healthy company.

Del Monte Quality

fresh del monte produce inc. | annual report 2003

healthy brand.

Fresh Del Monte Produce Inc. is a leading, vertically integrated producer, marketer and distributor of high-quality fresh and fresh-cut fruit and vegetables. The Company's products include bananas, pineapples, melons, specialty melons, tomatoes, potatoes, onions, strawberries, grapes, citrus, apples, pears, peaches, plums, nectarines, cherries, kiwi, Vidalia® sweet onions, and greens. Fresh Del Monte markets its products worldwide under the Del Monte® brand, a symbol of product quality and reliability since 1892.

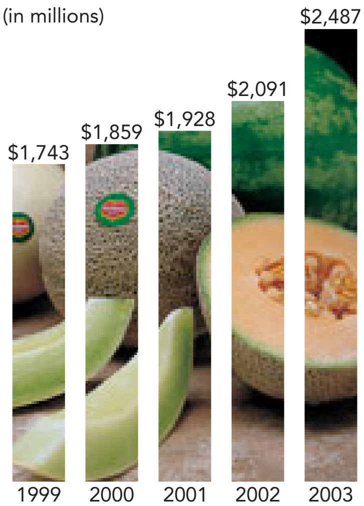
Fresh Del Monte has premier market positions in several fresh produce categories. The Company is the leading marketer of fresh pineapples worldwide, the top marketer of branded melons in the U.S. and the U.K., the world's third largest marketer of bananas, the leading year-round marketer of branded grapes in North America, and the premier repacker of branded tomatoes in North America. In addition, Fresh Del Monte is the only internationally branded marketer in the value-added fresh-cut fruit and vegetable market, one of the fastest growing categories in the fresh produce segment.

Fresh Del Monte Produce Inc. is a global company with more than 26,000 employees. The Company's ordinary shares are traded on the New York Stock Exchange under the symbol FDP.

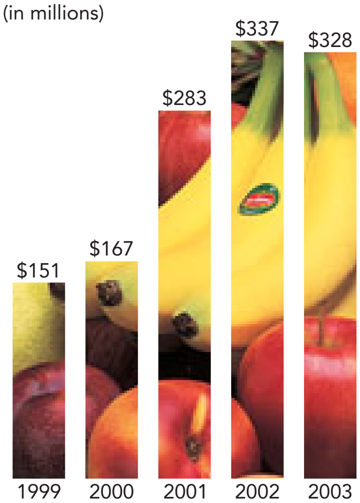
(U.S. dollars in millions, except per-share data)	Year ended 2003	2002
Select Consolidated Statements of Income Data		
Net sales	$2,486.8	$2,090.5
Gross profit	328.2	336.7
Operating income	220.4	214.4
Net income	$ 226.4	$ 195.2
Per share net income:		
Basic	$ 4.00	$ 3.52
Diluted	$ 3.95	$ 3.45
Weighted average number of ordinary shares outstanding:		
Basic	56,539,691	55,445,106
Diluted	57,346,377	56,538,659
Balance Sheet and Cash Flow Data		
Cash and cash equivalents	$ 51.0	$ 9.5
Working capital	143.1	103.4
Total assets	1,491.2	1,262.8
Total debt	43.5	87.3
Shareholders' equity	942.2	759.5
Cash flow from operations	$ 264.0	$ 308.2

financial highlights.

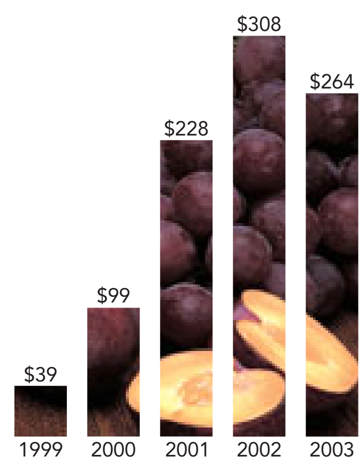
Net Sales
(in millions)



Gross Profit
(in millions)

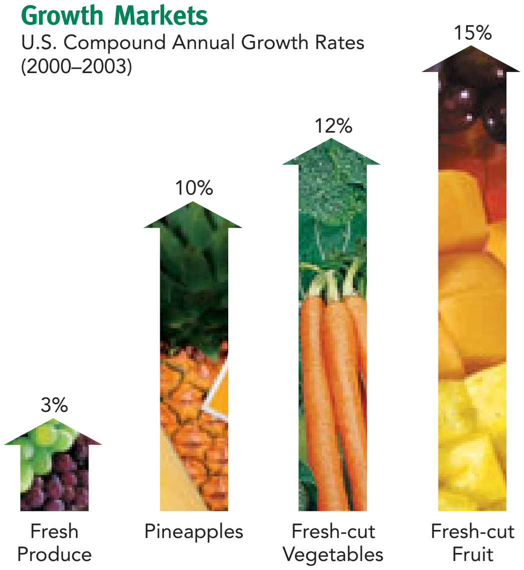


Operating Cash Flow
(in millions)



letter to our shareholders:

Growth Markets
U.S. Compound Annual Growth Rates (2000–2003)



Two thousand and three was a year in which Fresh Del Monte Produce Inc. marked a number of performance achievements, as our global team continued to operate at an exceptionally high level. During the year, we increased sales of Del Monte Gold™ Extra Sweet pineapple and our non-tropical product line, driving higher volumes through our worldwide distribution network. We also continued to build our fresh-cut facilities and maximize efficiencies worldwide. At the same time, we acquired three companies, adding new fruit and vegetables to our product selection, strengthening our key market positions, expanding our distribution capabilities and extending our global reach to new countries and markets.

These achievements, combined with our product line profitability, a favorable foreign exchange climate and low interest rates, enabled Fresh Del Monte to deliver our third consecutive year of record financial results. Net sales increased almost 19 percent to $2.5 billion from $2.1 billion at year-end 2002. Net income rose to $226 million, compared with $195 million for the prior year. Earnings per share advanced to $3.65, excluding $0.30 of one-time gains. We delivered these results in an environment of higher fuel costs, geopolitical uncertainties, and unfavorable weather conditions in the United States, Europe and Central America.

Fortifying Our Financial Platform

As we deftly executed our operating initiatives, we maintained a strong financial platform to implement our growth strategy. We carried little to no debt on our balance sheet, and our debt-to-capital ratio dropped to the low single digits, the lowest in the Company's history. We ended 2003 with an ample $51 million in cash, compared with $10 million at the beginning of the year. We also increased our financial flexibility by negotiating and securing a new $400 million

"Fresh Del Monte Produce's substantial financial assets and steady operating performance support one of the strongest balance sheets in our industry."

Mohammad Abu-Ghazaleh
Chairman and Chief Executive Officer

four-year credit facility. Our low debt levels, strong cash position and increased access to capital position us to seize strategic opportunities as they arise.

During 2003, our operating cash flow remained strong at $264 million, due to our strong operating results and continued cost-cutting measures, including the benefits of reduced shipping costs that resulted from our purchase of 23 ships over the last several years. This investment has insulated us against volatile pricing in the charter market, as evidenced in 2003, when charter rates rose sharply. Astute decisions like this one contribute to Fresh Del Monte's healthy cash flow and strong financial performance.

In recognition of our strong earnings, solid balance sheet and adept management skills, our Board doubled our cash dividend during the year to $0.20 per share per quarter and approved our ninth consecutive dividend. This action communicates our commitment to return greater value to our shareholders.

Fresh Del Monte Produce's substantial financial assets and our steady operating performance support one of the strongest balance sheets in our industry. In acknowledgment of our low leverage, large equity base, healthy free cash flow, minimal debt, and the continued expansion of our global distribution and fresh-cut infrastructure, Moody's upgraded our debt rating to Ba2, placing it on a par with the early 2003 debt upgrade to BB by Standard & Poor's.

Leveraging Our Business Strategy

The central platform for Fresh Del Monte's success is our disciplined business strategy. This strategy calls for us to diversify our product line and geographies, expand our global distribution and value-added capabilities, and maintain firm control over costs. In the past three years, diligent execution of our value-added strategy has transformed Fresh Del Monte from a tropical fruit company to a global produce enterprise, with a vast array of fresh and fresh-cut fruit and vegetables, and an efficient, vertically integrated infrastructure. During 2003, we continued to implement our strategy, making acquisitions that expanded our product selections and introduced us to new markets.

The most significant of these acquisitions was our purchase in January 2003 of Dallas-based Standard Fruit and Vegetable, a leader in fresh produce distribution and repacking. This acquisition made us the nation's premier repacker of branded tomatoes and a top repacker of branded potatoes, strawberries and onions. It also gave us a wealth of other advantages. For example, we gained a highly synergistic distribution network, a higher profile with large supermarkets and food clubs, stronger relationships with customers in the

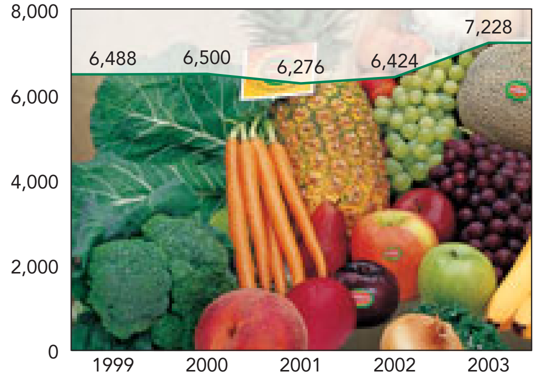
healthy results.

"As we expanded our product line and penetrated new markets in 2003, we also strengthened the competitive advantages that have long set Fresh Del Monte apart in the marketplace."

South Central region of the U.S., and solid market positions in the Southwest and Southeast.

In November, we acquired Expans, a leading Poland-based distributor of fresh fruit and vegetables. This acquisition provides us with new distribution opportunities in Poland, as well as a full range of locally grown produce that we can export to our distribution facilities and fresh-cut operations in the U.K. and Northern Europe. Our regional presence and strong local brand recognition position us to capitalize on the entry of Poland and several other Central European countries to the European Community in May 2004.

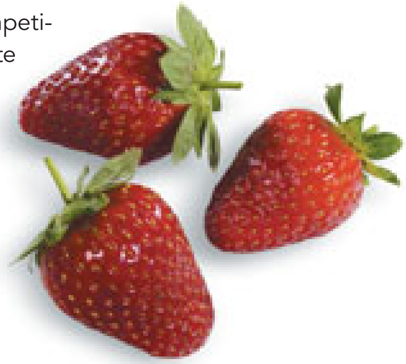
Volumes
(in millions of pounds)



Finally, in December, we acquired Country Best Produce from Agway, Inc. Country Best is a leading East Coast processor and packager of potatoes, onions, sweet corn, and other fruit and vegetables. The acquisition not only strengthens our market position in potatoes and onions, but also adds sweet corn to our product line. It also immediately extends our market reach on the East Coast and increases our ability to serve U.S. retail and food service customers in new markets such as northern New York. Finally, it enables us to leverage and expand our repacking operations in the Tampa and Atlanta areas to drive efficiencies.

Strengthening Our Competitive Advantages

As we expanded our product line and penetrated new markets in 2003, we also strengthened the competitive advantages that have long set Fresh Del Monte apart in the marketplace. In doing so, we solidified our powerful leadership positions in the gold pineapple and fresh-cut fruit and vegetable categories; we enhanced our proprietary distribution network; and we garnered industry recognition for our commitment to achieve superior quality standards.



healthy products.

"Fresh Del Monte has become the market leader in the gold pineapple arena, a category that we created when we introduced our premium gold pineapple, Del Monte Gold™ Extra Sweet, eight years ago."

Leader in Gold Pineapples

Pineapple consumption has continued to increase worldwide by 10 percent annually since 1996. During this time, Fresh Del Monte has become the market leader in the gold pineapple arena—a category that we created when we introduced our premium gold pineapple, Del Monte Gold™ Extra Sweet, eight years ago. Bearing the Del Monte® brand, this popular, high-quality pineapple offers longer shelf life and superior taste. In fact, in recent taste tests, *The Wall Street Journal* called Del Monte Gold™ Extra Sweet "pineapple perfection," while *CNBC's Power Lunch* called it "delicious" and "the leader of the pack."

While our leadership position in the gold pineapple arena is solid, we recognize that we face increasing competition. In fact, over the last five years, we have been working aggressively to develop new varieties of branded pineapples. In doing so, we have leveraged the expertise of our agricultural and scientific experts in our state-of-the-art research and development (R&D) facilities in California and Costa Rica. These skilled scientists and advanced facilities have distinguished Fresh Del Monte as the most innovative fresh and fresh-cut produce company in the world.

To illustrate the point, after five years of extensive R&D activities, we unveiled the Del Monte Honey Gold™ pineapple, a new variety that has a distinctive look, flavor and aroma, as well as an exceptionally long shelf life. We think of Honey Gold as the "next-generation" pineapple, and we firmly believe that this and other innovations will help Fresh Del Monte to maintain its lead in the growing pineapple category.

Pioneers in Fresh-Cut Fruit and Vegetables

Just as Fresh Del Monte originated the gold pineapple category, so, too, have we fostered the development of the global fresh-cut fruit and vegetable business. Though large supermarkets have cut their own fruit and vegetables for years, they have often lost income in the process, due to high in-store labor costs, cold chain issues and waste. These challenges create a significant

healthy growth.

"As we progress to the next chapter in Fresh Del Monte's unfolding growth story, we are intensely focused on leveraging new opportunities to fortify our position as the world's leading fresh and fresh-cut produce company."

opportunity for Fresh Del Monte to supply its customers with a range of high-quality, branded, fresh-cut products, along with value-added services tailored to boost our customers' bottom line. Our pioneering efforts have helped to build industrywide demand for fresh-cut produce. According to the International Fresh-Cut Produce Association, consumers' purchases of fresh-cut fruit and vegetable products account for approximately 38 percent of sales in the approximately $4 billion value-added produce category in the U.S. today.

While the fresh-cut industry is still evolving, we expect that changes in consumer preferences will steadily drive its growth. U.S. and European consumers are exercising more, cutting down on fat, and adding healthy foods to their diets. In tandem with these changes, consumers are also converting from purchasing whole, unwashed fruit and vegetables to buying convenient pre-washed, pre-packaged, fresh-cut produce. Supermarkets and fast-food establishments are rushing to provide these products in creative formats. In addition, fast-food companies have added healthy choices to their menus to attract customers who want to complement traditional fare.

These measures have opened a world of new opportunities for Fresh Del Monte. In 2003, we began to work with a number of retail grocers to introduce our fresh-cut line and to assist them in managing the fresh-cut category to maximize sales and reduce waste. We also began to provide fast-food companies in the U.K. with a selection of salads and sliced apples and grapes for kids' meals. In the U.S., we began to provide fast-food operators with fruit cups containing honeydew, cantaloupe and grapes. Through these and other efforts, we drove our 2003 fresh-cut sales to $214 million from $147 million in 2002.

healthy snacks.

Distributors of Products Worldwide

Fresh Del Monte's global distribution and fresh-cut network enable us to provide our customers with top-quality products all year. They also position us to provide value-added services, like ripening, cold storage, packing and sorting, merchandising and promotional support, and fresh-cut capabilities. As a result, we are able not only to strengthen our relationships with our retail and food service customers by adding value to the products we offer, but also to capture additional revenues for these services.

Our recent acquisitions, combined with the distribution centers we opened or expanded in 2003 in Seattle, Boston and Greensboro, N.C., have resulted in a coast-to-coast network of 28 distribution centers in North America. We also operate 11 fresh-cut facilities near major markets, which comprise the most extensive fresh-cut distribution network in the country. In 2003, we leveraged our distribution centers and fresh-cut facilities more fully than ever before, processing 44 percent of North American sales through our network, compared with 19 percent in 2002.

The Highest Quality Standards in the Industry

As a global industry leader, Fresh Del Monte has a responsibility to maintain exceptional food safety and environmental standards. In 2003, we became the world's first multinational fresh produce company to receive Eurepgap certification. This prestigious food safety standards certification signals European retailers and consumers that the fresh produce from our certified operations is of the highest quality and that it meets the strictest food safety standards. We believe that this accomplishment will help to generate new opportunities for Fresh Del Monte with large European and global grocer retailers.

healthy choices.

