

Fresh Del Monte

Produce, Inc.

1997 Annual Report

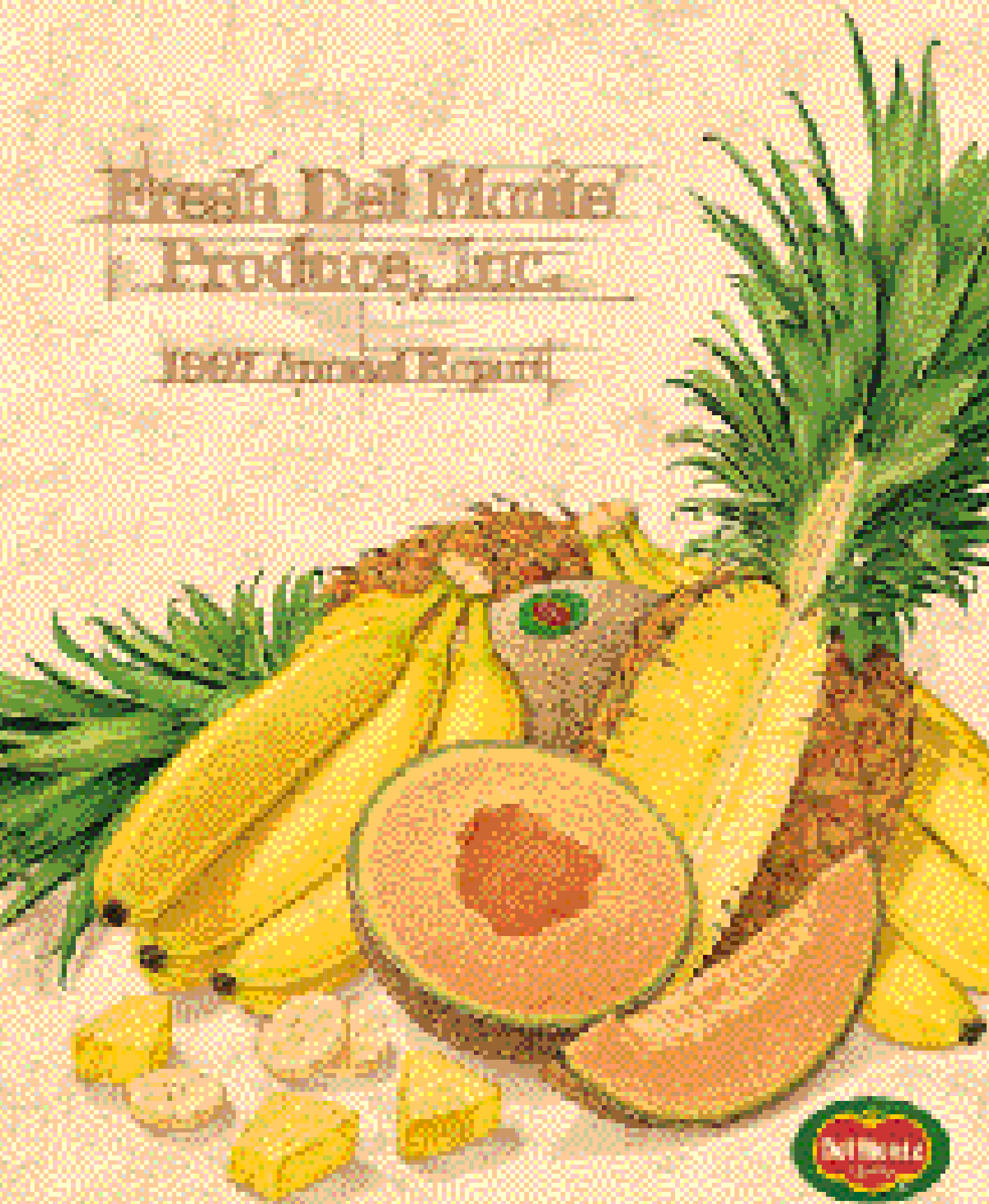


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SELECTED FINANCIAL HIGHLIGHTS

	Year ended December 26, 1997	Fifty-one week period ended December 20, 1996	Year ended December 29, 1995	Year ended December 30, 1994	Year ended December 31, 1993
<i>(In Millions)</i>					
Income Statement Data:					
Net Sales	\$ 1,208.4	\$ 1,167.5	\$ 1,068.4	\$ 992.1	\$ 883.8
Gross Profit	138.6	101.7	68.4	40.2	38.8
Special Charges	-	141.9	44.9	-	-
Operating Income (Loss)	94.8	(96.2)	(38.2)	(35.0)	(22.1)
Income (Loss) before extraordinary item	54.2	(132.9)	(72.3)	(64.1)	(58.4)
Extraordinary Loss on early extinguishment of debt	10.4	-	-	-	-
Net Income (Loss)	\$ 43.8	\$ (132.9)	\$ (72.3)	\$ (64.1)	\$ (58.4)

Basic and diluted per share income (loss) applicable to ordinary shareholders:

Before extraordinary item	\$ 0.84
Extraordinary loss	\$ (0.28)
Net Income (Loss)	\$ 0.56
Weighted average number of ordinary shares outstanding	37,765,188

	December 26, 1997	December 27, 1996	<i>As of</i> December 29, 1995	December 30, 1994	December 31, 1993
<i>(In Millions)</i>					
Balance Sheet Data:					
Cash and Cash Equivalents	\$ 79.4	\$ 25.8	\$ 12.7	\$ 26.7	\$ 19.3
Working Capital	164.3	104.4	110.5	87.4	103.9
Total Assets	741.1	659.0	753.7	817.2	823.8
Notes Payable to Banks	-	18.2	28.7	27.2	13.5
Long-Term Debt, including current portion	224.4	288.0	300.0	300.4	301.0
Shareholders' Equity	263.2	68.2	211.5	256.6	289.7

The preceding table presents selected consolidated historical financial data for the Company (successor) for 1997 and Fresh Del Monte Produce N.V. (predecessor) for 1996, 1995, 1994 and 1993. The financial data for such fiscal years are derived from the annual audited consolidated financial statements of the Company and Fresh Del Monte Produce N.V. and should be read in conjunction with such financial statements and the related notes.

LETTER TO SHAREHOLDERS

Mohammad Abu-Ghazaleh
Chairman and Chief Executive Officer

To Our Shareholders,

This past year has been an exciting one that produced many substantial achievements for Fresh Del Monte. Our Company has surpassed all records for profitability, and is in its strongest financial position in more than seven years.

The events of the past two years will be noted as historic turning points for Fresh Del Monte and its employees. Before the acquisition by IAT in December 1996, the Company was challenged to improve leadership, direction and stability. Within a year, our Company was able to turn a profit, complete a successful initial public offering, and develop the structure to insure future success. The ability to create such strong momentum in a short time frame reflects the strength of our brand and the talents of our management team.

The vision for Fresh Del Monte is clear for the first time in seven years. All members of the organization, from our farms to the sales offices throughout the world, are realizing the true potential of our organization. By reinforcing the strong foundation that has maintained Fresh Del Monte's position as an industry leader, our Company is healthier and better positioned to respond to opportunities and challenges for future growth.

Financial Highlights

1997 was a year that produced many crucial milestones for our Company. The financial results and the recognition by Standard and Poors and Moody's reflect the immediacy of change and indicate the enormous potential of our organization. The availability of capital and aggressive cost cutting measures coupled with our strong market position, especially with the continued success of Del Monte Gold™ Extra Sweet pineapple, have created what we believe will be the foundation for future successes.

For the year ending December 26, 1997, Fresh Del Monte surpassed \$1.2 billion in net sales for the first time in our Company's history. The increase in net sales was influenced by higher pineapple and melon sales volume together with significant increased prices related to the higher volume of the Company's popular

Del Monte Gold™ Extra Sweet pineapple. Net sales were partially offset by reduced banana sales volume in the Pacific Rim due to adverse weather conditions early in 1997 that affected production throughout the year. Had it not been for the negative impact of the strong U.S. dollar, we believe that 1997 net sales would have increased by an additional \$32 million.

Gross profit increased 36 percent to \$138.6 million, improving profit margin from 8.7 percent to 11.5 percent. A shift to higher margin products such as off-season melons and pineapples, and improved efficiencies contributed to this growth, which is very close to our annual future gross profit goal of 15 percent.

Selling, general and administrative expenses decreased by \$9.5 million or 18 percent in 1997 from \$51.8 million in 1996. This decrease is the result of reduced sales and marketing expenses in North America and the Pacific Rim, together with reduced worldwide administrative expenses.

Operating income was \$94.8 million in 1997 compared with an operating loss of \$96.2 million in 1996, a \$191 million increase. 1997 operating income is at the highest level since 1986 and represents a margin of 7.8 percent of sales.

Fresh Del Monte improved its capital structure and financial flexibility as a result of the 1997 initial public offering, which enabled our Company to reduce debt by one-third and reduce interest expense by \$10.6 million annually. Funds generated from cost reductions and interest savings will be used to purchase new facilities, expand capital programs, and pursue the possibility of future acquisitions. Standard and Poors and Moody's recognized this improved financial condition with an additional 2-notch investment upgrade from B+ to BB- with positive outlook (S&P) and from B2 to Ba3 stable rating (Moody's).

Future Priorities

Fresh Del Monte entered 1998 positioned better than any other branded produce company for growth through diversification and vertical integration. A strong reputation, favorable cash position and a brand that has

been associated with fruits and vegetables for more than 100 years are reasons for our future success.

