Executive Officer
Metal Technology, Inc.

Edward L. Boykin[1]
Chairman of the Audit Committee
Former Partner, Deloitte & Touche LLP

(1) Member of the Audit Committee
(2) Member of the Compensation Committee

Designed by Curran & Connors, Inc. / www.curran-connors.com

Fresh Del Monte Produce Inc.

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