Evaluating Future Opportunities

The year 2003 was a pivotal period in Fresh Del Monte's unfolding growth story. As we progress to the next chapter, we are intensely focused on leveraging new opportunities to fortify our position as the world's leading fresh and fresh-cut produce company. To achieve this goal, we will continue to maximize our existing assets, including our distribution centers, our fresh-cut facilities and our logistics network to drive growth and capture efficiencies. In addition, we will make strategic acquisitions that complement our business and advance our leadership status.

We will also build on our relationships with our major supermarket partners in the U.S., the U.K., Asia and Europe. We will continue to strengthen these vital relationships by adding value through our customized retail grocer programs, and by exploring exciting new opportunities to stimulate growth, such as the fruit basket program we recently initiated with several large grocers. We will also set our sights on becoming the preferred supply partner to leading fast-food and food service companies. And we will continue to tell the Fresh Del Monte story to all of our prospective customers, who are invariably impressed with our capabilities and the scope of our business.

In 2004, we also plan to pursue a number of new programs to leverage our existing infrastructure and the power of the Del Monte® brand. These include building our capabilities in Brazil, where we began to export organic bananas and harvest Del Monte Gold™ Extra Sweet pineapples; pursuing a new operation in Mexico, through which we will seek to become a leading avocado marketer in North America; and continuing to participate in the U.S. government's pilot program to deliver fresh fruit and vegetables to school children.

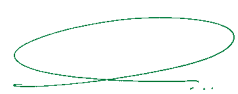
Reflecting on Our Journey

As proud as we are of our past performance, we are accelerating our efforts to grow our business, enhance our profitability and deliver even better results. I have always believed that if you work hard and do what is right for the business, the stock price will take care of itself. Indeed, on the last trading day of 2003, our stock closed at $23.83, reflecting a compound annual growth rate of 74 percent over the last three years.

As I reflect on how our Company has advanced, I am proud and gratified by our progress. At the end of 2000, we reported sales of $1.9 billion, net income of $33.1 million, earnings of $0.62 cents per share, and operating cash flow of $99 million, financial metrics that we significantly surpassed in 2003. Indeed, our 2003 return on investment was among the highest in the produce industry. We have achieved this outstanding growth by capitalizing on our brand, management skills, balance sheet, vertical integration, logistics, marketing operations, diverse array of products and global customer base, all of which make Fresh Del Monte the strongest company in our industry.

Nothing has been more important to our success, however, than our 26,000 employees around the globe. They are truly what make us *different*, and, I believe, *superior* to every other company in the industry. From sales to production, from research to logistics, Fresh Del Monte's employees are dedicated to the success of this Company. Whether they are in Costa Rica or the U.K., in the Philippines, the U.S. or Japan, the people of Fresh Del Monte give everything they've got to make our Company a world-class enterprise.

As we enter 2004, I extend my warm appreciation and heartfelt thanks to the Fresh Del Monte family around the world for their dedication, commitment and hard work. In turn, they join me in thanking you, our valued shareholders, for your loyalty, support and faith in our Company through the years and particularly during the past 12 months. While 2003 was another solid year for us all, I believe that there are even better times to come—and I sincerely look forward to sharing those times with all of you.



Mohammad Abu-Ghazaleh
Chairman and Chief Executive Officer

Operating Results

Overview

We are a leading vertically integrated producer and marketer of high quality fresh and packaged fresh-cut produce. Our products include bananas, pineapples, melons, specialty melons, tomatoes, potatoes, onions, strawberries, grapes, citrus, apples, pears, peaches, plums, nectarines, cherries, kiwis, Vidalia® sweet onions and greens. As a result of the Standard acquisition in January of 2003, our product offering now also includes tomatoes, potatoes and other onions. We market our products worldwide under the DEL MONTE® brand, a symbol of product quality and reliability since 1892. Our global sourcing and logistics system allows us to provide regular delivery of consistently high quality produce and value-added services to our customers.

Net Sales

Our net sales are affected by numerous factors including the balance between the supply of and demand for our produce and competition from other fresh produce companies. Our net sales are also dependent on our ability to supply a consistent volume and quality of fresh produce to the markets we serve. For example, seasonal variations in demand for bananas, as a result of increased supply and competition from other fruit, are reflected in the seasonal fluctuations in banana prices, with the first six months of each year generally exhibiting stronger demand and higher prices, except in those years where an excess supply exists.

Since our financial reporting currency is the dollar, our net sales are significantly affected by fluctuations in the value of the currency in which we conduct our sales versus the dollar, with a strong dollar versus such currencies resulting in reduced net sales in dollar terms. Our net sales for 2003 were positively impacted by approximately $72.5 million, as compared to 2002, as a result of a strong euro, British pound and Japanese yen versus the dollar.

Our net sales growth in recent years has been achieved primarily through increased sales volume in existing markets of other fresh produce, primarily pineapples and melons, favorable pricing on our *"Del Monte Gold™ Extra Sweet"* pineapple, as well as acquisitions and expansion of value-added services such as banana ripening. Our net sales growth in recent years is also attributable to a broadening of our product line with the expansion of our fresh-cut produce business. We expect our net sales growth to continue to be driven by increased sales volumes in our other fresh produce segment and acquisitions. In North America, we expect our net sales to increase this year due to increased sales of tomatoes and potatoes as the result of our recent acquisitions. We also expect our net sales of Del Monte Gold™ Extra Sweet pineapple to approximately maintain current levels.

Cost of Products Sold

Cost of products sold is principally composed of two elements, product and logistics costs. Product cost for our produce is primarily composed of cultivation (the cost of growing crops), harvesting, packaging, labor, depreciation and farm administration. Product cost for produce obtained from independent growers is composed of produce and packaging costs. Logistics costs include air, land and sea transportation and expenses related to port facilities and distribution centers. Sea transportation cost is the most significant component of logistics costs and is comprised of the cost of chartering refrigerated vessels and vessel operating expenses.

Vessel operating expenses for our vessels include operations, maintenance, depreciation, insurance, fuel, the cost of which is subject to commodity price fluctuations and port charges. For chartered vessels, operating expenses include the cost of chartering the vessels, fuel and port charges. Variations in containerboard prices, which affect the cost of boxes and other packaging materials, and fuel prices, can have a significant impact on our product cost and our profit margins. Containerboard, plastic, resin and fuel prices have historically been volatile. Containerboard and fuel prices decreased in 2001 as compared to 2000. Containerboard prices decreased and fuel prices increased in 2002 as compared to 2001. Fuel prices increased significantly and containerboard prices increased slightly in 2003 as compared to 2002. This increase in containerboard and fuel prices has added approximately $10.8 million to our cost of sales in 2003 as compared to 2002.

In general, changes in our volume of products sold can have a disproportionate effect on our gross profit. Within any particular year, a significant portion of our cost of products sold is fixed, both with respect to our operations and with respect to the cost of produce purchased from independent growers from whom we have agreed to purchase all the products they produce. Accordingly, higher volumes produced on company-owned farms directly reduce the average per-box cost, while lower volumes directly increase the average per-box cost. In addition, because the volume that will actually be produced on our farms and by independent growers in any given year depends on a variety of factors, including weather, that are beyond our control or the control of our independent growers, it is difficult to predict volumes and per-box costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses primarily include the costs associated with selling in countries where we have our own sales force, advertising and promotional expenses, professional fees, general corporate overhead and other related administrative functions.

Interest Expense

Interest expense consists primarily of interest on borrowings under working capital facilities that we maintain and interest on other long-term debt primarily for vessel purchases and capital lease obligations. Decreases in interest rates, combined with a lower average debt balance, significantly contributed to the decrease in interest expense in 2002 and 2003.

Other Income (Loss), Net

Other income (loss), net, primarily consists of equity earnings in unconsolidated companies, together with currency exchange gains or losses and other miscellaneous income and expense items such as insurance recoveries.

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. Many of the countries in which we operate have favorable tax rates. We are subject to U.S. taxation on our distribution and fresh-cut operations in the United States. From time to time, tax authorities in various jurisdictions in which we operate audit our tax returns and review our business structures and positions and there are audits presently pending in various countries. There can be no assurance that any tax audits, or changes in existing tax laws or interpretations in countries in which we operate, will not result in an increased effective tax rate for us. We have established tax accruals as a result of various tax audits currently in process. The amount of income taxes due as a result of the eventual outcome of these audits may differ from the amount of estimated tax accruals.

Results of Operations

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

	Year ended		
	December 26, 2003	December 27, 2002	December 28, 2001
Income Statement Data:			
Net sales	100.0%	100.0%	100.0%
Gross profit	13.2	16.1	14.7
Selling, general and administrative expenses	4.3	4.9	4.6
Operating income	8.9	10.3	8.6
Interest expense	0.3	0.8	1.7
Net income	9.1	9.3	5.0

The following tables present for each of the periods indicated (1) net sales by geographic region, (2) net sales by product category and (3) gross profit by product category, and in each case, the percentage of the total represented thereby. Certain amounts from 2002 and 2001 have been reclassified to conform to the 2003 presentation.

	Year ended					
(U.S. dollars in millions)	December 26, 2003		December 27, 2002		December 28, 2001	
Net sales by geographic region:						
North America	$1,339.0	54%	$1,050.9	50%	$ 995.6	52%
Europe	714.8	29	639.3	31	550.4	29
Asia-Pacific	373.3	15	348.2	17	328.5	17
Other	59.7	2	52.1	2	53.5	2
Total	$2,486.8	100%	$2,090.5	100%	$1,928.0	100%

	Year ended					
(U.S. dollars in millions)	December 26, 2003		December 27, 2002		December 28, 2001	
Net sales by product category:						
Bananas	$ 969.6	39%	$ 957.0	46%	$ 894.2	46%
Other fresh produce	1,398.1	56	1,030.5	49	928.6	48
Non-produce	119.1	5	103.0	5	105.2	6
Total	$2,486.8	100%	$2,090.5	100%	$1,928.0	100%
Gross profit by product category:						
Bananas	$ 69.2	21%	$ 79.9	24%	$ 70.4	25%
Other fresh produce	249.5	76	252.8	75	209.4	74
Non-produce	9.5	3	4.0	1	3.1	1
Total	$ 328.2	100%	$ 336.7	100%	$ 282.9	100%

2003 Compared with 2002

Net Sales

Net sales in 2003 were $2,486.8 million compared with $2,090.5 million in 2002. The increase in net sales of $396.3 million was primarily attributed to the other fresh produce category. Net sales of other fresh produce increased primarily due to tomato, potato and other vegetables of $246.0 million as a result of the Standard acquisition and higher fresh-cut net sales in the U.S. and Europe of $66.6 million. Net sales of Del Monte Gold™ Extra Sweet pineapples increased by $24.4 million as a result of an 8% increase in worldwide sales volume and higher per unit sales prices in Europe partially offset by a slight 4% decrease in per unit sales prices in North America and Asia. Banana net sales increased slightly due to higher per unit net sales prices in Europe and higher sales volume in Asia partially offset by lower per unit sales prices in North America and Asia.

Net sales were positively affected by a weaker dollar versus the euro, the British pound and the Japanese yen. The net effect of foreign exchange in 2003 compared with 2002 was an increase in net sales of approximately $72.5 million of which approximately $43.5 million is attributable to the euro, $18.0 million to the British pound and $11.0 million to the Japanese yen.

During 2003, as a result of the Standard acquisition, one customer, Wal-Mart, Inc., accounted for approximately 14% of our total net sales. These sales are reported in our banana and other fresh produce segments. No other customer accounted for 10% or more of our net sales. In 2003, the top ten customers accounted for approximately 41% of our net sales, as compared with 33% of our net sales during 2002.

Cost of Products Sold

Cost of products sold was $2,158.6 million in 2003 compared with $1,753.8 million in 2002, an increase of $404.8 million. This increase is primarily due to higher other fresh produce sales volume due to acquisitions, combined with higher sea transportation costs as well as higher operating costs as a result of expansion of the North America business.

Gross Profit

Gross profit was $328.2 million in 2003 compared with $336.7 million for the same period in 2002. The decrease of $8.5 million was primarily attributed to lower banana per unit sales prices in North America and Asia-Pacific regions combined with increased containerboard and fuel costs. As a percentage of net sales, gross profit margins decreased to 13.2% in 2003 as compared with 16.1% in 2002. This decrease in gross profit margin was attributed to increased transportation costs combined with the shift in sales mix to high volume, lower margin products from our recent acquisitions.

Selling, General and Administrative Expenses

Selling, General and Administrative expenses increased $5.1 million to $107.8 million in 2003 compared with $102.7 million in 2002. The increase was primarily due to higher administrative expenses related to acquisitions, new marketing initiatives in Europe as well as higher professional fees related to business development and ongoing litigation partially offset by cost savings measures.

Provision for Kunia Well Site

In 2002, as a result of additional communications with the EPA and the advice of our legal counsel, and other experts, a non-cash charge of $7.0 million for environmental remediation was recorded.

Asset Impairment Charge

Based on the continuing operating losses of certain distribution facilities in South Africa and Argentina and a decline in the fair value of certain long-term assets in South America related to the other fresh produce segment, a charge of $12.6 million for impairment of long-lived assets was recorded during 2002.

Operating Income

Operating income in 2003 was $220.4 million compared with $214.4 million in 2002, an increase of $6.0 million. The increase was due to the provision for Kunia Well Site and asset impairment charge that were recorded in 2002, offset by lower gross profit and higher selling, general and administrative expenses in 2003.

Interest Expense

Interest expense decreased $8.4 million to $7.3 million in 2003 compared with $15.7 million in 2002 primarily as a result of lower average debt balances.

Other Income (Loss), Net

Other income (loss), net was $28.4 million in 2003 compared with $20.5 million in 2002. The increase of $7.9 million is primarily attributed to insurance recoveries of $11.5 million related to Hurricane Mitch in 1998 and a gain on the sale of the 50% interest in Compania Industrial Corrugadora Guatemala S.A., a manufacturer of corrugated boxes of $5.5 million recorded in 2003, as compared with a gain on the sale of our equity investment in a Northern European distributor of $8.7 million and insurance proceeds of $2.4 million from claims related to our Guatemala operations, recorded in 2002.

Provision for Income Taxes

Provision for income taxes decreased from $18.6 million in 2002 to $15.9 million in 2003, primarily due to a change in the source of pre-tax income to jurisdictions where tax rates are lower.

2002 Compared with 2001

Net Sales

Net sales in 2002 were $2,090.5 million compared with $1,928.0 million in 2001. The increase in net sales of $162.5 million was attributable to the other fresh produce and banana categories. Net sales of other fresh produce increased as a result of higher net sales of fresh-cut produce primarily due to the U.K. Fresh-Cut acquisition, growth in our North America operations and higher net sales of pineapples due to increased volumes and stronger pricing. Banana net sales increased due to higher per unit sales prices in the Asia-Pacific and European regions and higher sales volumes in North America and Europe.

Net sales were positively affected by a weaker dollar versus the euro, partially offset by the negative impact of a stronger dollar versus the Japanese yen. The net effect of foreign exchange in 2002 compared with 2001 was an increase in net sales of approximately $15.4 million.

Cost of Products Sold

Cost of products sold was $1,753.8 million in 2002 compared with $1,645.1 million in 2001, an increase of $108.7 million. The increase is primarily due to higher banana and pineapple sales volumes and higher sales volumes of other fresh produce due to the U.K. Fresh-Cut acquisition, partially offset by reduced per unit fruit cost in our other fresh produce category.

Gross Profit

Gross profit was $336.7 million in 2002 compared with $282.9 million in 2001, an increase of $53.8 million or 19%. As a percentage of net sales, gross profit margin increased to 16.1% in 2002 from 14.7% in 2001, primarily due to the increase in sales prices of bananas and other fresh produce combined with reduced per unit fruit cost in our other fresh produce category.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $13.3 million to $102.7 million in 2002 compared with $89.4 million in 2001. The increase was principally due to higher administrative expenses primarily for professional fees related to business development and on-going litigation combined with higher selling and marketing expenses related to our business expansion.