In December 1997, your Company purchased the remaining 49 percent ownership in Horn-Linie OHG, a German shipping company that has carried company produce to Northern Europe for 20 years. The resulting increase in vessel flexibility improves the Company's shipping program. Horn-Linie provides eastbound transportation for fresh fruit from Latin America to Northern Europe and third-party westbound contract charter for automobiles and container freight to the Caribbean.

We have also authorized capital expenditures of over \$30 million which include cold storage, port improvements and distribution centers in the United States and Latin America.

We are pleased to announce the addition of two respected business leaders to our board of directors: Marvin Bush and Steven Way. Mr. Bush is co-founder and managing director of Winston Partners Group, a private investment firm based in Vienna, Virginia, and is the son of former president George Bush. Mr. Way is the chairman and chief executive officer of HCC Insurance Holdings, Inc. of Houston, a company he founded in 1974.

Throughout 1998, we will continue to capitalize on the opportunities that present themselves as a result of industry dynamics and our own streamlining. Trends such as consolidation of growers and food safety concerns are issues in which our Company will take a leading role.

Throughout this process, we promise to maintain the commitment to detail, emphasis on quality, and continued leadership that will maintain the momentum of this great Company in achieving its goal to be the recognized leader in the fresh produce industry.

Sincerely,



Mohammad Abu-Ghazaleh
Chairman and Chief Executive Officer

COMPANY PROFILE

Fresh Del Monte Produce Inc. and its subsidiaries are global leaders in the production, transportation and marketing of fresh produce. In 1997, Fresh Del Monte had sales of approximately 3.7 billion pounds of bananas, 630 million pounds of pineapples, and 340 million pounds of melons. The Company is the world's largest marketer of fresh pineapples and the world's third largest marketer of bananas. In addition, it is the largest marketer of branded off-season (November to May) cantaloupes in the United States.

The Company's principal operating subsidiaries are in Monte Carlo, Monaco; Coral Gables, Florida; Paddock Wood, England; San Jose, Costa Rica; and Manila, the Philippines. Approximately 15,000 employees worked for Fresh Del Monte at year-end 1997.

The Del Monte brand name has been synonymous with fruits and vegetables for over 100 years and is one of the most recognized and respected brands in the world. The Company has a perpetual, exclusive license to use the brand name for fresh fruits and vegetables on a royalty-free basis as part of an agreement with Del Monte Corporation, an unaffiliated corporation that owns the Del Monte trademark.

The Company markets its products worldwide. North America continued as the largest market in 1997, with nearly 50 percent of total net sales of all products. In the North American market our Company has a significant market presence in its core products with bananas representing 57 percent of sales, pineapples accounting for 26 percent of sales and melons at 14 percent of sales.

Europe is the second largest market for our Company and accounts for 31 percent of 1997 net sales. Bananas are the most popular of our European products at 81 percent. Pineapples represent 16 percent of products sold in Europe, and melons account for 2 percent.

In the Pacific Rim, Fresh Del Monte had 18 percent of its total net sales for 1997. Bananas are the best selling product in this region with 82 percent of sales. Pineapples represent 16 percent of total net sales in the Pacific Rim.

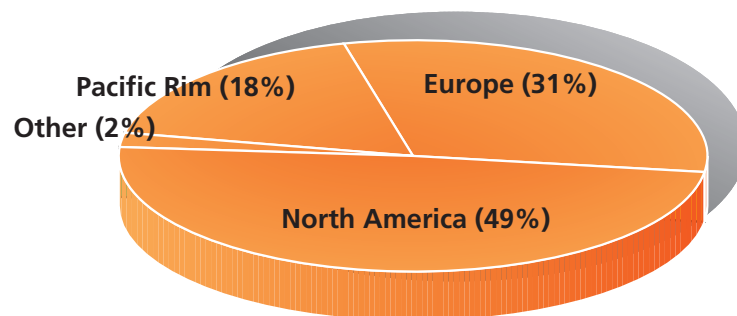
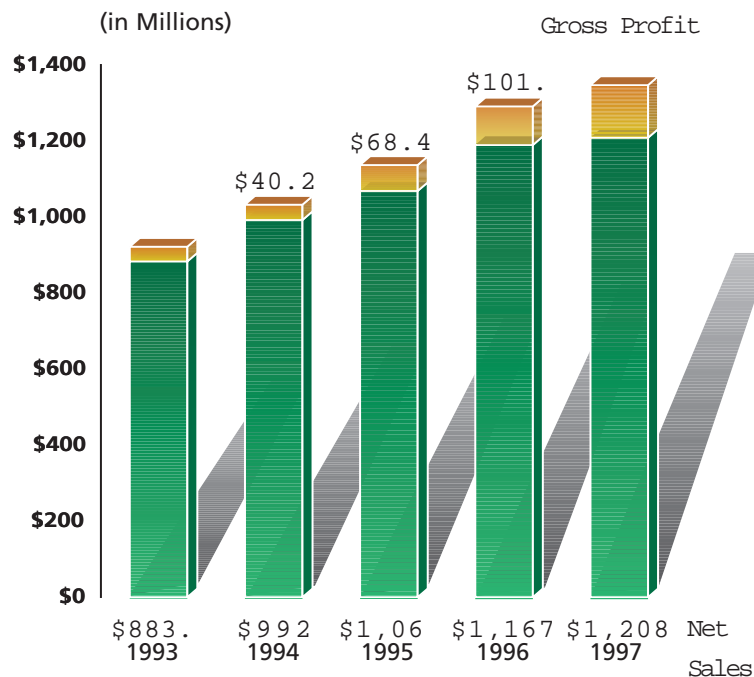
We anticipate that the developed markets of the United States and Europe will continue to represent the areas of greatest consumer demand and growth in the foreseeable future.

In North America and the United Kingdom, the Company sells directly to retail chains, wholesalers and distributors. In the rest of Europe, sales are made primarily through dedicated marketing companies with which the Company shares profits and losses. In Japan, the Company's sales are largely to independent distributors with strong local relationships.

Our distribution strategy is to reduce intermediaries whenever possible. In 1997, the Company began direct marketing of approximately 30 percent of its sales

Net Sales & Gross Profit

(in Millions)



Net Sales by Geographic Region

volume in Japan, and recently commenced direct sales and marketing activities in Hong Kong.

Fresh Del Monte maintains a significant competitive advantage through global sourcing of its fresh produce from nine countries: Philippines, Costa Rica, Guatemala, Ecuador, Colombia, Cameroon, the United States, Mexico and Indonesia. Fresh Del Monte has its strongest production capability in Costa

“Solid growth has been achieved through increased volume, the introduction of new products such as Del Monte Gold™ Extra Sweet pineapple and increasing sales to expanding markets.”

Rica and Guatemala where we grow multiple products. These countries are politically stable, rely on Fresh Del Monte as an important grower, and have fostered favorable labor relations between our Company and its employees.

In 1997, Company-owned and leased farms provided approximately 70 percent and 28 percent of the Company’s total pineapple and banana volumes, respectively. The remaining volume was provided through long and short term supply contracts with independent growers and joint venture arrangements. Products are transported to market via an integrated shipping operation that is currently comprised of 32 owned or chartered refrigerated vessels.

In recent years, solid growth has been achieved through increased volume, the introduction of new products such as Del Monte Gold™ Extra Sweet pineapple and increasing sales to expanding markets.

The revenue growth in bananas in recent years is a result of increased volume due to our Company’s expansion of banana operations in Costa Rica and Guatemala, supplemented by purchases from independent growers in the Philippines, Ecuador, Colombia and Mexico. Our Company continues to maximize its leadership in the winter melon season by sourcing superior product from Costa Rica, Guatemala and Mexico and capitalizing on its existing transportation infrastructures. The Company’s melon farms in Costa Rica and Guatemala make it the single largest melon producer in Central America.

Our Company remains committed to expanding the distribution of our Del Monte brand products worldwide, allowing more people than ever to enjoy delicious, premium quality fresh produce.

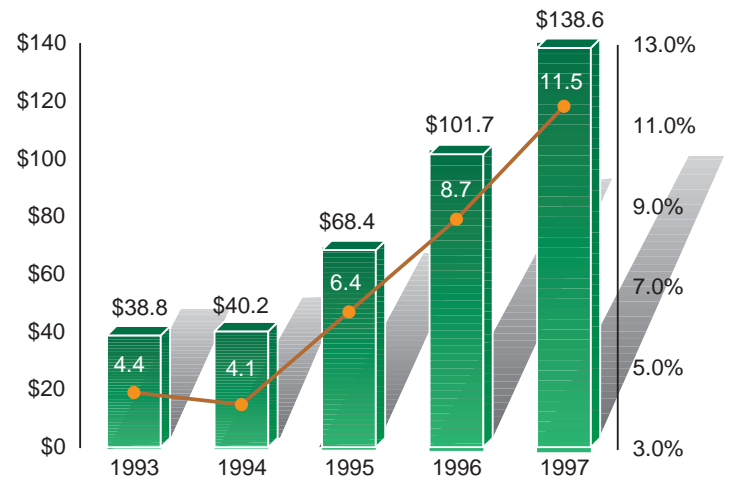
MARKETING HIGHLIGHTS

Fresh Del Monte is pleased to report that a well-conceived, aggressive marketing strategy was highly effective in 1997 as we were able to meet our own high expectations for our Company. Financial performance was outstanding this past year due largely to the success of our core products: bananas, pineapples and melons.

As part of the effort to leverage our brand name, we will continue to build on product strengths, extend the brand into new products, and exploit our existing infrastructure, thereby improving our Company's product mix while maximizing profits. Fresh Del Monte currently has 16 percent of the global market share for bananas, up from 13 percent in 1993 and anticipates growth as U.S. annual consumption continues to increase. Studies show bananas are a "power item" in retail stores that are purchased on 72 percent of shopping trips. Health conscious consumers are eating 28 percent more bananas than 10 years ago,

and the USDA recommends five servings of fresh produce per day.

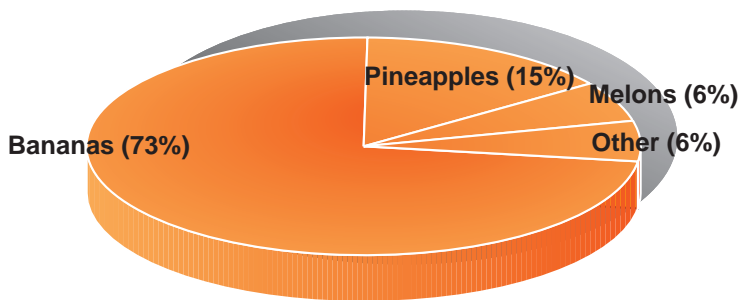
As the number one fruit item, bananas constitute 8 percent of total produce sales and are one of the more profitable produce items. Bananas are Fresh Del Monte's largest product representing 68 percent of net sales and 29 percent of gross profit. We are determined



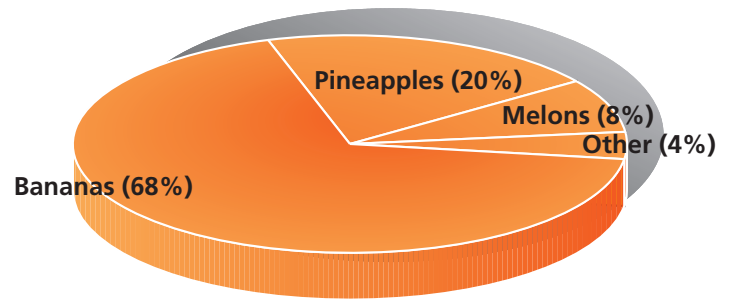
Gross Profit/Gross Margin

to maintain premium pricing, maximize profitability through cost reduction, and pursue emerging markets.

Net sales of pineapples, our most profitable produce item, were up 43 percent in 1997. Pineapples represent 20 percent of Fresh Del Monte's net sales and 64 percent of gross profit. This net sales growth is largely due to the popularity of the Del Monte Gold™ Extra Sweet pineapple. Currently grown at two Company locations, this hybrid is popular with consumers who



1996 Net Sales by Product



1997 Net Sales by Product

report that its superior quality is better than any other variety they have tasted. This premium priced product is still being introduced globally and our Company anticipates continued success as we explore new markets and expand production. Fresh Del Monte is the global market leader in fresh pineapples with 40 percent of worldwide market share. In 1997, our Company increased its dominant market share position in North America. We hope to broaden our pineapple offerings in the future with innovative new products.

Net sales for melons grew 23 percent in 1997 and the product now accounts for 8 percent of our sales and 7 percent of gross profit. Fresh Del Monte is the only company to successfully market brand name cantaloupe, honeydew and golden honeydew. We focus on the U.S. market, particularly for off-season cantaloupes, which command higher prices and profit margins. Plans call for maintaining our product leadership role in North America through increased production of melons, as well as expanded distribution in Europe and the Pacific Rim.

In 1998, our goal is to further leverage our brand name by increasing diversification into new produce items with high volume, high growth potential. Under consideration are possible introductions of products such as Del Monte brand sweet onions, mangos and cut fruit. Current marketing and distribution systems would be utilized to further expand the brand around the world.

We expect that strong recognition of the Del Monte brand name will continue to be the driving force behind our Company's ability to rapidly introduce products into new markets as well as introduce new products in existing markets.

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Overview

On December 20, 1996, Fresh Del Monte Produce Inc. (the Company), directly and through its wholly-owned Cayman Island subsidiary, FDM Holdings Limited, acquired ownership and control (the Acquisition) of all of the outstanding shares of Fresh Del Monte Produce N.V. (FDMP N.V.) and its affiliated shipping business Global Reefer Carriers, Ltd. (GRC). Since the date of the Acquisition, the Company has owned both FDMP N.V. and GRC. Prior to the Acquisition, the financial results of FDMP N.V. and GRC were not consolidated.

Net Sales. The Company's net sales are affected by numerous factors including the balance between supply and demand and competition from other fresh produce. The Company's net sales are also dependent on its ability to supply a consistent volume and quality of fresh produce to its various markets. For the Company's principal product, bananas, seasonal variations in demand as a result of increased supply and competition from other fruits are evident in the fluctuations in banana pricing, with the first six months of the year generally exhibiting stronger demand and higher pricing, except in those years where an excess supply exists. As the Company's sales are conducted in many areas of the world and involve sales denominated in a variety of currencies, net sales as expressed in U.S. Dollars may also be affected by fluctuations in rates of exchange between currencies.

Average sales prices for bananas in 1997 improved slightly in U.S. Dollar terms from 1996. The slight increase in banana sales prices was attributable to a higher average local currency sales price per box in Europe offset by a lower average sales price per box in both North America and the Pacific Rim and the effect of a stronger U.S. Dollar.

The Company's net sales growth in recent years has been achieved through increased volume, the introduction of innovative new products such as the "Del Monte Gold™ Extra Sweet" pineapple and increasing sales to expanding markets. The revenue growth in bananas is a result of increased volume due to the Company's expansion of its banana operations in Costa Rica and Guatemala, supplemented by purchases from independent growers in the Philippines, Ecuador, Colombia and Mexico. The Company's revenue growth in melons is a result of increased volume through the establishment of Company-managed operations in Guatemala and Mexico. Because there are relatively fewer melons available in the winter in the United States, the Company has been able to achieve higher pricing and profit margins on its "off-season" (November to May) melons grown in Central America. The Company sells fewer melons in the United States during the summer months when inexpensive melons are readily available to the consumer.

The Company's objective is to increase sales by expanding operations internationally in markets where fresh produce consumption has traditionally been low or demand has been satisfied from domestic sources and by expanding its core business to include other fresh produce items such as grapes, apples, peaches, plums, pears and nectarines. Due to the conversion of existing pineapple plantations from traditional varieties to "Del Monte Gold™ Extra Sweet" pineapples in Costa Rica, unit sales volume of this new product increased significantly in 1997. This increased unit sales volume and the premium pricing received for "Del Monte Gold™ Extra Sweet" pineapples in comparison to traditional varieties resulted in improved gross profit on pineapple sales in 1997.

Cost of Products Sold. In general, changes in the volume of fruit sold by the Company have a direct impact on the Company's per-box cost of fruit. Within any particular year, a significant portion of the Company's cost of products sold is fixed, both with respect to Company-owned operations and with respect to the farms of independent growers from whom the Company has agreed to purchase all fruit produced. Accordingly, higher fruit volumes directly reduce the average per-box cost of fruit, while lower fruit volumes directly increase the average per-box cost of fruit. In addition, because the volume of fruit that will actually be produced on plantations owned by the Company and by independent growers in any given year depends on a variety of factors beyond their control (including weather), it is difficult to predict volumes for that year and thus per-box costs.

Since the Acquisition, management has undertaken a comprehensive review of nearly all aspects of the Company's operations, with the objective of improving efficiency in the areas of production, distribution, selling, marketing and administration. Through efficiency enhancements, management has reduced costs and improved margins. As part of its on-going company-wide review, the Company has completed implementation of efficiency measures that resulted in annual cost savings of approximately \$14 million, a substantial portion of which was realized in 1997. These measures include a reduction in administrative and production personnel, renegotiation of certain leases and employee contracts, reduction in stevedoring costs, outsourcing the maintenance of certain vessels and obtaining comprehensive but less costly insurance.

1997 Compared with 1996

Fresh Del Monte Produce Inc. vs. Fresh Del Monte Produce N.V.

The following discussion compares the results of the Company (including FDMP N.V. and GRC on a consolidated basis) for the year ended December 26,

1997 with the results of FDMP N.V. for the fifty-one weeks ended December 27, 1996. The operations of FDMP N.V. represent substantially all (99% of net sales, 102% of operating loss and 103% of the net loss for the fifty-one week period ended December 20, 1996) of the combined operations of the Company's predecessors, FDMP N.V. and GRC. Other than the special charge to goodwill, which resulted principally from the Acquisition, and the resulting decrease in goodwill amortization, adjustments relating to the Acquisition did not materially affect the comparability of the Company's results of operations for the year ended December 27, 1997 with those of FDMP N.V. for the fifty-one weeks ended December 20, 1996. The Company had no operations before the Acquisition.

Net Sales. Net sales were \$1,208.4 million for 1997 compared with \$1,167.5 million for 1996. The increase in net sales of \$40.9 million is primarily attributed to the Company's seven-day period ended December 26, 1997 (the "stub period") that was not included in the fifty-one week period of FDMP N.V. in 1996 combined with the third-party net sales of GRC in 1996. After including the Company's stub period net sales of \$21.7 million and GRC's incremental third-party subcharter shipping revenue of \$14.1 million in 1996, the increase in net sales in 1997 as compared with 1996 was \$5.1 million. This increase is attributed to higher pineapple and melon unit sales volume together with significant increased pineapple prices related to the higher volume of the Company's "Del Monte Gold™ Extra Sweet" pineapple, offset by reduced banana sales volume in the Pacific Rim and the effect of a stronger U.S. Dollar. The reduction in banana sales volume in the Pacific Rim from 1996, of approximately seven million boxes, or 24% (using volume data for the full 1996 year), was a result of adverse weather conditions early in 1997 which affected production throughout the year. Had it not been for the negative impact of the strong U.S. Dollar, the Company believes that net sales in 1997 would have increased by an additional \$32.0 million or a 6% increase from 1996. Net sales of bananas, pineapples and melons constituted 68%, 20% and 8%, respectively, of total net sales for 1997 in comparison with 73%, 15% and 6%, respectively, in 1996.