Provision for Kunia Well Site

As a result of communications with the EPA related to our leased plantation in Kunia, Hawaii, a non-cash charge of $15.0 million for environmental remediation was recorded in 2001. In 2002, as a result of additional communications with the EPA and the advice of our legal counsel and other experts, a non-cash charge of $7.0 million for environmental remediation was recorded. Including $4.1 million previously recorded, the total amount accrued for environmental remediation is $26.1 million and is included in other noncurrent liabilities at December 27, 2002. This represents the high end of the range of the estimated remediation costs associated with this matter.

Asset Impairment Charge

Based on the continued operating losses and decline in the estimated fair value of certain distribution facilities and other property in South Africa, South America and Central America, primarily related to the other fresh produce segment, a charge of $12.6 million for impairment of long-lived assets was recorded in 2002. There are numerous uncertainties and inherent risks in the fresh produce business, such as but not limited to general economic conditions, actions of competitors, ability to manage growth, actions of regulatory authorities, pending investigations and/or litigation, customer demand and risk relating to international operations. Adverse effects from these risks may result in adjustments to the carrying value of our assets and liabilities in the future.

Operating Income

Operating income in 2002 was $214.4 million compared with $164.9 million in 2001, an increase of $49.5 million, or 30%. The increase was due primarily to the increase in gross profit, a decrease in non-cash charge for the provision for the Kunia Well Site and the absence of amortization of goodwill, partially offset by the increase in selling, general and administrative expenses and asset impairment charges.

Interest Expense

Interest expense decreased $16.4 million to $15.7 million for 2002 compared with $32.1 million in 2001 as a result of lower average debt balances combined with lower effective interest rates.

Other Income (Loss), Net

Other income (loss), net improved by $32.7 million from a loss of $12.2 million in 2001 to income of $20.5 million in 2002. The change was due primarily to foreign exchange gains related to the stronger euro, gain on the sale of our equity investment in a Northern European distributor of $8.7 million and insurance proceeds of $2.4 million from claims related to our Guatemala operations.

Provision for Income Taxes

Provision for income taxes decreased from $26.5 million in 2001 to $18.6 million in 2002 primarily due to provisions recorded in 2001 due to ongoing audits in various jurisdictions, combined with a change in the mix of earnings to jurisdictions where tax rates are significantly lower.

As a result of these audits, we recorded a provision of $19.1 million in 2001. The accruals for the audits are included in other noncurrent liabilities in our balance sheet at December 27, 2002. We believe the amounts accrued as of December 27, 2002 are sufficient to cover potential tax assessments for the years under examination.

Cumulative Effect of Change in Accounting Principle

In 2002, as prescribed by Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," we completed the transitional goodwill impairment test. This review resulted in a non-cash impairment charge of $6.1 million for goodwill related to the other fresh produce reporting segment. This non-cash charge is accounted for as a cumulative effect of a change in accounting principle for the year ended December 27, 2002.

Seasonality

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

	Year Ended	
	December 26, 2003	December 27, 2002
Net sales:		
First quarter	$ 643.8	$ 537.4
Second quarter	700.6	567.2
Third quarter	563.7	498.5
Fourth quarter	578.7	487.4
Total	$2,486.8	$2,090.5
Gross profit:		
First quarter	$ 107.0	$ 106.6
Second quarter	109.3	97.0
Third quarter	65.0	67.9
Fourth quarter	46.9	65.2
Total	$ 328.2	$ 336.7

Liquidity and Capital Resources

Net cash provided by operating activities for 2003 was $264.0 million, a decrease of $44.2 million from 2002. The decrease in net cash provided by operating activities was primarily attributable to higher balances in inventory, principally as a result of increased raw materials and packaging supplies, lower balances in accounts payable and accrued expenses, combined with other changes in operating assets and liabilities.

Net cash provided by operating activities for 2002 was $308.2 million, an increase of $80.4 million from 2001. The increase in net cash provided by operating activities was primarily attributable to the increase in net income, higher balances in accounts payable and accrued expenses and changes in other noncurrent assets and liabilities. This increase was partially offset by higher balances in trade accounts receivable and inventory.

Net cash used in investing activities was $159.4 million for 2003, $68.3 million for 2002 and $66.6 million for 2001. Net cash used in investing activities for 2003 consisted primarily of the acquisition of Standard for $99.7 million, the acquisition of the remaining 33% interest in Envaco for $3.0 million, the acquisition of Expans for

$0.8 million and the acquisition of Country Best for $12.2 million, combined with capital expenditures of $58.1 million, partially offset by $12.8 million of proceeds from sale of an equity investment. Capital expenditures in 2003 were primarily for the expansion of production facilities in South America, distribution centers and fresh-cut facilities in North America and the United Kingdom and for information technology. Standard, acquired on January 27, 2003, was a Dallas, Texas based integrated distributor of fresh fruit and vegetables, which services retail chains, foodservice distributors and other wholesalers in approximately 30 states. The acquisition included four distribution facilities, which increases our presence in key markets in the United States and allows us to increase our product offering to include tomatoes, potatoes, strawberries, onions and an extensive line of specialty items. On June 18, 2003, we acquired the remaining interest in Envaco, providing us with 100% ownership of our corrugated box plant in Costa Rica. Expans, acquired on November 21, 2003, was a leading distributor of fresh fruit and vegetables in Poland. This acquisition enables us to leverage the strong brand identity of Del Monte®, establish a strong foundation in Poland and the broader Central European region and to export fresh fruit and vegetables from Poland to our other distribution facilities and fresh-cut operations in the United Kingdom and Northern Europe. Country Best, acquired on December 22, 2003, was a leading U.S. east coast processor and packager of potatoes, onions, sweet corn and other fresh fruit and vegetables. This acquisition includes processing and packaging operations in Florida, Georgia and New York and strengthens our position in two key product areas—potatoes and onions—while providing us with a foothold in the growing sweet corn category. Proceeds from sale of an equity investment was due to the sale, on April 24, 2003, of our 50% equity interest in Compania Industrial Corrugadora Guatemala, S.A., a manufacturer of corrugated boxes.

Net cash used in investing activities for 2002 consisted primarily of capital expenditures of $63.4 million, the acquisition U.K. Fresh-Cut from the administrative receivers for approximately $37.2 million, and the acquisition of an additional interest in National Poultry Company PLC for approximately $4.7 million, offset by the proceeds from the sale of assets of $6.8 million and the proceeds from the sale of an equity investment of $30.0 million. Capital expenditures in 2002 were primarily for expansion of our production facilities in South America and distribution and fresh-cut facilities in North America, the United Kingdom and the Asia-Pacific region and the purchase of a pre-owned refrigerated vessel. The U.K. Fresh-Cut acquisition includes three facilities dedicated to chilled fresh-cut produce and bagged and prepared salads and accelerates our growth in the fresh-cut category. The proceeds from the sale of an equity investment was attributed to the sale of our 80% non-controlling interest in Internationale Fruchtimport Gesellschaft Weichert & Co. ("Interfrucht"), a Northern European distributor of fresh fruit and other produce for a sales price of $30.0 million.

Net cash used in investing activities for 2001 was primarily attributable to capital expenditures of $55.9 million and the acquisition of the remaining 50% interest in a Chilean subsidiary engaged in the production of grapes and non-tropical fruit for approximately $13.8 million. Capital expenditures for 2001 were primarily for expansion of our production facilities in South America and distribution facilities in North America and the Asia-Pacific region.

Net cash used in financing activities of $66.2 million for 2003 was principally for the net repayment of long-term debt of $52.7 million and for the payment of our cash dividends of $25.5 million partially offset by the proceeds from stock options exercised of $12.0 million. In 2004, we expect to pay cash dividends of approximately $45.8 million.

Net cash used in financing activities of $245.1 million for 2002 was primarily for net repayments on long-term debt of $255.3 million and payment of cash dividends of $11.1 million partially offset by proceeds from stock options exercised of $24.8 million. Net cash used in financing activities for 2001 of $159.2 million, was primarily for net repayment on long-term debt.

In recent years, we have financed our working capital and other liquidity requirements primarily through cash from operations and borrowings under our credit facility. We have a credit facility with Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., "Rabobank Nederland," New York Branch, which we refer to as Rabobank. Our obligations under the credit facility are guaranteed by certain of our subsidiaries. On March 21, 2003, Fresh Del Monte, and certain wholly-owned subsidiaries entered into a $400.0 million, four-year syndicated revolving credit facility (the "New Credit Facility"), with Rabobank Nederland, New York Branch, as administrative agent, which replaced the then existing $450.0 million revolving credit facility including the $135.0 million five-year term loan maturing on May 10, 2005 ("Term Loan"). With drawdowns from the New Credit Facility, all amounts outstanding under the previous credit facility, including the remaining unpaid balance of the Term Loan of $25.0 million were paid off.

At December 26, 2003, Fresh Del Monte had $392.6 million available under committed working capital facilities, all of which is represented by the New Credit Facility. The New Credit Facility also includes a swing line facility and a letter of credit facility. At December 26, 2003, $7.4 million of available credit was applied towards the issuance of letters of credit. The New Credit Facility permits borrowings with an interest rate based on a spread over the London Interbank Offered Rate ("LIBOR") and expires on March 21, 2007. There were no outstanding borrowings on the New Credit Facility at December 26, 2003.

The New Credit Facility is collateralized directly or indirectly by substantially all of our assets and requires us to meet certain covenants. We believe we are in compliance with these covenants.

The Revolving Credit Facility contained covenants, which required Fresh Del Monte to maintain certain minimum financial ratios and limited the payment of future dividends. In connection with the Revolving Credit Facility, Fresh Del Monte entered into an interest rate swap agreement, which expired in January 2003 with the same bank to limit the effect of increases in interest rates on a portion of the Revolving Credit Facility (see Note 19 Financial Instruments and Concentration of Credit Risk to our consolidated financial statements). The notional amount of the swap decreased 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 were accrued and recognized as adjustments to interest expense. Interest expense related to the swap agreement amounted to $0.1 million, $2.6 million and $1.4 million for 2003, 2002 and 2001, respectively.

As of December 26, 2003, we had $43.5 million of long-term debt and capital lease obligations, including the current portion, consisting of $12.7 million of long-term debt related to refrigerated vessel loans, $7.4 million of other long-term debt and $23.4 million of capital lease obligations.

Principal capital expenditures planned for 2004 consist of approximately $80 million for expansion of distribution and fresh-cut facilities in North America and Europe, expansion of operating facilities in South America and information technology initiatives. We expect to fund our capital expenditures for the year 2004 from operating cash flows and borrowings under our New Credit Facility. We believe that cash generated from operations and available borrowings will be adequate to cover our cash needs in 2004. We generated cash from operations of $264.0 million in 2003 and have $392.6 million available under our New Credit Facility as of December 26, 2003. Based on our operating plan and borrowing capacity of our New Credit Facility, we believe we have sufficient cash to meet our obligations in 2004. This belief is based on our positive operating results and cash flow in recent years.

The following details information with respect to our contractual obligations as of December 26, 2003.

(U.S. dollars in millions)	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
Payments by period:					
Fruit purchase agreements	$2,278.2	$483.0	$540.4	$437.8	$817.0
Purchase obligations	454.9	254.6	115.7	51.2	33.4
Operating leases	106.2	17.4	30.4	22.9	35.5
Capital lease obligations (including interest)	25.6	9.5	13.5	2.6	—
Long-term debt	20.1	5.6	10.0	2.0	2.5
Total	$2,885.0	$770.1	$710.0	$516.5	$888.4

We have agreements to purchase the production of certain independent growers in Costa Rica, Guatemala, Ecuador, Cameroon, Colombia, Chile and the Philippines. Total purchases under these agreements amounted to $505.6 million, $499.5 million and $458.5 million for 2003, 2002 and 2001, respectively.

Consolidated Balance Sheets

(U.S. dollars in millions)	December 26, 2003	December 27, 2002
Assets		
Current assets:		
Cash and cash equivalents	$ 51.0	$ 9.5
Trade accounts receivable, net of allowance of $17.1 and $17.8, respectively	195.2	162.4
Advances to growers and other receivables, net of allowance of $13.3 and $16.7, respectively	41.1	34.7
Inventories	215.1	188.4
Deferred income taxes	3.0	4.8
Prepaid expenses and other current assets	7.6	9.4
Total current assets	513.0	409.2
Investments in and advances to unconsolidated companies	18.2	23.0
Property, plant and equipment, net	741.0	703.9
Deferred income taxes	27.5	22.5
Other noncurrent assets	23.0	22.3
Goodwill	168.5	81.9
Total assets	$1,491.2	$1,262.8
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 325.8	$ 231.0
Current portion of long-term debt and capital lease obligations	14.0	40.0
Deferred income taxes	8.4	8.6
Income taxes payable	21.7	26.2
Total current liabilities	369.9	305.8
Long-term debt	14.5	31.1
Capital lease obligations	15.0	16.2
Retirement benefits	55.1	59.2
Other noncurrent liabilities	59.4	56.7
Deferred income taxes	31.4	26.0
Total liabilities	545.3	495.0
Minority interest	3.7	8.3
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; 57,282,518 and 56,206,012 shares issued and outstanding	0.6	0.6
Paid-in capital	367.3	355.3
Retained earnings	621.4	420.5
Accumulated other comprehensive loss	(47.1)	(16.9)
Total shareholders' equity	942.2	759.5
Total liabilities and shareholders' equity	$1,491.2	$1,262.8

See accompanying notes

Consolidated Statements of Income

(U.S. dollars in millions, except share and per share data)	Year ended December 26, 2003	December 27, 2002	December 28, 2001
Net sales	$2,486.8	$2,090.5	$1,928.0
Cost of products sold	2,158.6	1,753.8	1,645.1
Gross profit	328.2	336.7	282.9
Selling, general and administrative expenses	107.8	102.7	89.4
Amortization of goodwill	—	—	3.4
Provision for Kunia Well Site	—	7.0	15.0
Asset impairment charges	—	12.6	10.2
Operating income	220.4	214.4	164.9
Interest expense	(7.3)	(15.7)	(32.1)
Interest income	0.8	0.7	2.1
Other income (loss), net	28.4	20.5	(12.2)
Income before provision for income taxes and cumulative effect of change in accounting principle	242.3	219.9	122.7
Provision for income taxes	15.9	18.6	26.5
Income before cumulative effect of change in accounting principle	226.4	201.3	96.2
Cumulative effect of change in accounting principle	—	(6.1)	—
Net income	$ 226.4	$ 195.2	$ 96.2
Net income per share—Basic:			
Income before cumulative effect of change in accounting principle	$ 4.00	$ 3.63	$ 1.79
Cumulative effect of change in accounting principle	—	(0.11)	—
Net income per share—Basic	$ 4.00	$ 3.52	$ 1.79
Net income per share—Diluted:			
Income before cumulative effect of change in accounting principle	$ 3.95	$ 3.56	$ 1.77
Cumulative effect of change in accounting principle	—	(0.11)	—
Net income per share—Diluted	$ 3.95	$ 3.45	$ 1.77
Dividends declared per ordinary share	$ 0.45	$ 0.20	$ —
Weighted average number of ordinary shares outstanding:			
Basic	56,539,691	55,445,106	53,856,392
Diluted	57,346,377	56,538,659	54,414,868