Cost of Product Sold. Cost of product sold was \$1,069.8 million for 1997 in comparison with \$1,065.8 million for 1996, an increase of \$4.0 million. Taking into consideration the cost of product sold in the Company's stub period in 1996 of \$20.7 million, the decrease in cost of product sold was \$16.7 million in 1997 as compared with 1996. This decrease is attributed to reduced banana unit sales volume in the Pacific Rim, together with reduced production costs and lower worldwide distribution costs as a result of cost reduction programs. These programs include the restructuring of production and ship management ac-

tivities and the centralization of farm-level administrative functions. The Company's cost savings programs together with increased production volume resulted in an approximately 13% reduction in its pineapple unit cost in 1997 in comparison with 1996. As a percentage of net sales, cost of product sold decreased from 91% in 1996 to 89% in 1997.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by \$9.5 million or 18%, to \$42.3 million in 1997 from \$51.8 million in 1996. This decrease is a result of reduced selling and marketing expenses in North America and the Pacific Rim, together with reduced worldwide administrative expenses in connection with the Company's ongoing implementation of its cost reduction programs. As a percentage of net sales, selling, general and administrative expenses decreased from 4.4% in 1996 to 3.5% in 1997.

Special Charge to Goodwill; Amortization of Goodwill. The Company recorded a special charge to the carrying value of goodwill of \$138.7 million in 1996. Amortization of goodwill decreased by \$2.7 million or 64% in 1997 compared with 1996, as a result of the change in the carrying value of goodwill as part of the application of purchase accounting to the Acquisition.

Acquisition-Related Expenses. Acquisition-related expenses were \$3.2 million in 1996 as a result of the Acquisition on December 20, 1996.

Operating Income. Operating income for 1997 was \$94.8 million compared with an operating loss of \$96.2 million in 1996, an improvement of \$191.0 million. The improvement in operating income is primarily a result of the \$138.7 million special charge to goodwill recorded in 1996 together with the other factors mentioned above.

Other Income (Loss). Other income (loss) for 1997 increased by \$3.0 million as compared to 1996, primarily due to the inclusion of \$4.3 million of GRC's equity in earnings of unconsolidated companies in 1997 partially offset by foreign exchange losses in Europe as a result of the strengthening of the U.S. Dollar.

Provision for Income Taxes. Provision for income taxes increased by \$11.1 million in 1997 as compared with 1996, primarily as a result of higher effective tax rates on U.S. and foreign operations and the inclusion of \$2.3 million in taxes related to GRC's operations.

Extraordinary Loss on Early Extinguishment of Debt. The extraordinary loss on early extinguishment of debt of \$10.4 million relates to the premium and expenses paid to purchase and retire \$100.0 million aggregate principal amount of outstanding N.V. Notes. The \$100.0 million aggregate principal amount of N.V. Notes were purchased and retired with a portion of the proceeds from the Company's IPO. See "Liquidity and Capital Resources".

Global Reefer Carriers, Ltd.

The results of operations of GRC for 1997 are included in the consolidated results of operations of the Company. Set forth below is a discussion of GRC's results of operations for 1996.

Net Sales. Net sales of \$62.8 million for 1996 included \$48.7 million of sales of bananas to FDMP N.V. from a farm which was purchased by FDMP N.V. in December 1996 and ocean freight charges to FDMP N.V. for the management of FDMP N.V.'s Pacific Rim shipping operations, which were assumed by FDMP N.V. in October 1996. Net sales for 1996 also included approximately \$14.1 million in third-party subcharter revenue. Neither GRC nor the Company had subcharter revenue in 1997.

Operating Income. Operating income of \$1.9 million included income from the sale of bananas to FDMP N.V. and ocean freight charges to FDMP N.V.

Equity in Earnings of Unconsolidated Companies. Equity in earnings in unconsolidated companies was \$4.8 million in 1996 as a result of earnings in the Northern European marketing and shipping companies operated by Interfrucht and Horn-Linie. See "Liquidity and Capital Resources."

1996 Compared with 1995*Fresh Del Monte Produce N.V.*

The following discussion compares the results of operations of FDMP N.V. for the fifty-one week period ended December 20, 1996 (the "Acquisition Date") with the results of operations of FDMP N.V. for 1995. The omission from the 1996 results of FDMP N.V. of the one-week period beginning on the Acquisition Date does not materially affect the comparability of the results for these periods. The results for that one-week period for FDMP N.V. and GRC are included in the Company's results of operations for the period from August 29, 1996 (date of incorporation) through December 27, 1996.

Net Sales. 1996 net sales were \$1,167.5 million compared with \$1,068.4 million for 1995, an increase of 9%. The improvement in net sales of \$99.1 million resulted from increased banana unit sales volume, higher average sales prices on the Company's new product, "Del Monte Gold™ Extra Sweet" pineapple and incremental shipping revenues of third-party cargo in North America previously transported by GRC. Net sales of bananas, pineapples and melons constituted 73%, 15% and 6%, respectively, of total net sales in 1996 compared with 74%, 15% and 7%, respectively, in 1995.

Banana unit sales volume increased 12% in 1996 compared with 1995. Net sales of bananas reflected an

increase of 8% in 1996 compared with 1995, as the volume gains were partially offset by lower average per box sales price.

In the North American and European markets, banana unit sales volume increased 7% and 10% in 1996 and 1995, respectively. The increase in unit sales volume resulted from improved yields at certain of the Company's banana operations and incremental purchases from independent growers. Reduced average sales price per box partially offset the impact of increased banana unit sales volume and resulted in an increase in banana net sales of 2% in North America and 9% in Europe for 1996 compared with 1995.

In the Pacific Rim markets, banana unit sales volume increased 20% in 1996 compared with 1995, as a result of increased sales to developing markets. Banana net sales increased 15% in 1996 compared with 1995, principally as a result of an increased proportion of total sales being made to developing markets where average net sales price per box was generally lower. Although per box prices of bananas increased in certain markets in local currency terms, this increase was offset in part by the strengthening of the U.S. Dollar in 1996 compared with 1995.

Net sales of pineapple increased 5% in 1996 compared with 1995, as favorable pricing on "Del Monte Gold™ Extra Sweet" pineapple offset a decrease in unit sales volume of 6% in 1996 compared with 1995. The decrease in pineapple unit sales volume primarily resulted from reduced production in the Philippines.

Melon unit sales volume increased 6% in 1996 compared with 1995, as a result of higher yields from the Company's Latin American operations together with production from the Company's newly established melon operations in Mexico. Net sales of melons represented a 4% increase in 1996 as the volume gains were partially offset by reduced average sales price per box.

Cost of Products Sold. Cost of products sold was \$1,065.8 million for 1996 compared with \$1,000.0 million for 1995, an increase of 7%. The increase in cost of products sold was attributable to the increased unit sales volume discussed above together with higher transportation costs. Cost of products sold on a per box basis for 1996 declined in comparison with 1995, as reduced production costs offset the impact of higher transportation costs principally resulting from increased worldwide fuel costs.

Gross Profit. Gross profit was \$101.7 million for 1996 compared with \$68.4 million for 1995, an increase of \$33.3 million or 49%. As a percentage of net sales, gross profit improved from 6% in 1995 to 9% in 1996. Gross profit for 1996 was positively impacted by reduced average per box fruit cost, primarily as a result of increased banana yields in Latin America and a lower volume of fruit being discarded in the Pacific

Rim, as compared with 1995. This improvement in gross profit was partially offset by reduced average sales price per box of bananas, the strengthening of the U.S. Dollar and increased transportation costs. Gross profit earned on the sale of bananas, pineapples and melons constituted 62%, 35% and 6%, respectively, of total gross profit for 1996, compared with 55%, 31% and 11%, respectively, of total gross profit for 1995.

Selling, General and Administrative Expenses. Selling, general and administrative expenses of \$51.8 million remained relatively stable in 1996 in comparison with 1995.

Special Goodwill Charges; Amortization of Goodwill. The Company recorded special charges to the carrying value of goodwill of \$44.9 million in December 1995 and \$138.7 million in June 1996, to record impairments in the carrying value of the Company's goodwill. As a result of the change in the carrying value of goodwill, amortization of goodwill decreased by \$3.8 million in 1996 in comparison with 1995.

Acquisition-Related Expenses. Acquisition-related expenses were \$3.2 million in 1996 as a result of the Acquisition on December 20, 1996.

Other Income (Loss). The \$2.3 million reduction in other income in 1996 compared with 1995 was primarily a result of reduced foreign exchange gains partially offset by increased equity earnings from unconsolidated companies. Equity earnings from unconsolidated companies included in other income was \$4.6 million in 1996 and \$2.7 million in 1995.

Global Reefer Carriers, Ltd.

Net Sales. 1996 net sales were \$62.8 million compared with \$111.8 million for 1995. The decrease of \$49.0 million is primarily the result of FDMP N.V. resuming its shipping operations for North America at the beginning of 1996.

Cost of Products Sold. Cost of products sold decreased \$43.8 million, or 43%, from \$101.9 million in 1995 to \$58.1 million in 1996. This reduction was attributed to FDMP N.V. resuming the North American third-party cargo business and eliminating the vessel subcharter activities.