See accompanying notes

Consolidated Statements of Cash Flows

(U.S. dollars in millions)	Year ended December 26, 2003	December 27, 2002	December 28, 2001
Operating activities:			
Net income	$ 226.4	$ 195.2	$ 96.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Goodwill amortization	—	—	3.4
Depreciation and amortization other than goodwill	61.3	59.4	57.0
Amortization of debt issuance cost	1.7	2.3	2.0
Non-cash stock based compensation expense	—	0.9	—
Cumulative effect of change in accounting principle	—	6.1	—
Provision for Kunia Well Site	—	7.0	15.0
Asset impairment charges	—	12.6	10.2
Gain on sale of equity investment	(5.5)	(8.7)	—
Equity in earnings of unconsolidated companies, net of dividends	(1.2)	2.9	(1.6)
Deferred income taxes	(1.1)	(0.4)	(0.8)
Other, net	(7.0)	(7.5)	0.8
Changes in operating assets and liabilities, net of effects of acquisitions:			
Receivables	(5.7)	(17.0)	16.2
Inventories	(23.2)	(11.5)	10.5
Prepaid expenses and other current assets	1.9	—	(3.1)
Accounts payable and accrued expenses	18.4	54.6	(0.3)
Other noncurrent assets and liabilities	(2.0)	12.3	22.3
Net cash provided by operating activities	264.0	308.2	227.8
Investing activities:			
Capital expenditures	(58.1)	(63.4)	(55.9)
Proceeds from sale of equity investment	12.8	30.0	—
Proceeds from sale of assets	1.5	6.8	1.4
Purchase of subsidiaries, net of cash acquired	(115.8)	(41.9)	(13.8)
Other investing activities, net	0.2	0.2	1.7
Net cash used in investing activities	(159.4)	(68.3)	(66.6)
Financing activities:			
Proceeds from long-term debt	344.9	346.5	256.0
Payments on long-term debt	(397.6)	(601.8)	(413.2)
Proceeds from short-term borrowings	—	—	2.2
Payments on short-term borrowings	—	(3.5)	(6.8)
Proceeds from stock options exercised	12.0	24.8	2.6
Payment of dividends	(25.5)	(11.1)	—
Net cash used in financing activities	(66.2)	(245.1)	(159.2)
Effect of exchange rate changes on cash and cash equivalents	3.1	1.7	0.4
Cash and cash equivalents:			
Net increase (decrease)	41.5	(3.5)	2.4
Beginning balance	9.5	13.0	10.6
Ending balance	$ 51.0	$ 9.5	$ 13.0
Supplemental non-cash activities:			
Capital lease obligations for new assets	$ 7.2	$ 11.9	$ 4.4

See accompanying notes

Consolidated Statements of Shareholders' Equity

(U.S. dollars in millions, except share data)	Ordinary Shares Outstanding	Ordinary Shares	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 29, 2000	53,763,600	$ 0.5	$327.1	$140.2	$(10.6)	$457.2
Issuance of ordinary shares upon exercise of stock options	328,050	—	2.6	—	—	2.6
Comprehensive income:						
Net income	—	—	—	96.2	—	96.2
Unrealized loss on available-for-sale marketable securities, net of reclassification for losses of $0.1 included in net income	—	—	—	—	0.1	0.1
Currency translation adjustment	—	—	—	—	(3.3)	(3.3)
Unrealized loss on derivatives	—	—	—	—	(2.3)	(2.3)
Comprehensive income						90.7
Balance at December 28, 2001	54,091,650	0.5	329.7	236.4	(16.1)	550.5
Issuance of ordinary shares upon exercise of stock options	2,114,362	0.1	24.7	—	—	24.8
Non-cash compensation expense	—	—	0.9	—	—	0.9
Dividend	—	—	—	(11.1)	—	(11.1)
Comprehensive income:						
Net income	—	—	—	195.2	—	195.2
Currency translation adjustment	—	—	—	—	3.2	3.2
Unrealized loss on derivatives, net of reclassification for losses of $5.5 included in net income	—	—	—	—	(2.8)	(2.8)
Minimum pension liability	—	—	—	—	(1.2)	(1.2)
Comprehensive income						194.4
Balance at December 27, 2002	56,206,012	0.6	355.3	420.5	(16.9)	759.5
Issuance of ordinary shares upon exercise of stock options	1,076,506	—	12.0	—	—	12.0
Dividend	—	—	—	(25.5)	—	(25.5)
Comprehensive income:						
Net income	—	—	—	226.4	—	226.4
Currency translation adjustment	—	—	—	—	0.4	0.4
Unrealized loss on derivatives, net of reclassification for losses of $27.7 included in net income	—	—	—	—	(29.7)	(29.7)
Minimum pension liability					(0.9)	(0.9)
Comprehensive income						196.2
Balance at December 26, 2003	**57,282,518**	**$ 0.6**	**$ 367.3**	**$ 621.4**	**$ (47.1)**	**$ 942.2**

See accompanying notes

1. General

Fresh Del Monte Produce Inc. ("Fresh Del Monte") was incorporated under the laws of the Cayman Islands on August 29, 1996 and is 46.4% 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 8.6% of the outstanding ordinary shares of Fresh Del Monte.

Fresh Del Monte and its subsidiaries are engaged primarily in the worldwide production, transportation and marketing of fresh produce. Fresh Del Monte and its subsidiaries source their products, bananas, pineapples, melons and non-tropical fruit (including grapes, citrus, apples, pears, peaches, plums, nectarines, apricots and kiwi), plantains, Vidalia® sweet onions, tomatoes, potatoes and various greens, primarily from Central, South and North America and the Philippines. Fresh Del Monte also sources products from North America, Africa and Europe and distributes its products in Europe, the Asia-Pacific region and South America. Products are sourced from company-owned farms, through joint venture arrangements and through supply contracts with independent growers.

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 fiscal year end is the last Friday of the calendar year or the first Friday subsequent to the end of the calendar year, whichever is closest to the end of the calendar year. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

Preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Trade Receivables

Trade receivables are recognized on Fresh Del Monte's Consolidated Balance Sheets at fair value. Fresh Del Monte performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customers' credit worthiness, as determined by its review of their current credit information. Fresh Del Monte continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and specific customer collection issues that it has identified. Fresh Del Monte generally does not require collateral on trade accounts receivable.

Inventories

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

Growing Crops

Expenditures on pineapple, melon and non-tropical fruit growing crops are valued at the lower of cost or market and are deferred and charged to cost of products sold when the related crop is harvested and sold. The deferred growing costs consist primarily of land preparation, cultivation, irrigation and fertilization costs. Expenditures related to banana crops are expensed in the year incurred due to the continuous nature of the crop.

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 range from 10 to 40 years for buildings, 5 to 20 years for ships and containers, 2 to 20 years for machinery and equipment, 5 to 7 years for furniture, fixtures and office equipment and 5 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 the useful lives of assets, are capitalized. Interest is capitalized as part of the cost of construction. Costs related to land improvements for bananas, pineapples and non-tropical fruit and other agricultural projects are deferred during the formative stage and are amortized over the estimated life of the project.

Goodwill and Intangible Assets

Prior to December 29, 2001, goodwill had been amortized on a straight-line basis over its estimated useful life, which ranged from 10 to 40 years. In July 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS No. 141") and No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). Effective December 29, 2001, Fresh Del Monte adopted SFAS No. 142. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed for impairment annually, or more frequently if indicators arise. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives. As prescribed by SFAS No. 142, Fresh Del Monte completed the transitional goodwill impairment test by the second quarter of 2002. This review resulted in a non-cash impairment charge of $6.1 million for goodwill related to the other fresh produce reporting segment. This non-cash charge has been accounted for as a cumulative effect of a change in accounting principle for the year ended December 27, 2002 (see Note 7).

Impairment of Long-Lived Assets

Effective December 29, 2001, Fresh Del Monte adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 144 superseded 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") and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," ("APB No. 30") for the disposal of a segment of a business. Consistent with SFAS No. 121, SFAS No. 144 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 the continued operating losses and decline in the estimated fair value of certain distribution facilities and other property in South Africa, South America and Central America, primarily related to the other fresh produce segment, a charge of $12.6 million for impairment of long-lived assets was recorded for the year ended December 27, 2002 and included under the caption "Asset impairment charges." The fair value of these assets was determined based on discounted future cash flows or appraisals from third parties. In 2001, in accordance with SFAS No. 121, Fresh Del Monte recorded a charge of $10.2 million for impairment of long-lived assets related primarily to property, plant and equipment to be disposed of or abandoned in South and North America in the banana and the other fresh produce segments.

There are numerous uncertainties and inherent risks in the fresh produce business, such as but not limited to general economic conditions, actions of competitors, ability to manage growth, actions of regulatory authorities, pending investigations and/or litigation, customer demand and risk relating to international operations. Adverse effects from these risks may result in adjustments to the carrying value of Fresh Del Monte's assets and liabilities in the future.

Revenue Recognition

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

Cost of Products Sold

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

Income Taxes

Deferred income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end, based on enacted tax laws and statutory tax rates applicable to the year in which the differences are expected to affect taxable income. Valuation allowances are established when it is deemed more likely than not that future taxable income will not be sufficient to realize income tax benefits.

Environmental Remediation Liabilities

Losses associated with environmental remediation obligations are accrued when such losses are probable and can be reasonably estimated. Fresh Del Monte recorded provisions of $7.0 million and $15.0 million in 2002 and 2001, respectively, related to the environmental remediation for the Kunia Well Site (see Note 19).

Currency Translation

For Fresh Del Monte's operations in countries that are not highly inflationary and where the functional currency is other than the U.S. dollar, balance sheet amounts are translated using the exchange rate in effect at the balance sheet date. Income statement amounts are translated monthly using the average exchange rate for the respective month. The gains and losses resulting from the changes in exchange rates from year to year are recorded as a component of accumulated other comprehensive income or loss as currency translation adjustments.

For Fresh Del Monte's operations where the functional currency is the U.S. dollar or where the operations are located in highly inflationary countries, non-monetary balance sheet amounts are translated at historical exchange rates. Other balance sheet amounts are translated at the exchange rates in effect at the balance sheet date. Income statement accounts, excluding depreciation, are translated at the average exchange rate for the month. These remeasurement adjustments are included in the determination of net income under the caption "Other income (loss), net."

Other income (loss), net in the accompanying consolidated statements of income includes approximately $7.2 million and $6.7 million, in net gains on foreign exchange for 2003 and 2002, respectively and $12.9 million in net losses on foreign exchange for 2001. These amounts include the effect of foreign currency remeasurement, realized foreign currency transaction gains and losses and changes in the value of foreign currency denominated accounts receivable and accounts payable and related forward contracts.

Stock-Based Compensation

As permitted under Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of FAS 123" ("SFAS No. 148"), which amended Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), Fresh Del Monte has chosen to account for its Stock Plan under the intrinsic value method as allowed by 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 (except as discussed in Note 17). SFAS No. 148 requires disclosure of the estimated fair value of employee stock options granted and pro forma financial information assuming compensation expense was recorded using these fair values.

Fresh Del Monte uses the intrinsic value method to account for employee stock options. 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 of the outstanding options was estimated at the date of grant using a Black-Scholes option valuation 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.

The weighted average fair value of each option granted during 2003, 2002 and 2001 is estimated at $7.54, $9.16 and $2.34, respectively, on the date of grant using the Black-Scholes option valuation model and the following assumptions: dividend yield of 1.80%, 3.36% and 0% in 2003, 2002 and 2001, respectively, expected volatility of 0.531, 0.535 and 0.603 in 2003, 2002 and 2001, respectively, risk free interest rate of 2.35%, 3.00% and 3.31% in 2003, 2002 and 2001, respectively, and expected lives of two to five years.

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.

The following information shows the effect on net income and earnings per share if Fresh Del Monte had applied the fair value recognition provisions of SFAS No. 123 for 2003, 2002 and 2001 (U.S. dollars in millions, except share and per share data):

	Year ended		
	December 26, 2003	December 27, 2002	December 28, 2001
Reported net income	$226.4	$195.2	$96.2
Non-cash compensation expense under intrinsic value method	—	0.9	—
Stock-based employee compensation expense under fair value method	(3.4)	(3.0)	(6.0)
Adjusted net income	$223.0	$193.1	$90.2
Adjusted net income per ordinary share			
Basic	$ 3.94	$ 3.48	$1.67
Diluted	$ 3.89	$ 3.42	$1.66
Number of ordinary shares used in Computation:			
Basic	56,539,691	55,445,106	53,856,392
Diluted	57,346,377	56,538,659	54,414,868

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 2003, 2002 and 2001 in connection with the 1997 Plan and the 1999 Plan. Compensation expense of $0.9 million was recorded for the year ended December 27, 2002 related to a modification of terms for stock options previously granted to a director.

Derivative Financial Instruments

Fresh Del Monte accounts for derivative instruments under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), as amended by Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" ("SFAS No. 138"). SFAS No. 133, as amended, requires the recognition of all derivative instruments as either assets or liabilities on the balance sheet measured at fair value and establishes new accounting rules for the hedging instrument depending on the nature of the hedge relationship. A fair value hedge requires that the effective portion of the change in the fair value of a derivative instrument be offset against the change in the fair value of the underlying asset, liability, or firm commitment being hedged through earnings. A cash flow hedge requires that the effective portion of the change in the fair value of a derivative instrument be recognized in other comprehensive income, a component of shareholders' equity, and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of a derivative instrument's change in fair value is immediately recognized in earnings. Terminations of derivatives designated as hedges are immediately recognized in earnings.

Reclassifications

Certain amounts from 2002 and 2001 have been reclassified to conform to the 2003 presentation.

New Accounting Pronouncements

Financial Accounting Standards Board Interpretation No. 46, "Consolidation of Variable Interest Entities," ("FIN No. 46") (as revised) is effective immediately for all enterprises with variable interests in variable interest entities created after February 1, 2003. Application of this interpretation is required for interest in variable interests entities that are considered to be special-purpose entities in the Company's financial statements for the year ended December 26, 2003. The Company has determined that no such arrangements or relationships exists with special purpose entities. For all other interest in variable interest created prior to February 1, 2003, application of the interpretation will be effective for the quarter ended March 27, 2004. If an entity is determined to be a variable interest entity, it must be consolidated by the enterprise that absorbs the majority of the entity's expected losses if they occur, receives a majority of the entity's expected residual returns if they occur, or both. Where it is reasonably possible that the company will consolidate or disclose information about a variable interest entity, the company must disclose the nature, purpose, size and activity of the variable interest entity and the company's maximum exposure to loss as a result of its involvement with the variable interest entity in all financial statements issued after adoption. Fresh Del Monte is in the process of evaluating the impact the adoption of FIN No. 46 for variable interest created prior to February 1, 2003 may have on its financial position, results of operations or cash flows. For variable interests created subsequent to February 1, 2003, FIN 46 did not have a material impact on Fresh Del Monte's financial position, results of operations or cash flows.

Effective December 27, 2002 Fresh Del Monte adopted the recognition and measurement provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 45 ("Interpretation 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation elaborates on the disclosures to be made by a guarantor in interim and annual financial statements about the obligations under certain guarantees. Interpretation 45 also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. Fresh Del Monte does not currently provide significant guarantees on a routine basis. As a result, this interpretation has not had a material impact on Fresh Del Monte's financial statements.

As previously disclosed, Fresh Del Monte adopted the disclosure requirements of SFAS No. 132 (revised 2003) related to pensions and other postretirement benefits. See Note 15.

3. Acquisitions and Dispositions

Standard Acquisition

On January 27, 2003, Fresh Del Monte acquired Standard Fruit and Vegetable Co., Inc. ("Standard"), a Dallas, Texas based integrated distributor of fresh fruit and vegetables, which serves retail chains, club stores, foodservice distributors, and wholesalers in approximately 30 states. The acquisition provides Fresh Del Monte with a highly complementary distribution network, which includes four distribution facilities and increases Fresh Del Monte's presence in key markets in the United States. In addition, the acquisition allows Fresh Del Monte to increase its product offerings to include tomatoes, potatoes, onions, strawberries and an extensive line of specialty items. The total consideration paid in connection with the Standard acquisition was approximately $102.2 million (including $2.2 million in acquisition costs). The purchase price of $100.0 million is subject to certain escrow/holdback provisions valued at $10.0 million to secure payment by the seller of any amounts that become due to Fresh Del Monte under the acquisition agreement. Of the total escrow/holdback provision according to the acquisition agreement, $2.5 million was held back by Fresh Del Monte and $7.5 million was placed in escrow. The holdback of $2.5 million was recognized as a liability and included in "Accounts payable and accrued expenses" in the accompanying balance sheet at December 26, 2003. The assets acquired consisted primarily of current assets and property, plant and equipment.