Selling, General and Administrative. Selling, general and administrative expenses were \$2.8 million in 1996 compared with \$4.8 million in 1995. The \$2.0 million reduction was due to the elimination of the third-party cargo business referred to above.

Interest Expense. Interest expense in 1996 of \$0.2 million reflected a decrease of \$1.4 million from 1995 as a result of a reduction of long-term debt.

Equity in Earnings of Unconsolidated Companies. Equity in earnings of unconsolidated companies de-

creased by \$1.7 million, to \$4.8 million, in 1996 from 1995, primarily as a result of reduced earnings in the Northern European marketing and shipping companies.

Provision for Income Taxes. Provision for income taxes decreased by \$0.3 million, to \$2.9 million, in 1996 from 1995 primarily as a result of reduced earnings of GRC's German subsidiary.

Liquidity and Capital Resources

The following section discusses the liquidity and capital resources of the Company (including FDMP N.V. and GRC on a consolidated basis) for the year ended December 26, 1997 and the liquidity and capital resources of FDMP N.V. for the fifty-one week period ended December 20, 1996 and the year ended December 29, 1995. The operations of FDMP N.V. represent substantially all (99% of net sales, 102% of operating loss and 103% of net loss for 1996) of the combined operations of the Company's predecessors, FDMP N.V. and GRC. Other than the replacement of several credit facilities and letters of credit by the \$100.0 million Revolving Credit Agreement described below, the Acquisition did not materially impact the comparability of the Company's liquidity position for 1997 with that of FDMP N.V. for 1996.

Net cash provided by operating activities for 1997 was \$82.9 million, an increase of \$48.0 million from 1996. This improvement in net cash provided by operating activities is primarily attributable to the increase in net income of \$176.7 million partially offset by a special non-cash charge to goodwill totaling \$138.7 million during 1996 together with a \$10.4 million extraordinary loss on the early extinguishment of debt in 1997.

Net cash provided by operating activities increased by \$71.6 million, to \$34.9 million for 1996 compared with net cash used by operations of \$36.7 million for 1995. The net cash provided by operating activities for 1996 resulted primarily from the increased gross profit of the Company, combined with a substantial amount of non-cash charges in 1996, primarily a special charge to goodwill totaling \$138.7 million. In 1995, net cash provided by operating activities was negatively affected by the general decline in banana prices, which directly impacted the Company's profitability, and also by the Company's inability to pass on cost increases.

On December 23, 1997, the Company acquired the remaining 49% minority interest of Horn-Linie. The total consideration paid in connection with the acquisition was \$14.7 million. The acquisition was financed through a loan secured by a mortgage on two of Horn-Linie's multi-purpose refrigerated vessels. The loan amount of \$26.0 million includes the consideration

paid in connection with the acquisition as well as approximately \$10.8 million in existing debt that was refinanced. Horn-Linie provides the Company with eastbound transportation services for fresh fruit from Latin America to Northern Europe and also provides third-party westbound contract charter for automobiles and container freight to various destinations in the Caribbean.

Cash used in investing activities for 1997 and 1996 was \$31.5 million and \$15.4 million, respectively. The use of cash for 1997 was primarily attributable to capital expenditures and the purchase of the Horn-Linie minority interest as described above. The use of cash for the fifty-one week period ended December 20, 1996 was due primarily to the purchases of property, plant and equipment, the purchase of a related company banana plantation in Costa Rica and the payment of Acquisition-related expenses. The use of cash for the year ended 1995 was primarily due to the purchases of property, plant and equipment.

Capital expenditures for 1997, 1996 and 1995 were \$23.2 million, \$9.6 million and \$10.8 million, respectively. These capital expenditures were primarily for the maintenance of existing production and distribution facilities and the purchase of a used refrigerated vessel for an aggregate purchase price of approximately \$6.4 million during 1997. The increase in 1997 over prior years is primarily due to the purchase of the used refrigerated vessel and cold storage and port improvements in the United States and Latin America.

The Company's business objective is to enhance its position as one of the leading producers, distributors and marketers of fresh produce in the world. The Company seeks to achieve this objective in part through making acquisitions. There can be no assurance that the Company will be successful in identifying appropriate acquisition candidates or consummating acquisitions on terms satisfactory to the Company, or that any newly acquired businesses or companies will be successfully integrated with the Company. The Company may use Ordinary Shares (which could result in dilution to existing holders of Ordinary Shares) or may incur indebtedness (which may be long-term), expend cash or use a combination thereof for all or part of the consideration to be paid in future acquisitions. While the Company has commenced the evaluation of various potential acquisition opportunities, which it expects to continue on a regular basis, the Company has no present commitments, agreements or understandings with respect to any material acquisition.

On October 29, 1997, the Company completed an initial public offering of 15,957,000 Ordinary Shares, at a public offering price of \$16.00 per share. The net proceeds to the Company of \$175.3 million were used to purchase and retire \$100.0 million in aggregate

principal amount of the outstanding 10% N.V. Notes issued by FDMP N.V., which resulted in an extraordinary charge of \$10.4 million, representing the difference between the purchase price of the N.V. Notes and the book value of the N.V. Notes plus approximately \$0.4 million of expenses associated with the tender offer for the N.V. Notes; and to redeem all of the Company's issued and outstanding Convertible Preferred Shares for approximately \$68.5 million which included a redemption premium of \$19.6 million representing the difference between the redemption price and the book value of the Convertible Preferred Shares. The Company recorded the redemption premium as a reduction of net income for purposes of computing net income applicable to ordinary shareholders.

On November 6, 1997, the underwriters for the Company in the IPO exercised their option to purchase up to an additional 2,393,550 Ordinary Shares in the Company to cover overallocments by purchasing an additional 1,650,000 Ordinary Shares held by the Company's principal shareholder, FG Holdings. The exercise of this option reduced the aggregate percentage of Ordinary Shares in the Company controlled by FG Holdings from 66.5% to 63.0% after the exercise of the option.

Cash provided by financing activities for 1997 was \$1.1 million, which consisted primarily of proceeds from issuance of Ordinary Shares reduced by payments to purchase and retire the N.V. Notes and to redeem the Company's Convertible Preferred Shares together with the repayment of short-term borrowings and the incurrence of new long-term debt related to vessel financing. Cash used by financing activities of \$22.9 million for the fifty-one week period ended December 1996, was primarily due to net repayments of short-term borrowings. Cash provided by financing activities for 1995 was \$28.5 million, which was primarily attributable to the proceeds from issuance of capital stock.

Management believes that cash generated from operations and available borrowings will be adequate to cover its cash flow needs during 1998. This belief is based primarily on the availability of the \$100.0 million revolving credit facility under the Revolving Credit Agreement described below and the Company's 1998 operating plans, as well as the reduced interest expense that resulted from the reduction in long-term debt from retirement of \$100.0 million of N.V. Notes.

In connection with the Acquisition, FDMP N.V. entered into the Revolving Credit Agreement with two major financial institutions under which FDMP N.V., through specified subsidiaries, may borrow up to \$100.0 million. The Revolving Credit Agreement includes a swing line facility, a letter of credit facility and a foreign exchange contract facility. The amount that can be borrowed under the Revolving Credit

Agreement is based on percentages of FDMP N.V.'s levels of receivables and inventory and the appraised value of FDMP N.V.'s trademark licenses. The facility is collateralized directly or indirectly by substantially all of FDMP N.V.'s assets. The facility expires on December 20, 1998, and permits borrowings with an interest rate based on a spread over the prime rate or the London interbank offered rate. At year-end 1997 there were no borrowings under this facility and at year-end 1996, the Company's outstanding borrowings under this facility were \$18.2 million bearing interest at a rate of 10% per annum. This facility contains covenants requiring FDMP N.V. to maintain certain minimum ratios and limits capital expenditures, limits the payment of dividends and contains an annual "cleanup" requirement to bring outstanding borrowings (other than letters of credit or foreign exchange contract exposures) below \$10.0 million for a specified period. In addition, the Company applied \$14.5 million of available credit towards the issuance of letters of credit, of which \$11.5 million was required pursuant to agreements with the owners of certain vessels on long-term charter. This facility replaced the previously issued credit facilities of \$55.0 million and letters of credit of \$11.5 million from Banco Union S.A., a Mexican bank, as well as a \$25.0 million credit facility with a U.S. financial institution. Prior to and at the time of the Acquisition, Banco Union S.A. was a significant minority shareholder in GEAM.

In addition to the above mentioned credit facility, FDMP N.V. has \$11.0 million of working capital revolving credit facilities with various other banks in Europe and Latin America. These facilities expire between July 1998 and February 1999 and bear interest rates ranging between LIBOR plus 1.25% to prime plus 1.5%. At December 26, 1997 and December 27, 1996 there were no borrowings under these credit facilities.

As of December 26, 1997, the Company's long-term debt consisted of \$200.0 million aggregate principal amount of the N.V. Notes, \$5.1 million of long-term debt attributable to the purchase of a used refrigerated vessel and \$26.0 million related to the purchase of the minority interest of a related shipping company and the refinancing of its refrigerated vessels. The N.V. Notes are due in 2003 and bear interest at a rate of 10% per annum. The N.V. Notes were recorded at their fair market value at the date of the Acquisition and as of December 26, 1997 have a carrying value of \$193.3 million. The N.V. Notes are not collateralized and include certain covenants which limit, among other things, the amount of indebtedness that may be incurred by FDMP N.V., payment of future dividends, transactions with shareholders and affiliates and changes in the nature of the business. Upon the occurrence of both a Change of Control and a Rating Decline within a specified time period (each as defined in the Indenture), each holder of the N.V. Notes has the

right to require FDMP N.V. to repurchase such N.V. Notes at a premium of 101%. At the option of FDMP N.V., the N.V. Notes may be redeemed commencing in May 1998 at a premium of 105%, which declines to 102.5% in May 1999.