The acquisition has been accounted for as a purchase under Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and accordingly, the purchase price was allocated to the assets acquired and liabilities assumed.

The excess of the purchase price over the fair value of the assets acquired and liabilities assumed amounted to approximately $85.3 million, of which $6.7 million was allocated to separately identified intangible assets included in other noncurrent assets and is being amortized over its useful life of two to five years. The remaining $78.6 million was allocated to goodwill and was included in the "other fresh produce" reporting segment. None of the goodwill is tax deductible. The goodwill and other intangible assets are accounted for under SFAS No. 142, "Goodwill and Other Intangible Assets." Effective January 28, 2003, the operating results of the Standard operations were consolidated with the operating results of Fresh Del Monte.

The following table summarizes the estimated fair values of the tangible assets acquired and liabilities assumed at the date of acquisition (U.S. dollars in millions):

Current assets	$ 19.0
Property and equipment	18.5
Other noncurrent assets	1.8
Current liabilities	(19.0)
Deferred tax liability	(3.4)
Net assets acquired	$ 16.9

The following unaudited pro forma information presents a summary of 2003 and 2002 consolidated results of operations of Fresh Del Monte as if the Standard acquisition had occurred as of December 29, 2001 (U.S. dollars in millions, except share and per share data):

	Year Ended	
	December 26, 2003	December 27, 2002
Net sales	$2,509.5	$2,410.4
Income before cumulative effect of change in accounting principle	$ 226.9	$ 212.4
Net income	$ 226.9	$ 206.3
Basic per share income before cumulative effect of change in accounting principle	$ 4.01	$ 3.83
Basic net income per share	$ 4.01	$ 3.72
Diluted per share income before cumulative effect of change in accounting principle	$ 3.96	$ 3.76
Diluted net income per share	$ 3.96	$ 3.65
Number of ordinary shares used in earnings per share computation:		
Basic	56,539,691	55,445,106
Diluted	57,346,377	56,538,659

The unaudited pro forma results have been prepared for comparison purposes only and do not purport to represent what the actual results of operations would have been had the acquisition occurred on December 29, 2001 and may not be indicative of future results of operations.

Sale of a Guatemalan Box Corrugator

On April 24, 2003, Fresh Del Monte sold its 50% equity interest in Compañía Industrial Corrugadora Guatemala, S.A., a manufacturer of corrugated boxes. The proceeds from the sale were $12.8 million. The gain on the sale was $5.5 million and was included in "Other income" in the Consolidated Statements of Income for the year ended December 26, 2003.

Envaco Acquisition

On June 18, 2003, Fresh Del Monte acquired the remaining 33% minority interest in Envases Industriales de Costa Rica, S.A. ("Envaco"), a manufacturer of corrugated boxes. The purchase price was $3.0 million. The acquisition has been accounted for as a purchase under SFAS No. 141. After completion of this acquisition, Fresh Del Monte owns 100% of Envaco.

Polish Acquisition

On November 21, 2003, Fresh Del Monte acquired Poland-based Expans Sp. zo.o.(Expans), a leading distributor of fresh fruit and vegetables. This acquisition enables Fresh Del Monte to leverage its strong brand identity, establish a significant market presence in Poland and expand its reach in the broader Central European region. Further it allows Fresh Del Monte to export fresh fruit and vegetables from Poland to its other distribution facilities and fresh-cut operations in the United Kingdom and Northern Europe. The total consideration paid in connection with the Expans acquisition was approximately $0.8 million in cash and $4.8 million in assumed liabilities. The assets acquired consisted primarily of property, plant and equipment. The acquisition has been accounted for as a purchase under SFAS No. 141, and accordingly, the purchase price was allocated to the assets acquired and liabilities assumed. The purchase price allocation is preliminary and is pending the fair valuation of certain assets and liabilities. The excess of the purchase price over the fair value of the assets acquired and liabilities assumed was estimated to be $4.5 million and was recorded as goodwill and is being accounted for under SFAS No. 142. Effective November 22, 2003, the operating results of Expans were consolidated with the operating results of Fresh Del Monte.

Country Best Acquisition

On December 22, 2003, Fresh Del Monte acquired the assets of Country Best Produce ("Country Best") from Agway, Inc. ("Agway"). The total consideration paid for Country Best was $12.2 million in cash under Section 363 of the U.S. Bankruptcy Code pursuant to Agway's October 2002 voluntary filing with the U.S. Bankruptcy Court in the Northern District of New York. Country

Best is an East Coast processor and packager of potatoes, onions, sweet corn, and other fruits and vegetables. The acquisition includes processing and packaging operations in Plant City, Florida; Winder, Georgia; and Syracuse, New York; in addition to a purchasing operation in Idaho. This acquisition strengthens Fresh Del Monte's position in two key product areas, potatoes and onions, while providing a foothold in the growing sweet corn category. The acquisition has been accounted for as a purchase under SFAS No. 141, and accordingly, the purchase price was allocated to the assets acquired and liabilities assumed. The purchase price allocation is preliminary and is pending the fair valuation of certain assets and liabilities.

U.K. Fresh-Cut Acquisition

On June 26, 2002, Fresh Del Monte acquired certain assets of U.K.-based Fisher Foods Limited's chilled division ("U.K. Fresh-Cut") from its administrative receivers. The acquisition includes three facilities dedicated to chilled fresh-cut produce, and bagged and prepared salads such as coleslaw and potato salad and accelerates Fresh Del Monte's growth in the fresh-cut category. The total consideration paid in connection with the U.K. Fresh-Cut acquisition was approximately $37.2 million in cash. The assets acquired consisted primarily of property, plant and equipment. The acquisition was accounted for as a purchase under SFAS No. 141, and accordingly, the purchase price was allocated to the assets acquired and liabilities assumed. The excess of the purchase price over the fair value of the assets acquired and liabilities assumed amounted to $12.0 million and recorded as goodwill and accounted for under SFAS No. 142. Effective June 28, 2002, the operating results of the U.K. Fresh-Cut operations were consolidated with the operating results of Fresh Del Monte.

The following table summarizes the estimated fair values of the tangible assets acquired and liabilities assumed at the date of acquisition (U.S. dollars in millions):

Current assets	$ 2.4
Property and equipment	27.0
Current liabilities	(1.7)
Net assets acquired	$27.7

The following unaudited pro forma information presents a summary of the consolidated results of operations of Fresh Del Monte as if the U.K. Fresh-Cut acquisition had occurred on December 30, 2000 (U.S. dollars in millions, except share and per share data):

	Year ended	
	December 27, 2002	December 28, 2001
Net sales	$2,144.7	$2,036.1
Income before cumulative effect of change in accounting principle	$ 201.9	$ 100.8
Net income	$ 195.8	$ 100.8
Basic per share income before cumulative effect of change in accounting principle	$ 3.64	$ 1.87
Basic net income per share	$ 3.53	$ 1.87
Diluted per share income before cumulative effect of change in accounting principle	$ 3.57	$ 1.85
Diluted net income per share	$ 3.46	$ 1.85
Number of ordinary shares used in computation:		
Basic	55,445,106	53,856,392
Diluted	56,538,659	54,414,868

The unaudited pro forma results have been prepared for comparison purposes only and do not purport to be indicative of the actual results of operations which would have resulted had the acquisition occurred on December 30, 2000 and may not be indicative of future results of operations.

National Poultry

In 2002, Fresh Del Monte acquired, from minority shareholders, an additional 9.6% of the outstanding common stock in National Poultry Company PLC ("National Poultry"), a publicly traded company in Jordan, engaged in the poultry business. The total consideration paid for the additional 9.6% was $4.7 million. Of the additional interest acquired, 5% was purchased from an individual related to a member of the Abu-Ghazaleh family. Total consideration paid for the 5% interest was $2.4 million. This additional acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on estimates of their underlying fair values. The excess of the purchase price over the fair value of the net assets acquired of $1.1 million was recorded as goodwill and was accounted for under SFAS No. 142.

Sale of Interfrucht

On September 30, 2002, Fresh Del Monte entered into a sale and purchase agreement to sell its 80% non-controlling interest in Internationale Fruchtimport Gesellschaft Weichert & Co. ("Interfrucht"), a Northern European distributor of fresh fruit and other produce with an ownership transfer date of December 31, 2002. The transaction closed on December 13, 2002. The sale of the 80% non-controlling interest in Interfrucht enables Fresh Del Monte to control the direct marketing of its products in the Northern European region.

In conjunction with this agreement, Fresh Del Monte entered into agreements to purchase annually 3.4 million European banana import licenses starting in January 2003 through the termination of the European banana import license regime. The European banana import license regime is scheduled to end on December 31, 2005. Of the 3.4 million banana import licenses, 1.8 million will be purchased directly from Interfrucht, resulting in a partial deferral of the gain on the sale of the investment. The present value of the license payments to be made to Interfrucht over the three-year period is $12.9 million and has been recorded as a deferred gain to be amortized through December 31, 2005.

Also in connection with the agreement, Fresh Del Monte purchased the remaining interest in a vessel owned by Interfrucht for $2.8 million. The amount paid represents the fair value of the remaining 20% of the vessel not already owned by Fresh Del Monte.

The proceeds from the sale were $30.0 million. The pre-tax and after-tax gain on the sale in excess of the present value of the license payments was $8.7 million and $4.2 million, respectively.

4. Inventories

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

	December 26, 2003	December 27, 2002
Fresh produce	$ 65.9	$ 54.7
Raw materials and packaging supplies	82.2	67.1
Growing crops	67.0	66.6
	$215.1	$188.4

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 $17.1 million and $21.9 million at December 26, 2003 and December 27, 2002, respectively. At December 26, 2003 and December 27, 2002, net amounts receivable from unconsolidated companies amounted to $0.3 million and $6.1 million, respectively.

Investments in unconsolidated companies consisted of the following at December 27, 2002 and December 26, 2003:

Company	Business	Ownership Interest
Compañia Industrial Corrugadora Guatemala, S.A.	Manufacture of corrugated boxes	50%[a]
Davao Agricultural Ventures Corporation	Pineapple production	40%
Melones Del Pacifico, S.A.	Melon production	50%
Melones De Costa Rica, S.A. and Subsidiary	Melon production	50%
Hacienda Filadelfia, S.A.	Melon production	50%
Frutas de Parrita, S.A.	Melon production	50%
Interfrucht	Distribution of fresh fruit and other produce	80%[b]
Harvest Produce Holdings, LLC, Texas	Potato Repacker	51%
Texas Specialty Produce Investors, LLC, Texas	Supplier of specialty produce and herbs	50%
MR Cuts, LP, Texas	Packager and distributor of fresh cut produce	30%

(a) Interest owned through April 24, 2003 (see Note 3)
(b) Interest owned through December 13, 2002 (see Note 3)

Purchases from these unconsolidated companies were $57.6 million, $55.3 million and $62.4 million for 2003, 2002 and 2001, respectively.

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

	December 26, 2003	December 27, 2002
Current assets	$26.1	$34.2
Noncurrent assets	23.7	32.6
Current liabilities	(9.2)	(14.2)
Noncurrent liabilities	(3.7)	(5.2)
Net worth	$36.9	$47.4

	Year ended		
	December 26, 2003	December 27, 2002	December 28, 2001
Net sales	$69.8	$195.7	$193.8
Gross profit	8.4	7.8	10.4
Net income	1.9	3.3	6.6

Fresh Del Monte's portion of earnings in unconsolidated companies amounted to $1.7 million, $1.5 million and $4.1 million, in 2003, 2002 and 2001, respectively, and is included in other income (loss), net. Dividends received from unconsolidated subsidiaries amounted to $0.5 million, $3.6 million and $2.5 million in 2003, 2002 and 2001, respectively.

6. Property, Plant and Equipment

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

	December 26, 2003	December 27, 2002
Land and land improvements	$ 259.6	$ 254.1
Buildings and leasehold improvements	227.7	193.8
Maritime equipment (including containers)	245.5	235.1
Machinery and equipment	211.9	184.7
Furniture, fixtures and office equipment	73.4	62.7
Automotive equipment	21.9	20.1
Construction-in-progress	30.3	26.9
	1,070.3	977.4
Less accumulated depreciation and amortization	(329.3)	(273.5)
	$ 741.0	$ 703.9

Depreciation and amortization expense on property, plant and equipment including those under capital leases, amounted to $58.9 million, $54.8 million and $51.5 million for 2003, 2002 and 2001, respectively.

Buildings, containers, machinery and equipment and automotive equipment under capital leases totaled $52.2 million and $43.6 million at December 26, 2003 and December 27, 2002, respectively. Accumulated amortization for assets under capital leases was $16.6 million and $11.2 million at December 26, 2003 and December 27, 2002, respectively.

7. Goodwill and Other Intangible Assets

Effective December 29, 2001, Fresh Del Monte adopted SFAS No. 142. As prescribed by SFAS No. 142, Fresh Del Monte completed the transitional goodwill impairment test by the second quarter of 2002. This review resulted in a non-cash impairment charge of $6.1 million for goodwill related to the other fresh produce reporting segment. This non-cash charge has been presented as a cumulative effect of a change in accounting principle in the accompanying statement of income for the year ended December 27, 2002.

The following pro forma information presents the consolidated results of operations of Fresh Del Monte as if the adoption of SFAS No. 142 had occurred on January 1, 2000 (U.S dollars in millions, except share and per share data):

	December 27, 2002	December 28, 2001
Reported net income before cumulative effect of change in accounting principle	$201.3	$96.2
Goodwill amortization	—	3.4
Cumulative effect of change in accounting principle	(6.1)	—
Adjusted net income	$195.2	$99.6
Basic earnings per share:		
Reported net income before cumulative effect of change in accounting principle	$ 3.63	$1.79
Goodwill amortization	—	0.06
Cumulative effect of change in accounting principle	(0.11)	—
Adjusted net income	$ 3.52	$1.85
Diluted earnings per share:		
Reported net income before cumulative effect of change in accounting principle	$ 3.56	$1.77
Goodwill amortization	—	0.06
Cumulative effect of change in accounting principle	(0.11)	—
Adjusted net income	$ 3.45	$1.83
Number of ordinary shares used in computation:		
Basic	55,445,106	53,856,392
Diluted	56,538,659	54,414,868

The following table reflects the changes in the carrying amount of goodwill by operating segment for the year ended December 26, 2003 (U.S. dollars in millions):

	Balance at December 27, 2002	Acquisitions	Foreign Exchange and Other	Balance at December 26, 2003
Bananas	$34.4	$ —	$ —	$ 34.4
Other fresh produce	45.5	83.9	2.6	132.0
Non-produce	2.0	—	0.1	2.1
Total	$81.9	$83.9	$2.7	$168.5

The following table reflects the changes in the carrying amount of goodwill by operating segment for the year ended December 27, 2002 (U.S. dollars in millions):

	Balance at December 28, 2001	Impairment Charge	Acquisitions	Foreign Exchange and Other	Balance at December 27, 2002
Bananas	$34.4	$ —	$ —	$ —	$34.4
Other fresh produce	42.1	(6.1)	9.5	—	45.5
Non-produce	0.5	—	1.1	0.4	2.0
Total	$77.0	$(6.1)	$10.6	$0.4	$81.9

In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, this goodwill is not amortized but is reviewed for impairment on an annual basis or sooner if indicators of impairment arise. During the fourth quarter of 2003, Fresh Del Monte completed the annual impairment review of its goodwill with the assistance of an independent valuation firm. Based on this valuation, Fresh Del Monte determined that no impairment of this asset existed as of October 1, 2003. As of December 26, 2003, Fresh Del Monte is not aware of any items or events that would cause it to adjust the recorded value of its goodwill for impairment. Future changes in the estimates used to conduct the impairment review, including revenue projections or market values could cause the analysis to indicate that Fresh Del Monte's goodwill is impaired in subsequent periods and result in a write-off or a portion or all of goodwill.

The intangible assets included in the balance sheets in other noncurrent assets as of December 26, 2003 and December 27, 2002 are related to European banana licenses that are being amortized over five years and non-compete agreement as a result of the Standard acquisition in January 2003 that are being amortized over two to five years.