As of July 31, 1997, the Company "froze" (i.e., ceased accruing benefits under) its cash balance pension plan covering all salaried employees who are U.S. based and work a specified minimum number of hours. The hypothetical account balances under such plan will continue to be credited with monthly interest and participants who are not fully vested in such plan will continue to earn vesting service after July 31, 1997. As of August 31, 1997, the Company's subsidiary Del Monte Fresh Produce International Inc. "froze" (i.e., ceased accruing benefits under) its salary continuation plan covering all Latin American management personnel. In 1997, FDMP N.V. ceased certain of its stevedoring operations performed by one of its subsidiaries. As a result, FDMP N.V. plans to cease to participate in several multi-employer pension plans covering the employees of this subsidiary. Management believes that any liability that may be incurred in connection with these multi-employer plans will not have a material adverse effect on the Company's liquidity, results of operations or financial condition. Management further believes that the savings generated from the freezing of the U.S. and Latin American plans will exceed potential cash outlays related to ceasing participation in the multi-employer pension plans and will enhance the Company's liquidity, results of operations and financial condition.

Foreign Currencies

As the Company's operations are conducted in many areas of the world and involve transactions denominated in a variety of currencies, results of its operations as expressed in U.S. Dollars may be significantly affected by fluctuations in rates of exchange between currencies. Such fluctuations could be significant for the Company's international operations, as approximately 40% of its sales revenue is received in currencies other than the U.S. Dollar. Additionally, many of its costs are incurred in currencies (principally the U.S. Dollar) different from those received from the sale of its products (other than the U.S. Dollar, principally the Deutsche mark, the Japanese yen and the Italian lira), and the Company generally is unable to adjust its non-U.S. Dollar local currency sales prices to reflect changes in exchange rates between the dollar and the relevant local currency. As a result, changes in exchange rates between Deutsche marks, Japanese yen, Italian lira or other currencies in which the Company receives sale proceeds and the U.S. Dollar have a direct impact on the Company's operating results. In addition, there is normally a time lag between the Company's incurrence of costs and collection of the

related sales proceeds. To seek to reduce foreign currency exchange risk, the Company generally exchanges local currencies for U.S. Dollars promptly upon receipt. In addition, the Company periodically enters into foreign currency forward contracts as a hedge against foreign currency exposures. While the Company has no formal policy regarding its hedging strategies, its current practice is to enter into only short-term (i.e., three-month) contracts relating to marks, yen or lira, and to limit such contracts to 50% of anticipated total sales revenue denominated in such currency. As of December 26, 1997, the Company had approximately \$1.3 million in hedging contracts outstanding and there was no unrealized gain or loss on such contracts. As of year-end 1996, the Company had approximately \$11.1 million in hedging contracts outstanding and an unrealized loss on such contracts of \$0.5 million.

Impact of Year 2000

Many computer systems and programs, including some of those used by the Company, identify dates using only the last two digits of the year. These computer programs and systems have time-sensitive software unable to distinguish between dates in the year 2000 and dates in the year 1900. That inability (referred to as the "Year 2000 issue"), if not addressed, could cause these systems to fail or provide incorrect information after December 31, 1999 or when using dates after December 31, 1999. This in turn could have a material adverse impact on the Company and its operations, due to both the Company's direct dependence on its own computer systems and programs, particularly with respect to such critical tasks as accounting, billing and ordering, and the Company's indirect dependence on the systems and programs of other entities with whom the Company must interact.

The Company has implemented a process for identifying, prioritizing and modifying or replacing systems and programs that may be affected by the Year 2000 issue. The Company is also monitoring the adequacy of the processes and progress of certain third parties and third party vendors of systems that may be affected by the Year 2000 issue. The Company has initiated an assessment and has determined that it will need to modify or replace portions of its software and hardware so that its computer systems will function properly with respect to dates in the year 2000 and thereafter. While the Company believes its process is designed to be successful, because of the complexity of the Year 2000 issue, and the interdependence of organizations using computer systems, it is possible that the Company's efforts, or those of third parties with whom the Company interacts, will not be satisfactorily completed in a timely fashion.

The Company estimates that the total year 2000 project cost, including assessment, development of a

modification or replacement plan, purchase of new hardware and software and implementation, will be approximately \$15 million. To date, the Company has incurred approximately \$5 million (of which \$4 million has been capitalized and \$1 million expensed). The estimated costs of the project and the date on which the Company believes necessary modifications and replacements to address the Year 2000 issue will be completed are based on management's estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources and other factors. As the Company progresses in addressing the Year 2000 issue, estimates of costs could change, including as a result of the failure of third parties adequately to address the Year 2000 issue, and there can be no assurance that the Company will not experience cost overruns or delays in connection with its plan for modifying or replacing systems and programs. As a result, actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained to address the Year 2000 issue, the ability to locate and correct all relevant computer codes and similar uncertainties.

The project is estimated to be completed by September 1999, which is prior to any anticipated impact on the Company's operating systems. The Company believes that with modifications to existing software and conversions to new software, the Year 2000 issue will not pose significant operational problems for its computer systems. However, if such modifications and conversions are not made, or are not completed on a timely basis, the Year 2000 issue would have a material adverse impact on the Company's business, financial condition and results of operations.

Other

The Company is involved in several legal and environmental matters, many of which are currently in their early stages and which, if not resolved in favor of the Company, could require significant cash outlays and could have a material adverse effect on its results of operations, financial condition and liquidity.

Recent Developments

On February 2, 1998, FDMP N.V. announced the commencement of a tender offer to purchase up to \$200.0 million in aggregate principal amount of its outstanding N.V. Notes. The tender offer was conditioned upon, among other things, the receipt by the Company of sufficient funds from a \$350.0 million floating rate, five-year credit facility proposed to be entered into by the Company and certain of its subsidiaries with a major European bank, which was to replace the Company's existing \$100.0 million revolving credit facility.

Although the Company reserves the right to assert any available defenses, the Company may be bound by an interest rate swap agreement with an initial notional amount of \$150.0 million and a term to 2003 purportedly entered into by the Company with the same major European bank with whom the Company was negotiating a new revolving credit facility. The Company estimates that the termination cost of such a swap would be approximately \$1.3 million based on an in-

dicative bid-side swap rate quotation as of March 26, 1998 received from a derivatives dealer.

On March 9, 1998, the Company announced that it had terminated negotiations on the \$350.0 million five-year credit facility, as the Company was unable to reach an agreement on terms sufficiently favorable to it. Also on March 9, 1998, FDMP N.V. announced the termination of its tender offer.

Board of Directors and Shareholders
Fresh Del Monte Produce Inc.

We have audited the accompanying consolidated balance sheets of Fresh Del Monte Produce Inc. (formerly Freshglo Limited) and subsidiaries as of December 26, 1997 and December 27, 1996, and the related consolidated statements of operations, cash flows and shareholders' equity for the year ended December 26, 1997 and the period from August 29, 1996 (date of incorporation) through December 27, 1996. 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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits 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, 1997 and December 27, 1996, and the consolidated results of their operations and their cash flows for the year ended December 26, 1997 and the period from August 29, 1996 (date of incorporation) through December 27, 1996, in conformity with generally accepted accounting principles.

Ernst + Young LLP

Miami, Florida
February 13, 1998

Board of Directors and Shareholders
Fresh Del Monte Produce N.V.

We have audited the accompanying consolidated statement of operations, cash flows and shareholders' equity of Fresh Del Monte Produce N.V. (the Predecessor) and subsidiaries for the fifty-one week period ended December 20, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of operations, cash flows and shareholders' equity of Fresh Del Monte Produce N.V. (the Predecessor) and subsidiaries for the fifty-one week period ended December 20, 1996, in conformity with generally accepted accounting principles.

Ernst + Young LLP

Miami, Florida
March 14, 1997

Board of Directors and Shareholders
Fresh Del Monte Produce N.V.

We have audited the accompanying consolidated statement of operations, shareholders' equity and cash flows of Fresh Del Monte Produce N.V. ("FDMP N.V.") and subsidiaries for the year ended December 29, 1995. These financial statements are the responsibility of FDMP N.V.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above presents fairly, in all material respects, the consolidated results of operations and cash flows of Fresh Del Monte Produce N.V. and subsidiaries for the year ended December 29, 1995, in conformity with generally accepted accounting principles.