The following table reflects Fresh Del Monte's intangible assets and related accumulated amortization:

	Banana Licenses		Non-Compete Agreements	
(U.S. dollars in millions):	2003	2002	2003	2002
Intangible assets, gross	$ 36.9	$ 36.9	$ 6.8	—
Accumulated amortization	(29.4)	(24.9)	(2.0)	—
Intangible assets, net	$ 7.5	$ 12.0	$ 4.8	—

The estimated aggregate amortization expense for the five succeeding fiscal years is as follows:

2004	$6.1
2005	5.2
2006	0.5
2007	0.5

8. Hurricane Mitch

In 1998, Fresh Del Monte's Guatemalan banana operations were damaged as a result of Hurricane Mitch. Fresh Del Monte maintained insurance for both property damage and business interruption applicable to its production facilities, including its operations in Guatemala. These policies provided coverages for losses caused by Hurricane Mitch and were subject to deductibles of $0.1 million for property damage and business interruption. Fresh Del Monte recorded recoveries under its business interruption policy related to the damage of its operations in Guatemala caused by Hurricane Mitch of $11.5 million and $2.4 million for the year ended December 26, 2003 and December 27, 2002, respectively, which have been included in "Other income (loss), net," in the Consolidated Statements of Income. The insurance claims under these policies related to Hurricane Mitch are now closed.

9. Accumulated Other Comprehensive Loss

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

	Currency Translation Adjustments	Unrealized Gain/(Loss) on Available-for-Sale Marketable Securities	Unrealized Loss on Derivatives	Minimum Pension Liability	Total
Balance, December 29, 2000	$(10.5)	$(0.1)	$ —	$ —	$(10.6)
Current year net change in accumulated other comprehensive income (loss)	(3.3)	0.1	(2.3)	—	(5.5)
Balance, December 28, 2001	(13.8)	—	(2.3)	—	(16.1)
Current year net change in accumulated other comprehensive income (loss)	3.2	—	(2.8)	(1.2)	(0.8)
Balance, December 27, 2002	$(10.6)	$ —	$ (5.1)	$(1.2)	$(16.9)
Current year net change in accumulated other comprehensive income (loss)	0.4	—	(29.7)	(0.9)	(30.2)
Balance, December 26, 2003	$(10.2)	$ —	$(34.8)	$(2.1)	$(47.1)

10. Accounts Payable and Accrued Expenses

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

	December 26, 2003	December 27, 2002
Trade payables	$120.9	$111.7
Payroll and employee benefits	18.2	16.0
Vessel and port operating expenses	16.2	16.2
Accrued interest payable	0.5	1.1
Other payables and accrued expenses	170.0	86.0
	$325.8	$231.0

11. Provision for Income Taxes

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

	Year ended		
	December 26, 2003	December 27, 2002	December 28, 2001
Current:			
U.S. federal income tax	$ 6.6	$ 3.9	$ 18.1
State	1.1	0.7	0.3
Non-U.S.	9.6	14.4	8.9
	17.3	19.0	27.3
Deferred:			
U.S. federal income tax	—	0.9	(1.0)
State	—	0.2	—
Non-U.S.	(1.4)	(1.5)	0.2
	(1.4)	(0.4)	(0.8)
Provision for income taxes	$ 15.9	$ 18.6	$ 26.5

Total income tax payments during 2003, 2002 and 2001 were $17.3 million, $4.4 million and $6.3 million, respectively.

Income (loss) before provision for income taxes and cumulative effect of change in accounting principle consisted of the following (U.S. dollars in millions):

	Year ended		
	December 26, 2003	December 27, 2002	December 28, 2001
United States	$ 17.0	$ 6.8	$ (26.0)
Non-U.S.	225.3	213.1	148.7
	$242.3	$219.9	$122.7

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 26, 2003	December 27, 2002	December 28, 2001
Income tax provision computed at the U.S. statutory federal income tax rate	$ 84.8	$ 77.0	$ 42.9
Effect of tax rates on non-U.S. operations, and changes in valuation allowance for non-U.S. operations	(71.0)	(61.6)	(42.4)
Provision for tax audits	0.9	—	19.1
Other	1.2	—	—
Increase in U.S. valuation allowance	—	3.2	6.9
Reported provision for income taxes	$ 15.9	$ 18.6	$ 26.5

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

	December 26, 2003	December 27, 2002
Deferred tax liabilities:		
Current:		
Inventories	$ (8.4)	$ (8.6)
Total current deferred tax liabilities	(8.4)	(8.6)
Noncurrent:		
Depreciation	(27.9)	(21.7)
Equity in earnings of unconsolidated companies	(3.5)	(4.3)
Total noncurrent deferred tax liabilities	(31.4)	(26.0)
Total current and noncurrent deferred tax liabilities	(39.8)	(34.6)
Deferred tax assets:		
Current:		
Allowances and other accrued liabilities	3.8	4.8
Total current deferred tax assets	3.8	4.8
Noncurrent:		
Pension liability	2.6	1.6
Postretirement benefits other than pension	9.8	8.3
Net operating loss carryforwards	33.5	37.3
Other, net	12.0	11.9
Total noncurrent deferred tax assets	57.9	59.1
Total current and noncurrent deferred tax assets	61.7	63.9
Valuation allowance	(31.2)	(36.6)
Net deferred tax liabilities	$ (9.3)	$ (7.3)

The valuation allowance established with respect to the deferred tax assets relates primarily to net operating losses and Kunia Well Site 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 2003 and 2002, the valuation allowance decreased by $5.4 million and increased by $6.1 million, respectively.

On January 27, 2003, Fresh Del Monte acquired the stock of Standard (see Note 3). Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes," requires the recognition of deferred tax assets and liabilities for the tax effects of differences between assigned values and tax bases of assets acquired and liabilities assumed. During 2003, a net deferred liability of $3.4 million relating to Standard's pre-acquisition period was recorded with a corresponding increase to goodwill.

At December 26, 2003, Fresh Del Monte had approximately $171.0 million of tax operating loss carryforwards expiring as follows (U.S. dollars in millions):

Expiration	Amount
2004	$ 0.4
2005	0.7
2006	0.9
2007 and beyond	34.6
No expiration	134.4
	$171.0

Fresh Del Monte is currently undergoing tax audits in several jurisdictions for certain years prior to 2002. The accruals for the audits are included in other noncurrent liabilities in the accompanying balance sheets at December 26, 2003 and December 27, 2002. Fresh Del Monte believes the amounts accrued as of December 26, 2003 are sufficient to cover the estimated costs to resolve these tax assessments. The amounts accrued represents Fresh Del Monte's best estimate. Actual amounts may be different which may result in an additional accrual or reversal of amounts previously accrued.

12. Long-Term Debt

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

	December 26, 2003	December 27, 2002
$135.0 million five-year term loan (see below).	$ —	$ 25.0
Term notes bearing interest at various rates ranging from 8.62% to LIBOR plus 1.25%, set quarterly (2.42% at December 26, 2003), payable in quarterly installments of principal and interest maturing from January 2003 to March 2006, secured by mortgages on five of Fresh Del Monte's vessels.	2.4	5.8
Term notes bearing interest at 8.62%, payable in quarterly installments of principal and interest maturing in January 2003, secured by mortgages on six of Fresh Del Monte's vessels.	—	2.5
Term notes bearing interest at 7.14%, payable in quarterly installments of principal and interest maturing in January 2005, with a balloon payment of $6.9 million due in January 2005, secured by mortgages on two of Fresh Del Monte's vessels.	10.3	13.5
Term notes, bearing interest at LIBOR plus 1%, set quarterly (2.76% at December 27, 2002) due October 2003, secured by mortgages on five of Fresh Del Monte's vessels.	—	8.1
Various other notes payable	7.4	7.8
Total	20.1	62.7
Less current portion	(5.6)	(31.6)
	$14.5	$ 31.1

On May 19, 1998, Fresh Del Monte, and certain wholly-owned subsidiaries, entered into a $350.0 million, five-year syndicated credit facility (the "Revolving Credit Facility"), with Rabobank International, New York Branch, as agent. 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. The Revolving Credit Facility included a swing line facility, a letter of credit facility and an exchange contract facility. The Revolving Credit Facility was collateralized directly or indirectly by substantially all of the assets of Fresh Del Monte and its subsidiaries.

On May 10, 2000, Fresh Del Monte amended its $450.0 million Revolving Credit Facility to include a five-year term loan ("Term Loan") of $135.0 million, giving Fresh Del Monte a total borrowing capacity under this facility of $585.0 million. The Term Loan, having similar terms and conditions as those of the Revolving Credit Facility, was payable in quarterly installments of $3.4 million, which commenced in September 2000, with interest based on a spread over LIBOR. The Term Loan was scheduled to mature on May 10, 2005 with a final payment of the remaining unpaid balance. Fresh Del Monte paid down $76.2 million of the Term Loan during 2002 in addition to the quarterly installments of $3.4 million, leaving an unpaid balance at December 27, 2002 of $25.0 million bearing interest at a rate of 2.67%.

The Revolving Credit Facility contained covenants, which required 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 expired in 2003 with the same bank to limit the effect of increases in interest rates on a portion of the Revolving Credit Facility (see Note 20). The notional amount of the swap decreased 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 were accrued and recognized as adjustments to interest expense. Interest expense related to the swap agreement amounted to $0.1 million, $2.6 million and $1.4 million for 2003, 2002 and 2001, respectively.

On March 21, 2003, Fresh Del Monte, and certain wholly-owned subsidiaries entered into a $400.0 million, four-year syndicated revolving credit facility (the "New Credit Facility"), with Rabobank Nederland, New York Branch, as administrative agent, which replaced the existing $450.0 million revolving credit facility including the $135.0 million five-year term loan maturing on May 10, 2005 ("Term Loan"). With drawdowns from the New Credit Facility, Fresh Del Monte paid off all amounts outstanding under the previous credit facility including the remaining unpaid balance of the Term Loan of $25.0 million.

The New Credit Facility also includes a swing line facility and a letter of credit facility. The New Credit Facility is collateralized directly or indirectly by substantially all of Fresh Del Monte's assets, permits borrowings with an interest rate based on a spread over London Interbank Offer Rate ("LIBOR") and expires on March 21, 2007. There were no outstanding borrowings at December 26, 2003 or December 27, 2002 under either New Credit Facility.

At December 26, 2003 and December 27, 2002, Fresh Del Monte applied $7.4 million and $4.1 million, respectively, of available credit under these facilities towards the issuance of letters of credit.

Cash payments of interest on long-term debt, net of amounts capitalized, were $4.4 million, $8.8 million and $28.9 million for 2003, 2002 and 2001, respectively.

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

2004	$ 5.6
2005	8.8
2006	1.2
2007	1.0
2008	1.0
Thereafter	2.5
Total remaining payments	$20.1
Current portion of long-term debt and capital lease obligations	$14.0
Current portion of capital lease obligations	(8.4)
Current portion of long-term debt	5.6
Long-term debt	14.5
	$20.1

13. Capital Lease Obligations

Fresh Del Monte leases certain buildings, machinery and equipment, and containers under capital leases. These lease obligations are payable in monthly installments. The future minimum lease payments at December 26, 2003 are as follows (U.S. dollars in millions):

2004	$ 9.5
2005	5.9
2006	7.6
2007	2.2
2008	0.4
Thereafter	—
Total payments remaining under capital leases	25.6
Less amount representing interest	(2.2)
Present value of capital leases	23.4
Less current portion	(8.4)
Capital lease obligations, net of current portion	$15.0

14. Earnings Per Share

Basic and diluted per share income before cumulative effect of change in accounting principle is calculated as follows (U.S. dollars in millions, except share and per share data):

	Year ended		
	December 26, 2003	December 27, 2002	December 28, 2001
Numerator:			
Income before cumulative effect of change in accounting principle	$226.4	$201.3	$96.2
Denominator:			
Denominator for basic earnings per share—weighted average number of ordinary shares outstanding	56,539,691	55,445,106	53,856,392
Effect of dilutive securities:			
Employee stock options	806,686	1,093,553	558,476
Denominator for diluted earnings per share	57,346,377	56,538,659	54,414,868
Income before cumulative effect of change in accounting principle per share:			
Basic	$ 4.00	$ 3.63	$1.79
Diluted	$ 3.95	$ 3.56	$1.77

The number of outstanding stock options considered antidilutive for either part or all of the year and not included in the calculation of diluted net income per share for 2001 were 1,478,000. There were no antidilutive options for any part of 2003 and 2002.

15. Retirement and Other Employee Benefits

Fresh Del Monte sponsors two non-contributory defined benefit pension plans, which cover a portion 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.

Fresh Del Monte's pension plan weighted average asset allocation by asset category based on fair value are as follows:

	December 26, 2003	December 27, 2002
Equity securities	37%	30%
Debt securities	57%	51%
Cash and cash equivalents	6%	19%

The target asset allocation, according to the plan's investment policy, is 40%-65% for equity securities, 20%-55% for debt securities and 0%-15% for other investments. The assets are invested as part of a master trust. Performance benchmarks for each asset class are as follows: S&P 500 for equities, the regional MSCI index for international equities, and the Merrill Lynch Intermediate Government/Corporate Index for fixed income securities. Investment performance is evaluated annually. The actual return on plan assets for 2003 and 2002 were 11.6% and 2.1%, respectively.

Within the equity portfolio, investments are diversified among capitalization and style. Up to 25% of the equity portfolio may be invested in financial markets outside of the United States. In order to minimize equity risk, limitations are placed on the overall amount that can be invested in one stock. No more than 5% of the fund at cost may be invested in any one stock and no more than 20% may be invested in any one industry. In addition, investments shall not exceed more than 1% of the company's outstanding stock. No more than 10% of the portfolio may be invested in one debt issue. These limits do not apply to issues of governmental agencies. Debt securities must have a minimum credit rating of Baa or above with an overall portfolio average quality of A.

The Company funds all pension plans in amounts consistent with applicable laws and regulations. The Company expects to contribute approximately $0.8 million to its pension plans and approximately $1.1 million to its other postretirement benefit plans in 2004.

The accumulated benefit obligation for the defined benefit pension plans was $16.8 million and $14.6 million at December 26, 2003 and December 28, 2002, respectively.

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. Fresh Del Monte funds claims under the plan as they are incurred, and accordingly, the plan has no assets.

On November 21, 2003 Fresh Del Monte announced to all eligible employees that it had suspended the postretirement medical program for employees retiring on or after January 1, 2004. The plan would continue for employees currently participating in the plan or those who retired prior to January 1, 2004 and had 15 years of service and were above the age of 60. As a result of this change in the postretiree benefits medical plan, Fresh Del Monte recognized a curtailment gain of $4.5 million in 2003. Of the total gain, $2.9 million was recorded as a reduction of selling, general and administrative expenses and $1.6 million as a reduction of cost of product sold.

The weighted average discount rate used in determining the accumulated benefit obligation for postretirement pension benefit obligation was 6.25% and 6.75% at December 26, 2003 and December 27, 2002, respectively. For measuring the liability as of December 26, 2003, a 10.5% and 11.75% annual rate of increase in pre-Medicare and post-Medicare real medical inflation, respectively, was assumed. This annual inflation rate was assumed to be declining gradually to 5.0% by the year 2012 for pre-Medicare and 2013 for post-Medicare.

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 26, 2003	December 27, 2002
Weighted average discount rate	6.00%–6.25%	6.00%–6.75%
Rate of increase in compensation levels	3.50%	3.50%
Expected long-term return on assets	8.50%	8.75%

As a result of the decline in value of plan assets and lower interest rates utilized in discounting liabilities, Fresh Del Monte recorded, in accordance with Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions" ("SFAS No. 87"), an additional minimum pension liability as "Retirement benefits" in the accompanying consolidated balance sheet at December 26, 2003 and December 27, 2002, which resulted in a charge directly to shareholders' equity of $0.9 million in 2003 and $1.2 million in 2002.

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 postretirement pension plan as of December 26, 2003 and December 27, 2002 (U.S. dollars in millions):

	Postretirement Plan		Defined Benefit Plans	
	December 26, 2003	December 27, 2002	December 26, 2003	December 27, 2002
Changes in Benefit Obligation:				
Benefit obligation at beginning of period	$ 23.7	$ 17.0	$16.3	$14.6
Service cost	1.0	0.6	0.4	0.4
Interest cost	1.6	1.2	1.1	1.0
Actuarial (gain)/loss	2.2	5.5	1.5	0.8
Benefits paid	(0.6)	(0.6)	(0.8)	(0.7)
Amendments/other	(9.1)	—	0.2	0.2
Benefit obligation at end of period	$ 18.8	$ 23.7	$18.7	$16.3
Change in Plan Assets:				
Fair value of plan assets at beginning of period	$ —	$ —	$11.1	$11.4
Actual return on plan assets	—	—	1.2	0.2
Employer contribution	0.6	0.6	—	0.2
Benefits paid	(0.6)	(0.6)	(0.8)	(0.7)
Fair value of plan assets at end of period	$ —	$ —	$11.5	$11.1
Reconciliation of accrued cost:				
Funded status	$(18.8)	$(23.7)	$ (7.2)	$ (5.2)
Unrecognized net (gain)/loss	—	2.7	4.0	2.7
Additional minimum liability	—	—	(2.1)	(1.2)
Accrued benefit cost	$(18.8)	$(21.0)	$ (5.3)	$ (3.7)

The following table sets forth the net periodic pension cost of Fresh Del Monte's defined benefit pension plans for 2003, 2002 and 2001 (U.S. dollars in millions):

	Year Ended		
	December 26, 2003	December 27, 2002	December 28, 2001
Service cost-benefits earned during the period	$ 0.4	$ 0.4	$ 0.3
Interest cost on projected benefit obligation	1.1	1.0	1.0
Expected return on assets	(1.0)	(1.0)	(0.9)
Net periodic pension expense for defined benefit plans	$ 0.5	$ 0.4	$ 0.4

The following table sets forth the net periodic cost of Fresh Del Monte's postretirement plan for 2003, 2002 and 2001 (U.S. dollars in millions):

	Year Ended		
	December 26, 2003	December 27, 2002	December 28, 2001
Service cost-benefits earned during the period	$ 1.0	$ 0.6	$ 0.6
Interest cost on accumulated postretirement benefit obligation	1.6	1.2	0.9
Curtailment (gain)	(4.5)	—	—
Net amortization of deferred (gain)/loss	0.1	(0.1)	(0.4)
Net periodic postretirement benefit cost	$ (1.8)	$ 1.7	$ 1.1

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 $2.2 million as of December 26, 2003 and the total of service cost plus interest cost by $0.5 million for 2003. In addition, decreasing the trend rate by 1% would decrease the accumulated postretirement benefit obligation by $1.8 million as of December 26, 2003 and the total of the service cost plus interest cost by $0.4 million for 2003.

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 $0.6 million, $1.0 million, and $0.8 million for 2003, 2002 and 2001, respectively.

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 $3.4 million, $3.2 million and $3.0 million for 2003, 2002 and 2001, 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 $12.6 million and $16.4 million was recorded at December 26, 2003 and December 27, 2002, respectively. Expenses for this program for 2003, 2002 and 2001 amounted to $1.9 million, $1.2 million and $1.5 million, respectively, including service cost earned of $1.0 million, $0.7 million and $0.9 million, and interest cost of $0.9 million, $0.7 million and $0.8 million, respectively.

As of August 31, 1997, a subsidiary of Fresh Del Monte ceased accruing benefits under its salary continuation plan covering all Central American management personnel. At December 26, 2003 and December 27, 2002, Fresh Del Monte had $9.1 million and $9.0 million, respectively, accrued for this plan.

16. Stock-Based Compensation

Effective upon the completion of its initial public offering in October 1997, 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 "1997 Plan"). Under the 1997 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, as amended on May 1, 2002, the Board of Directors is authorized to grant options to purchase an aggregate of 4,000,000 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 usually 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	Weighted Average Exercise Price
Options outstanding at December 29, 2000	3,082,000	$12.52
Granted	1,159,030	$ 5.95
Exercised	(328,050)	$ 7.80
Canceled	(90,000)	$15.11
Options outstanding at December 28, 2001	3,822,980	$10.87
Granted	60,000	$22.01
Exercised	(2,114,362)	$11.67
Canceled	(6,000)	$10.82
Options outstanding at December 27, 2002	1,762,618	$10.29
Granted	500,000	$19.76
Exercised	(1,076,506)	$11.18
Canceled	(23,000)	$18.85
Options outstanding at December 26, 2003	1,163,112	$13.37
Exercisable at December 28, 2001	2,125,756	$13.11
Exercisable at December 27, 2002	775,200	$12.71
Exercisable at December 26, 2003	361,500	$13.70

Range of Exercise Prices	Number of Options Outstanding at December 26, 2003	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable at December 26, 2003	Weighted Average Price of Exercisable Options at December 26, 2003
$ 5.95–$ 9.28	529,112	7.7 Years	$ 6.55	143,500	$ 8.18
$14.22–$16.00	137,500	4.4 Years	$15.51	137,500	$15.53
$19.76–$22.01	496,500	9.2 Years	$20.03	80,500	$20.43

17. 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 26, 2003 are as follows (U.S. dollars in millions):

2004	$ 17.4
2005	16.2
2006	14.2
2007	13.0
2008	9.9
Thereafter	35.5
	$106.2

Total rent expense for all operating leases amounted to $29.6 million, $26.3 million and $23.5 million for 2003, 2002 and 2001, respectively.

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, Panama, South Africa and the Philippines. Total purchases under these agreements amounted to $505.6 million, $499.5 million and $458.5 million for 2003, 2002 and 2001, respectively.

At year-end 2003, Fresh Del Monte employed a total of approximately 26,000 persons worldwide, substantially all of who are year-round employees. Approximately 20,000 of these persons are employed in production locations, of which the majority are unionized.

18. 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 from 1965 to 1990.

In December 1998, these subsidiaries entered into a settlement in the amount of $4.6 million (the majority of which was recovered from the insurance carriers) with counsel representing approximately 25,000 individuals. Under the terms of the settlement, approximately 22,000 of these claimants dismissed their claims with prejudice and without payment. The 2,643 claimants who alleged 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 the settlement. A number of plaintiffs represented by new counsel in the Philippines have challenged before the Philippine court whether the settlement funds were properly distributed to their clients.

On February 16, 1999, two of Fresh Del Monte's U.S. subsidiaries were 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 the Banana Workers' Association (the "Association") on behalf of its 34,852 members for injuries they allege to have incurred as a result of DBCP exposure. Approximately 13,000 members of the Association claim employment on a farm that was under contract to a Fresh Del Monte subsidiary at the time of DBCP use. Fresh Del Monte's subsidiaries filed motions to dismiss and for reconsideration on jurisdictional grounds, which were denied. Accordingly, Fresh Del Monte's subsidiaries answered the complaint denying all of the plaintiff's allegations. Fresh Del Monte's subsidiaries believe that they have substantial defenses to the claims asserted by the Association. On October 3, 2002, the Philippine Court of Appeals ruled that the method of service used by the Association to serve the defendants was improper and dismissed the Association's complaint. As a result of this decision, the trial court suspended the proceedings indefinitely. The Association filed a motion for reconsideration of the dismissal of its complaint, 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 and appealed by the plaintiffs. As a result of the dismissal of the Hawaiian actions, several Costa Rican and Guatemalan individuals have filed the same type of actions in those countries. The Guatemalan action was dismissed for plaintiff's failure to prosecute the action. On January 19, 2001, the Court of Appeals for the Fifth Circuit affirmed the dismissal of Fresh Del Monte's subsidiaries for *forum non conveniens* and lack of personal jurisdiction for the Mississippi actions, and on October 1, 2001, the United States Supreme Court denied plaintiffs' petition for an appeal. On April 22, 2003, the Hawaiian plaintiffs' appeal of the dismissal was affirmed by the Supreme Court of the United States, thereby remanding the action to the Hawaiian State Court.

On October 19, 2000, the Court of Appeals for the Fifth Circuit affirmed the dismissal of 23 non-settling defendants who had filed actions in the United States District Court in Houston, Texas. As a result, the 23 plaintiffs who did not accept the settlement are precluded from filing any new DBCP actions in the United States.

On June 19, 1995, a group of several thousand plaintiffs in an action entitled *Lucas Pastor Canales Martinez, et al. v. Dow Chemical Co. et al.* sued one of Fresh Del Monte's U.S. subsidiaries along with several other defendants in the District Court for the Parish of St. Charles, Louisiana, asserting claims similar to those arising in the Texas cases due to the alleged exposure to DBCP. That action was removed to the United States District Court in New Orleans and was subsequently remanded in September 1996. Fresh Del Monte's subsidiary has answered the complaint and asserted substantial defenses. Following the decision of the United States Court of Appeals for the Fifth Circuit in the Texas actions, this action was re-removed to federal court in November 2000. Fresh Del Monte's subsidiary has settled with all but 13 of the *Canales Martinez* plaintiffs. On October 25, 2001, defendants filed a motion to dismiss the action on grounds of *forum non conveniens* in favor of plaintiffs' home countries. On July 16, 2002, the district court denied that motion and the defendants filed a motion requesting immediate review by the Court of Appeals, which was denied by the district court on August 21, 2002. On August 28, 2002, defendants filed a petition for *writ of mandamus* before the Court of Appeals with respect to the district court's denial of defendants' motion to dismiss the action on grounds of *forum non conveniens.* On November 12, 2002, the Court of Appeals denied the petition, but stated that the district court should examine further the *forum non conveniens* issues. As a result of the Supreme Court's decision in the Hawaiian action, the district court remanded these actions to state court in Louisiana.

On November 15, 1999, one of Fresh Del Monte'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 the settlement offer. As a result of the Supreme Court's decision in the Hawaiian action, the district court remanded these actions to state court in Louisiana. At this time, it is not known how many of the 2,962 *Godoy Rodriguez* and *Martinez Puerto* plaintiffs are claiming against Fresh Del Monte's subsidiaries.

On January 8, 2001, local residents of Honolulu, Hawaii amended their complaint (the initial complaint did not include Fresh Del Monte's U.S. subsidiary as a defendant) in federal court to include one of Fresh Del Monte's subsidiaries as one of several defendants for injuries allegedly caused by consuming contaminated water. Fresh Del Monte's U.S. subsidiary answered the complaint denying all the plaintiffs' claims and asserting substantial defenses. The trial for the initial panel of 34 plaintiffs commenced on January 12, 2004. After Fresh Del Monte's subsidiary rested its case and prior to jury instructions being administered to the jury, Fresh Del Monte's subsidiary reached a confidential settlement with the initial panel of plaintiffs and the remaining 320 plaintiffs that were to be tried after the conclusion of this initial trial. The parties are in the process of preparing the appropriate dismissal and settlement documents. Fresh Del Monte accrued the appropriate amount for the settlement in its financial statements for the year ended December 26, 2003.

On November 13, 2002, Eastbrook Caribe A.V.V., an Aruba company, which claims to be an assignee of certain individuals and entities purporting to be former indirect shareholders of Fresh Del Monte's predecessor, filed in the Supreme Court of the State of New York (Trial Court), County of New York, a summons with notice purporting to assert claims against Fresh Del Monte, a subsidiary of Fresh Del Monte and certain current and former directors, officers and shareholders of Fresh Del Monte and its predecessor (the "New York Complaint"). On April 16, 2003, Fresh Del Monte was served with the New York Complaint in this matter.

On December 30, 2002, Fresh Del Monte was served with a complaint filed on December 18, 2002 in the Circuit Court of the 11th Judicial Circuit in and for Miami-Dade County, Florida by 11 Mexican individuals and corporations, who claim to have been former indirect shareholders of Fresh Del Monte's predecessor, against Fresh Del Monte, and certain current and former directors, officers and shareholders of Fresh Del Monte and its predecessor (the "Florida Complaint").

The New York Complaint and the Florida Complaint both allege that instead of proceeding with a prospective buyer who offered superior terms, the former chairman of Fresh Del Monte's predecessor and majority shareholder, agreed to sell the company's predecessor to its current majority shareholder at a below market price as the result of commercial bribes allegedly paid by Fresh Del Monte's majority shareholder and chief executive officer to Fresh Del Monte's predecessor's former chairman. On February 20, 2003, Fresh Del Monte filed a motion to dismiss the Florida Complaint and the oral argument was heard on June 19, 2003. On July 22, 2003, the court granted in part and denied in part Fresh Del Monte's motion to dismiss the Florida Complaint. The court dismissed two of the eleven counts of the Florida Complaint. On May 19, 2003, Fresh Del Monte filed a motion to dismiss the New York Complaint which was granted by the court on January 13, 2004. Fresh Del Monte believes that the allegations of the remaining Florida Complaint are entirely without merit.

On December 24, 2003 a fruit wholesaler sued two of Fresh Del Monte's subsidiaries in the United States District Court for the Southern District of New York. The wholesaler claims to have purchased the Del Monte Gold™ pineapple and brings the action as a putative class action on behalf of all direct purchasers of the Del Monte Gold™ pineapple from March 1, 1996 through May 6, 2003. The complaint alleges claims for monopolization and attempted monopolization in violation of the Section 2 of the Sherman Act and for unjust enrichment under common law.

On January 29, 2004, another entity filed an action against Fresh Del Monte's subsidiaries based on the same allegations as the complaint referred to above. The plaintiffs have requested the court to consolidate both cases. Under the proposed scheduling order, our response to both complaints would be due on May 7, 2004.

Fresh Del Monte's subsidiaries intend to vigorously defend themselves 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 or expenses have been recorded as of December 26, 2003, except as previously discussed related to the residents of Honolulu, Hawaii action.

In 1980, elevated levels of certain chemicals were detected in the soil and ground water at a plantation leased by one of Fresh Del Monte's U.S. subsidiaries in Honolulu, Hawaii ("Kunia Well Site"). Shortly thereafter, Fresh Del Monte's subsidiary discontinued the use of the Kunia Well Site and provided an alternate water source to area well users and the subsidiary commenced its own voluntary cleanup operation. In 1993, the Environmental Protection Agency ("EPA") identified the Kunia Well Site for potential listing on the National Priorities List ("NPL") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended. On December 16, 1994, the EPA issued a final rule adding the Kunia Well Site to the NPL. On September 28, 1995, Fresh Del Monte's subsidiary entered into an order (the "Order") with the EPA to conduct the remedial investigation and the feasibility study of the Kunia Well Site. Under the terms of the Order, Fresh Del Monte's subsidiary submitted a remedial investigation report in November 1998 and a final draft feasibility study in December 1999 (which was updated from time to time) for review by the EPA. The EPA approved the remedial investigation report in February 1999 and the feasibility study on April 22, 2003.

As a result of communications with the EPA during 2001, Fresh Del Monte recorded a charge of $15.0 million in the third quarter of 2001 to increase the recorded liability to the estimated expected future cleanup cost for the Kunia Well Site of $19.1 million. Based on conversations with the EPA during the third quarter of 2002 and consultation with Fresh Del Monte's legal counsel and other experts, Fresh Del Monte recorded a charge of $7.0 million during the third quarter of 2002 to increase the accrual for the expected future clean up costs for the Kunia Well Site to $26.1 million, which is included in other noncurrent liabilities in the accompanying balance sheet at December 26, 2003. The amounts accrued represents Fresh Del Monte's best estimate. Actual amounts may be different which may result in additional expenditures or reversal of amounts previously accrued.

On September 25, 2003, the EPA issued the Record of Decision ("ROD"). The EPA estimates in the ROD that the remediation costs associated with the clean up of the Kunia Well Site will range from $12.9 million to $25.4 million. Certain portions of the EPA's estimates have been discounted using a 5% interest rate. The undiscounted estimates are between $14.8 million to $28.7 million. On January 13, 2004, the EPA deleted a portion of the Kunia Well Site (Northeast section) from the NPL. Fresh Del Monte's subsidiary intends to negotiate a consent decree with the EPA for the performance of the clean up work by the second quarter of 2004. It is estimated that a consent decree with the EPA will be entered during the fourth quarter of 2004.