Miami, Florida
March 15, 1996 except as to the first
paragraph of Note 1 and the first paragraph
of Note 9, for which the date is December 19, 1996

CONSOLIDATED BALANCE SHEETS

(U.S. Dollars in millions, except share data)	December 26, 1997	December 27, 1996
Assets		
Current assets:		
Cash and cash equivalents	\$ 79.4	\$ 25.8
Trade accounts receivable, net of allowance of \$4.5 and \$3.0, respectively	81.6	86.6
Advances to growers and other receivables, net of allowance of \$1.4 and \$2.7, respectively	19.7	23.0
Inventories	117.4	115.8
Prepaid expenses and other current assets	8.3	7.7
Total current assets	306.4	258.9
Investments in and advances to unconsolidated companies, net of allowance of \$0 and \$4.8, respectively	39.9	59.9
Property, plant and equipment, net	313.1	258.5
Other noncurrent assets	15.4	21.9
Goodwill, net of accumulated amortization of \$1.5 and \$0, respectively	66.3	59.8
Total assets	\$ 741.1	\$659.0
Liabilities and shareholders' equity		
Current liabilities:		
Notes payable to banks	\$ —	\$ 18.2
Accounts payable and accrued expenses	132.9	130.6
Current portion of long-term debt	2.8	—
Income taxes payable	6.4	5.7
Total current liabilities	142.1	154.5
Long-term debt	221.6	288.0
Retirement benefits	66.3	61.9
Other noncurrent liabilities	20.4	17.7
Deferred income taxes	14.1	5.9
Deferred credit vessel leases	8.5	11.5
Minority interest	4.9	5.3
Total liabilities	477.9	544.8
Commitments and contingencies		
Convertible Preferred Shares	—	46.0
Shareholders' equity:		
Preferred shares, \$0.01 par value, 50,000,000 shares authorized in 1997, none issued or outstanding; no shares authorized in 1996	—	—
Ordinary shares \$0.01 par value; 200,000,000 ordinary shares authorized in 1997 and 166,666,667 Class A ordinary shares and 33,333,333 Class B ordinary shares authorized in 1996; 47,600,600 ordinary shares issued and outstanding in 1997 and 35,862,600 Class A ordinary shares issued and outstanding in 1996	0.5	0.4
Paid-in capital	243.7	68.5
Retained earnings (deficit)	20.6	(0.7)
Cumulative translation adjustment	(1.6)	—
Total shareholders' equity	263.2	68.2
Total liabilities and shareholders' equity	\$741.1	\$659.0

See accompanying notes

CONSOLIDATED STATEMENTS OF OPERATIONS

(U.S. Dollars in millions, except per share data)	Year Ended December 26, 1997	Period From August 29, 1996 through December 27, 1996	Fifty-one Week Period Ended December 20, 1996	Year Ended December 29, 1995
	(Successor)	(Successor)	(Predecessor)	(Predecessor)
Net sales	\$ 1,208.4	\$ 21.7	\$1,167.5	\$1,068.4
Cost of products sold	1,069.8	20.7	1,065.8	1,000.0
Gross profit	138.6	1.0	101.7	68.4
Selling, general and administrative expenses	42.3	1.0	51.8	53.7
Amortization of goodwill	1.5	—	4.2	8.0
Acquisition related expenses	—	—	3.2	—
Special charge to goodwill	—	—	138.7	44.9
Operating income (loss)	94.8	—	(96.2)	(38.2)
Interest expense	33.4	0.7	36.1	36.4
Interest income	3.5	—	2.0	2.2
Other income, net	3.0	—	—	2.3
Income (loss) before provision for income taxes and extraordinary item	67.9	(0.7)	(130.3)	(70.1)
Provision for income taxes	13.7	—	2.6	2.2
Income (loss) before extraordinary item	54.2	(0.7)	(132.9)	(72.3)
Extraordinary loss on early extinguishment of debt	10.4	—	—	—
Net income (loss)	43.8	(0.7)	\$ (132.9)	\$ (72.3)
Redemption premium, dividends and accretion on Convertible Preferred Shares	(22.5)	—		
Net income (loss) applicable to ordinary shareholders	\$ 21.3	\$ (0.7)		
Basic and diluted per share income (loss) applicable to ordinary shareholders:				
Before extraordinary item	\$ 0.84	\$ (0.02)		
Extraordinary loss	\$ (0.28)	\$ —		
Net income (loss)	\$ 0.56	\$ (0.02)		
Weighted average number of ordinary shares outstanding	37,765,188	35,862,600		

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

(U.S. Dollars in millions)	Year Ended December 26, 1997	Period From August 29, 1996 through December 27, 1996	Fifty-one Week Period Ended December 20, 1996	Year Ended December 29, 1995
	(Successor)	(Successor)	(Predecessor)	(Predecessor)
Operating activities:				
Net income (loss)	\$ 43.8	\$ (0.7)	\$(132.9)	\$(72.3)
Adjustments to reconcile net income (loss) to cash provided (used) by operating activities:				
Special charge to goodwill	—	—	138.7	44.9
Goodwill amortization	1.5	—	4.2	8.0
Provision for investments in and advances to unconsolidated companies	—	—	2.5	6.9
Depreciation and amortization other than goodwill	19.1	0.3	17.0	17.0
Deferred income taxes	—	—	(0.6)	0.4
Deferred credit vessel leases	(3.0)	0.1	(6.6)	(6.4)
Equity in earnings of unconsolidated companies, net of dividends	(4.7)	—	(3.3)	(1.7)
Extraordinary loss on early extinguishment of debt	10.4	—	—	—
(Gain) loss on disposal of fixed assets	1.1	—	(0.1)	0.1
Changes in operating assets and liabilities:				
Receivables	8.1	(6.6)	6.5	(23.6)
Inventories	(4.1)	0.7	(4.8)	(18.3)
Accounts payable and accrued expenses	4.7	5.4	6.3	3.7
Prepaid expenses and other current assets	0.2	(0.6)	2.4	(1.4)
Other noncurrent assets and liabilities	5.8	(0.2)	5.6	6.0
Net cash provided (used) by operating activities	82.9	(1.6)	34.9	(36.7)
Investing activities:				
Capital expenditures	(23.2)	(0.2)	(9.6)	(10.8)
Proceeds on sale of assets	1.9	0.1	0.5	1.2
Purchase of FDMP N.V. and GRC, including acquisition costs, less cash acquired of \$14.9	—	(54.0)	—	—
Purchase of Horn-Linie minority interest, less cash acquired of \$4.7	(10.0)	—	(3.0)	—
Net advances to unconsolidated companies and investments	0.9	(0.1)	0.6	0.4
Other investing activities, net	(1.1)	—	(3.9)	0.9
Net cash used in investing activities	(31.5)	(54.2)	(15.4)	(8.3)
Financing activities:				
Proceeds from issuance of ordinary shares	175.3	68.9	5.0	30.0
Proceeds from long-term debt	31.4	—	—	—
Payments on long-term debt	(117.6)	—	—	(0.4)
Proceeds from short-term borrowings	—	27.7	39.6	64.6
Payments on short-term borrowings	(18.2)	(15.0)	(62.7)	(62.9)
Redemption of Convertible Preferred Shares	(68.5)	—	—	—
Other, net	(1.3)	—	(4.8)	(2.8)
Net cash provided (used) by financing activities	1.1	81.6	(22.9)	28.5
Effect of exchange rate changes on cash and cash equivalents	1.1	—	2.1	2.5
Cash and cash equivalents:				
Net change	53.6	25.8	(1.3)	(14.0)
Beginning balance	25.8	—	12.7	26.7
Ending balance	\$ 79.4	\$ 25.8	\$ 11.4	\$ 12.7
Supplemental schedule of non-cash investing and financing activities:				
Issuance of 55,000 Convertible Preferred Shares in connection with the acquisition of FDMP N.V. and GRC	\$ —	\$ 46.0	\$ —	\$ —

See accompanying notes

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(U.S. Dollars in millions)	Capital Stock	Paid-in Capital	Accumulated Deficit	Cumulative Translation Adjustment	Receivable From Stock Issuance	Treasury Stock	Total Shareholders' Equity
Predecessor:							
Balance at January 1, 1995	\$38.0	\$372.0	\$(153.4)	\$ —	\$ —	\$ —	\$ 256.6
Net loss	—	—	(72.3)	—	—	—	(72.3)
Cumulative translation adjustment	—	—	—	(0.4)	—	—	(0.4)
Pension liability adjustment	—	—	(2.4)	—	—	—	(2.4)
Issuance of capital stock	4.4	25.6	—	—	—	—	30.0
Balance at December 29, 1995	42.4	397.6	(228.1)	(0.4)	—	—	211.5
Net loss	—	—	(132.9)	—	—	—	(132.9)
Cumulative translation adjustment	—	—	—	0.7	—	—	0.7
Pension liability adjustment	—	—	2.6	—	—	—	2.6
Issuance of capital stock	50.0	—	—	—	(45.0)	—	5.0
Treasury stock acquired	—	—	—	—	—	(4.6)	(4.6)
Balance at December 20, 1996	\$92.4	\$397.6	\$(358.4)	\$ 0.3	\$(45.0)	\$(4.6)	\$ 82.3

	Ordinary Shares	Paid-in Capital	Retained Earnings (Deficit)	Cumulative Translation Adjustment	Total Shareholders' Equity
Successor:					
Initial capitalization	\$0.4	\$ 68.5	\$ —	\$ —	\$ 68.9
Net loss for the period from August 29, 1996 through December 27, 1996	—	—	(0.7)	—	(0.7)
Balance at December 27, 1996	0.4	68.5	(0.7)	—	68.2
Issuance of 11,738,000 ordinary shares, net of offering expenses of \$1.7	0.1	175.2	—	—	175.3
Net income	—	—	43.8	—	43.8
Cumulative translation adjustment	—	—	—	(1.6)	(1.6)
Redemption premium, dividends and accretion on Convertible Preferred Shares	—	—	(22.5)	—	(22.5)
Balance at December 26, 1997	\$0.5	\$243.7	\$ 20.6	\$(1.6)	\$263.2

See accompanying notes

1. General

Fresh Del Monte Produce Inc. (the Company, formerly Freshglo Limited) and its wholly owned subsidiary, FDM Holdings Limited (FDM Holdings), were organized for the purpose of acquiring beneficial ownership and control of all of the outstanding common stock of Fresh Del Monte Produce N.V. (FDMP N.V. or Predecessor) and Global Reefer Carriers, Ltd. (GRC) pursuant to a Share Purchase Agreement dated as of December 19, 1996, among Grupo Agrícola Empresarial Mexicano, S.A. de C.V. (GEAM), Fresh Del Monte Produce Inc. and FDM Holdings (Share Purchase Agreement). On December 20, 1996, the Company directly and through its wholly-owned subsidiary, FDM Holdings, acquired ownership and control of all of the outstanding shares of FDMP N.V. and GRC pursuant to the Share Purchase Agreement (the Acquisition). The results of operations of FDMP N.V. and GRC for the seven-day period ended December 27, 1996 have been included in the accompanying consolidated financial statements for the period from August 29, 1996 through December 27, 1996. The Company had no operations prior to December 21, 1996. The Company is 63% owned by FG Holdings Limited, which is incorporated in the Cayman Islands. IAT Group, Inc. (IAT), together with an affiliated company, owns 100% of FG Holdings Limited.