In August of 2002, Fresh Del Monte's subsidiary received information that additional spills of certain chemicals and DBCP may have occurred at the plantation during the 1950s and 1960s. Fresh Del Monte's subsidiary reported this information to the EPA and submitted a plan to the EPA to investigate for potential contamination. The sampling plan was performed in October 2002. The results of the sampling plan indicated that such spills that may have occurred did not cause significant contamination and should not impact the projected remedial costs for the Kunia Well Site.

In addition to the foregoing, Fresh Del Monte's subsidiaries are involved, from time to time, in various claims and legal actions incident to their 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's financial position or operating results.

19. Financial Instruments and Concentration of Credit Risk

Derivative Instruments

Fresh Del Monte accounts for derivative financial instruments in accordance with SFAS No. 133, as amended. Fresh Del Monte uses derivative financial instruments primarily to reduce its exposure to adverse fluctuations in interest rates and foreign exchange rates. When entered into, Fresh Del Monte formally designates and documents the financial instrument as a hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transaction. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the cash flows or fair value of the underlying exposures being hedged. Derivatives are recorded in the consolidated balance sheet at fair value in either "prepaid expenses and other current assets" or "accounts payable and accrued expenses," depending on whether the amount is an asset or liability. The fair values of derivatives used to hedge or modify Fresh Del Monte's risks fluctuate over time. These fair value amounts should not be viewed in isolation, but rather in relation to the cash flows or fair value of the underlying hedged transactions or assets and other exposures and to the overall reduction in Fresh Del Monte's risk relating to adverse fluctuations in foreign exchange rates and interest rates. In addition, the earnings impact resulting from Fresh Del Monte's derivative instruments is recorded in the same line item within the consolidated statement of income as the underlying exposure being hedged.

Fresh Del Monte also formally assesses, both at the inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in the cash flows or fair value of the related underlying exposures. Any ineffective portion of a financial instrument's change in fair value is immediately recognized in earnings. Hedge ineffectiveness was not material for the years ended December 26, 2003, December 27, 2002 and December 28, 2001.

Counterparties expose Fresh Del Monte to credit loss in the event of non-performance on currency forward contracts or the interest rate swap agreement. 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.

Foreign Currency Management

To protect against the reduction in value of forecasted foreign currency cash flows resulting from a portion of net sales, Fresh Del Monte periodically enters into foreign currency cash flow hedges (principally euro, Japanese yen and British pound). Fresh Del Monte hedges portions of its forecasted sales denominated in foreign currencies with forward contracts and options, which generally expire within one year. The forward contracts are designated as dual-purpose cash flow hedges with gains and losses in the forward contract recognized in other comprehensive income or loss until the foreign currency denominated sales are recognized in earnings. Subsequent to the recognition of the sale in earnings, changes in the value of the foreign currency accounts receivable and related forward contract are recognized in "other income." Any ineffective portion of a financial instrument's change in fair value is immediately recognized in earnings. Fresh Del Monte accounts for the fair value of the related forward contracts as a liability in "accounts payable and accrued expenses." Hedge ineffectiveness did not have a material impact on earnings for the years ended December 26, 2003, December 27, 2002 and December 28, 2001. As of December 26, 2003, and December 27, 2002, Fresh Del Monte had several foreign currency cash flow hedges outstanding. The fair value of these hedges as of December 26, 2003, is a liability of $38.6 million, of which $34.5 million is expected to be transferred to earnings in 2004 along with the earnings effect of the related forecasted transaction. As of December 27, 2002, Fresh Del Monte had $5.4 million in deferred foreign currency cash flow hedge losses outstanding all of which was transferred to earnings during 2003.

Interest Rate Management

Because Fresh Del Monte utilizes primarily variable-rate debt, the results of operations may be significantly affected by fluctuations in interest rates. To protect against fluctuations in interest rates, Fresh Del Monte entered into an interest rate swap agreement that effectively converted a portion of its $450.0 million Revolving Credit Facility debt to a fixed rate basis through January 30, 2003, thus reducing the impact of interest rate changes under the revolving credit agreement on future interest expense. The interest rate swap had a notional amount of $53.6 million and $75.0 million at December 27, 2002 and December 28, 2001, respectively. Fresh Del Monte accounted for the interest rate swap as a cash flow hedge whereby the fair value of the interest rate swap is recognized as a liability in "accounts payable and accrued expenses" with the offset, net of hedge ineffectiveness (which is not material), recorded as accumulated other comprehensive income or loss. The fair value of the interest rate swap as of December 27, 2002 and December 28, 2001 was a liability of $0.6 million and $2.8 million, respectively. The interest rate swap expired in January 2003.

Amounts recorded in accumulated other comprehensive income or loss are amortized as an adjustment to interest expense over the term of the related hedge. Any ineffective portion of a financial instrument's change in fair value was immediately recognized in earnings. Hedge ineffectiveness for the year ended December 27, 2002 amounted to $0.1 million. Hedge ineffectiveness had no impact on earnings for the year ended December 28, 2001.

The adoption of SFAS No. 133, as amended, on December 30, 2000 did not result in a significant cumulative effect on the results of operations or financial position of Fresh Del Monte.

Fair Value of Financial Instruments

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

Cash and cash equivalents, accounts receivable, advances to growers, and accounts payable: The carrying value reported in the balance sheet for these items approximate 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.

Long-term debt: The carrying value of Fresh Del Monte's 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 26, 2003		December 27, 2002	
	Carrying Amount	Fair Amount	Carrying Amount	Fair Value
Cash and cash equivalents	$ 51.0	$ 51.0	$ 9.5	$ 9.5
Trade accounts receivables	195.2	195.2	162.4	162.4
Advances to growers and other receivables	41.1	41.1	34.7	34.7
Trade accounts payable	(120.9)	(120.9)	(111.7)	(111.7)
Long-term debt	(20.7)	(20.7)	(62.7)	(62.7)
Capital lease obligations	(23.4)	(23.4)	(24.6)	(24.6)
Forward contracts	(38.6)	(38.6)	(5.4)	(5.4)
Swap agreement	—	—	(0.6)	(0.6)

20. Related Party Transactions

During 2003 and 2002, the Company incurred expenses of $1.2 million and $0.8 million, respectively, for air transportation services for chartering of an aircraft that is indirectly owned by Fresh Del Monte's chief executive officer. The rates charged for these transportation services were comparable with the market rates charged to other unrelated companies for the use of a similar aircraft.

Through December 31, 2002, Fresh Del Monte's products were distributed in Northern Europe by Interfrucht, an unconsolidated subsidiary (see Note 3). Receivables from Interfrucht, included in accounts receivable, were $2.8 million at December 27, 2002. Sales to this distributor amounted to $81.9 million and $79.5 million for 2002 and 2001, respectively.

Sales to Ahmed Abu-Ghazaleh & Sons Company, a related party through common ownership, were $28.7 million, $21.1 million and $15.8 million in 2003, 2002, and 2001, respectively. At December 26, 2003 and December 27, 2002 there were $4.1 million and $2.2 million, respectively, of receivables from this related party, which are included in trade accounts receivable.

Fresh Del Monte purchases goods and services from unconsolidated subsidiaries in the ordinary course of business. These transactions were conducted at arms-length (see Note 5).

In February 2002, Fresh Del Monte acquired an additional 5% of the outstanding common stock in National Poultry from an individual related to a member of the Abu-Ghazaleh family. The total consideration paid to this individual was $2.4 million (see Note 3).

21. Unaudited Quarterly Financial Information

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

	Quarter ended			
	March 28, 2003	June 27, 2003	September 26, 2003	December 26, 2003
Net sales	$643.8	$700.6	$563.7	$578.7
Gross profit	107.0	109.3	65.0	46.9
Net income	88.1	81.2	34.3	22.8
Net income per share – basic[(a)]	$ 1.57	$ 1.44	$ 0.61	$ 0.40
Net income per share – diluted[(a)]	$ 1.55	$ 1.42	$ 0.60	$ 0.40

	March 29, 2002[(b)]	June 28, 2002	September 27, 2002	December 27, 2002
Net sales	$537.4	$567.2	$498.5	$487.4
Gross profit	106.6	97.0	67.9	65.2
Income before cumulative effect of change in accounting principle	67.1	66.5	32.5	35.2
Net income	61.0	66.5	32.5	35.2
Income before cumulative effect of change in accounting principle per share—basic[(a)]	$ 1.24	$ 1.20	$ 0.58	$ 0.63
Net income per share—basic[(a)]	$ 1.12	$ 1.20	$ 0.58	$ 0.63
Income before cumulative effect of change in accounting principle per share—diluted[(a)]	$ 1.21	$ 1.18	$ 0.57	$ 0.62
Net income per share—diluted[(a)]	$ 1.10	$ 1.18	$ 0.57	$ 0.62

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

(b) The quarter ended March 29, 2002 has been restated to reflect the $6.1 million cumulative effect of change in accounting principle related to the adoption of SFAS No. 142. Reported net income, net income per basic share and net income per diluted share was $67.1 million, $1.24 and $1.21, respectively.

22. Business Segment Data

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

Through December 26, 2003, Fresh Del Monte's operations have been aggregated on the basis of its products; bananas, other fresh produce and non-produce. Other fresh produce includes pineapples, melons, tomatoes, potatoes, onions, strawberries, non-tropical fruit (including grapes, citrus, apples, pears, peaches, plums, nectarines, apricots and kiwis), fresh-cut produce and other fruit and vegetables. Non-produce includes a third-party ocean freight business, a plastic product and box manufacturing business, a poultry business and a grain business.

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

	Year Ended					
	December 26, 2003		December 27, 2002		December 28, 2001	
	Net Sales	Gross Profit	Net Sales	Gross Profit	Net Sales	Gross Profit
Bananas	$ 969.6	$ 69.2	$ 957.0	$ 79.9	$ 894.2	$ 70.4
Other fresh produce	1,398.1	249.5	1,030.5	252.8	928.6	209.4
Non-produce	119.1	9.5	103.0	4.0	105.2	3.1
Total	$2,486.8	$328.2	$2,090.5	$336.7	$1,928.0	$282.9

	Year Ended		
	December 26, 2003	December 27, 2002	December 28, 2001
Net sales by geographic region:			
North America	$1,339.0	$1,050.9	$ 995.6
Europe	714.8	639.3	550.4
Asia-Pacific	373.3	348.2	328.5
Other	59.7	52.1	53.5
Total net sales	$2,486.8	$2,090.5	$1,928.0

	December 26, 2003	December 27, 2002
Property, plant and equipment:		
North America	$ 105.1	$ 74.6
Europe	85.5	76.6
Asia-Pacific	6.9	6.2
Central and South America	353.8	352.7
Maritime equipment (including containers)	153.3	159.7
Corporate	36.4	34.1
Total property, plant and equipment	$ 741.0	$ 703.9

	December 26, 2003	December 27, 2002
Identifiable assets:		
North America	$ 381.7	$ 226.4
Europe	272.5	234.4
Asia-Pacific	55.1	55.3
Central and South America	490.1	475.0
Maritime equipment (including containers)	153.3	159.7
Corporate	138.5	112.0
Total assets	$1,491.2	$1,262.8

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 in which 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.

During 2003, Fresh Del Monte had two principal sales agreements for the distribution of its fresh produce, which principally cover sales in the European and Japanese markets. As of December 31, 2002, Fresh Del Monte had three principal sales agreements. One of these agreements, with a European distributor, was discontinued as of December 31, 2002 (see Note 3). Sales made through these agreements approximated 9%, 14% and 15% of total net sales for 2003, 2002 and 2001, respectively.

During 2003, as a result of the Standard acquisition, one customer, Wal-Mart, Inc., accounted for approximately 14% of our total net sales. These sales are reported in the banana and other fresh produce segments. No other customer accounted for 10% or more of our net sales. In 2003, the top ten customers accounted for approximately 41% of our net sales as compared with 33% of our net sales during 2002.

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

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 26, 2003 and December 27, 2002, and the related consolidated statements of income, cash flows and shareholders' equity for each of the three years in the period ended December 26, 2003. 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 of America. 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 26, 2003 and December 27, 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 26, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 7 to the consolidated financial statements, in 2002 the Company changed its method of accounting for goodwill and other intangible assets to conform to Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets."

Ernst & Young LLP

Miami, Florida
February 6, 2004

Ordinary Share Prices and Related Matters

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

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

	High	Low
Five most recent financial years		
Year ended December 31, 1999	$21.00	$ 6.31
Year ended December 29, 2000	$ 9.94	$ 3.38
Year ended December 28, 2001	$15.95	$ 4.56
Year ended December 27, 2002	$29.20	$13.70
Year ended December 26, 2003	$28.35	$15.12
2002		
First quarter	$19.60	$13.70
Second quarter	$28.79	$19.24
Third quarter	$28.49	$20.14
Fourth quarter	$29.20	$18.75
2003		
First quarter	$21.25	$15.29
Second quarter	$25.57	$15.12
Third quarter	$28.35	$24.95
Fourth quarter	$27.31	$22.90
Most recent six months		
September 2003	$27.75	$24.95
October 2003	$26.40	$23.68
November 2003	$26.23	$25.00
December 2003	$27.31	$22.90
January 2004	$26.95	$23.40
February 2004	$26.50	$24.98

As of December 26, 2003, there were 57,282,518 ordinary shares outstanding. As of February 20, 2004, we believe that holders in the United States held approximately 47% of the outstanding ordinary shares.

Shareholder Information

Stock Information
New York Stock Exchange
Symbol: FDP

FDP
LISTED
NYSE

Dividend Information
The Company currently pays a regular quarterly cash dividend of $0.20 per share four times a year. The dividend is paid to everyone who holds shares on the record date.

Shareholder of Record
As of December 26, 2003, there were 57,282,518 ordinary shares outstanding. We believe that approximately 47 percent of the outstanding ordinary shares are held by shareholders in the United States.

Forward-looking Statements
Our Annual Report may discuss future performance of the Company. Comments about expectations, plans and prospects constitute forward-looking statements for purposes of the Safe Harbor provisions of the Private Securities Litigation Reform Act. Actual results may differ materially from those contemplated in any forward-looking statements, and the Company undertakes no obligation to update any such statements. Risk factors are identified in the Company's December 26, 2003 Form 20-F on file at 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 Fresh Del Monte Produce Inc., U.S. Executive Offices, C/O Del Monte Fresh Produce Company, P.O. Box 149222, Coral Gables, FL 33114, 305-520-8400 or by visiting the Company's Web site at www.freshdelmonte.com

Transfer Agent and Registrar
Mellon Investor Services LLC
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Richfield Park, NJ 07660
800-851-9677

Auditors
Ernst & Young LLP
200 South Biscayne Blvd.
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Miami, FL 33131

Annual Meeting
April 28, 2004, at 11:30 a.m.
Mandarin Oriental Miami
500 Brickell Key Drive
Miami, FL 33131

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 Sales and Product Management

Jean-Pierre Bartoli
Senior Vice President—Europe and Africa

David J. Anderson
Vice President—Asia-Pacific

José Antonio Yock
Senior Vice President—Central America

Jose Luis Bendicho
Vice President—South America

Sergio Mancilla
Senior Vice President—Shipping Operations

Thomas R Young, Ph.D.
Vice President—Research, Development and Agricultural Services

Bruce A. Jordan
Vice President—General Counsel and Secretary

Marissa R. Tenazas
Vice President—Human Resources

Antolin D. Saiz
Vice President—Internal Audit

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

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

Amir Abu-Ghazaleh
General Manager
Abu-Ghazaleh International Company

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

Salvatore H. Alfiero[2][3]
Founder, Chairman and Chief Executive Officer
Protective Industries, LLC

Edward L. Boykin[1][3]
Consultant and Former Partner, Deloitte & Touche LLP

John H. Dalton[1][2]
President and Director
IPG Photonics Corporation

Kathryn E. Falberg[1][2]
Former Chief Financial Officer at Amgen
Board member of Human Genome Sciences

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

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