The Company was incorporated under the laws of the Cayman Islands on August 29, 1996 and was initially capitalized by the sale of 65,000 Class A ordinary shares (35,797,600 shares adjusted for share dividend) for \$68.9 million. On May 16, 1997, Freshglo Limited changed its name to Fresh Del Monte Produce Inc.

The total equity purchase consideration in the Acquisition consisted of approximately \$61.7 million in cash, the issuance by the Company of 55,000 Series 1 Convertible Preferred Shares, each with a par value of \$.01 and an initial liquidation preference of \$1,000 per share (the Convertible Preferred Shares), with an aggregate fair value of \$46.0 million, to GEAM, which was the seller of the shares of FDMP N.V. and GRC, and \$7.2 million of costs incurred. As part of the Acquisition, the Convertible Preferred Shares were assigned a fair value of \$46.0 million, based on information provided by a major investment bank. In addition, at the time of the Acquisition, FDMP N.V. and GRC had liabilities totaling approximately \$544.0 million. Of the total Acquisition cost of \$114.9 million, \$80.6 million was allocated to FDMP N.V. and the remainder was allocated to GRC.

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

estimates. During 1997, the Company finalized the appraisals and estimates, resulting in an increase in other non-current liabilities of \$2.0 million and a corresponding increase in the excess of the purchase price over the fair value of net assets acquired. The purchase transaction was “pushed-down” to FDMP N.V. and GRC. The excess of the purchase price over the fair value of net assets acquired of \$61.8 million was classified as goodwill and is being amortized over 40 years.

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

	Total
Net working capital, including cash of \$14.9	\$ 105.0
Property, plant and equipment	258.5
Investments in unconsolidated companies	59.9
Other assets	22.0
Long-term debt	(288.0)
Other noncurrent liabilities	(86.9)
Deferred credit vessel leases	(11.5)
Deferred income taxes	(5.9)
Excess of purchase price over the fair value of net assets acquired	61.8
	\$ 114.9

FDMP N.V. and its subsidiaries are engaged primarily in the production, transportation and marketing of fresh produce on a worldwide basis. FDMP N.V. and its subsidiaries source their products (bananas, pineapples, melons and other fresh produce) principally from eight locations—Costa Rica, Guatemala, the Philippines, Ecuador, the United States, Mexico, Colombia and Cameroon—and distribute their products in North America, Europe, the Pacific Rim and the Middle East. Products are sourced from Company-owned farms and through supply contracts with independent growers and joint venture arrangements.

GRC and its subsidiaries are primarily engaged in the maritime transportation on refrigerated vessels of fresh fruit and other produce, principally for FDMP N.V. At the date of the Acquisition and through December 23, 1997, GRC, through a German subsidiary, had a 51% interest in Offene Handelsgesellschaft in Firma Horn-Linie, Hamburg (Horn-Linie), a partnership organized under the laws of Germany engaged in shipping activities. On December 23, 1997, the Company acquired the remaining 49% minority interest in Horn-Linie (see Note 3). GRC also has a non-controlling 80% limited partnership interest in Internationale Fruchtimport Gesellschaft Weichert & Co. (Interfrucht), a limited partnership organized under the laws of Germany engaged in the distribution of fresh fruit and other produce, principally for FDMP N.V., in Germany and other Northern European countries.

The following unaudited pro forma data presents a summary of 1996 consolidated results of operations of the Company, FDMP N.V. and GRC as if the Acquisition had occurred on December 30, 1995 (U.S. Dollars in millions, except share data):

Net sales	\$	1,203.3
Net loss	\$	(132.7)
Loss per ordinary share	\$	(3.70)
Number of ordinary shares used in computation		35,862,600

The unaudited pro forma results have been prepared for comparative purposes only and include certain adjustments, such as the elimination of sales and cost of products sold between FDMP N.V. and GRC, additional depreciation expense due to the revaluation of assets acquired, the reduction in amortization due to the revaluation of the deferred credit vessel leases at the Acquisition date, the reduction of amortization of goodwill to reflect the reduced amount of goodwill following the Acquisition, and the principal accretion to amortize the difference between the book value of the FDMP N.V. \$300 million 10% Series A and B Notes and their fair value. The unaudited pro forma results do not purport to be indicative of the results of operations which actually would have resulted had the Acquisition occurred on December 30, 1995, or of future results of operations of the consolidated entities.

Results for the fifty-one week period ended December 20, 1996 and the year ended December 29, 1995 are for FDMP N.V. The operations of FDMP N.V. represent substantially all of the combined operations of the Company's predecessors, FDMP N.V. and GRC.

The following information presents a summary of GRC's consolidated results of operations for the period from January 1, 1996 through December 20, 1996 and for the year ended December 31, 1995 (U.S. Dollars in millions):

	Period from January 1, 1996 through December 20, 1996	Year ended December 31, 1995
Net sales	\$62.8	\$111.8
Net income	\$ 4.2	\$ 7.3
Sales to FDMP N.V., included in net sales	\$48.7	\$ 76.6

On October 29, 1997, the Company sold, in an initial public offering, 11,738,000 ordinary shares, at a public offering price of \$16.00 per share (the Offering), resulting in net proceeds to the Company of \$175.3 million. Of the net proceeds, approximately \$106.5 million was used to purchase and retire \$100.0

million in aggregate principal amount of the outstanding 10% Series A and B Notes due 2003 (the N.V. Notes) issued by FDMP N.V., which resulted in an extraordinary loss of \$10.4 million, representing the difference between the purchase price of the N.V. Notes plus approximately \$0.4 million of expenses associated with the tender offer for the N.V. Notes and the book value of the N.V. Notes. Of the net proceeds, approximately \$68.5 million was used to redeem all of the Company's issued and outstanding Convertible Preferred Shares, which included a redemption premium of approximately \$19.6 million representing the difference between the redemption price and the book value of the Convertible Preferred Shares. The Company recorded the redemption premium as a reduction of net income for purposes of computing net income applicable to ordinary shareholders.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its majority owned subsidiaries over which the Company has control. All significant intercompany accounts and transactions have been eliminated in consolidation.

Share Dividend

On September 30, 1997, the Company's Board of Directors approved a share dividend of 550.7323 Class A ordinary shares payable per Class A ordinary share, subject to consummation of the Company's proposed initial public offering. The Company consummated the initial public offering on October 29, 1997. As a result, all references in the financial statements to number of shares and per share amounts have been restated to give retroactive recognition to such share dividend. Also, on September 30, 1997, the Company's Board of Directors approved an increase in the authorized Class A ordinary shares from 44,828,250 to 200,000,000. In 1997, the Class B ordinary shares were retired and the Class A ordinary shares were converted to ordinary shares.

Use of Estimates

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

Cash and Cash Equivalents

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

Inventories

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

Growing Crops

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is recorded following the straight-line method over the estimated useful lives of the assets, which ranges from 10 to 30 years for buildings, 3 to 5 years for machinery and equipment, 5 years for automotive equipment and 10 to 20 years for ships. Leasehold improvements are amortized over the life of the lease or the related asset, whichever is shorter. When assets are retired or disposed of, the costs and accumulated depreciation or amortization are removed from the respective accounts and any related gain or loss is recognized. Maintenance and repairs are charged to expense when incurred. Significant expenditures, which extend useful lives of assets, are capitalized. Costs related to land improvements for major pineapple and banana agricultural projects are deferred during the formative stage and are amortized over the estimated life of the project.

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 the Company does not have control.

Goodwill

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

In 1995, based on the results of both historical and forecasted operations, FDMP N.V. determined that goodwill had been impaired. In connection with a proposed restructuring of FDMP N.V. by GEAM, its parent

company at the time, a financial advisor was engaged to review various alternatives, including the solicitation of bids for the sale of FDMP N.V. In 1995, GEAM received several bids for the purchase of FDMP N.V. from prospective buyers. The bids were preliminary and subject to further due diligence procedures. Based on those bids, together with an evaluation from FDMP N.V.'s financial advisor, FDMP N.V. determined the amount of the goodwill impairment. Accordingly a special charge to the carrying value of goodwill in the amount of \$44.9 million was recorded in 1995.

Also during 1995, FDMP N.V. reversed \$25.5 million against goodwill for certain liabilities and reserves established during the 1992 acquisition of FDMP N.V. by GEAM (the 1992 Acquisition) that were no longer deemed necessary. The reserves were established for a number of planned changes to the operations of FDMP N.V. which were not carried out or which cost less to carry out than originally estimated. The reversal of the reserves was taken to goodwill, since the establishment of the unused reserves as part of the application of purchase accounting for the 1992 Acquisition increased the amount recorded for goodwill.

FDMP N.V. was not successfully sold based on the bids received in 1995. In June 1996, GEAM signed a letter of intent for the sale of FDMP N.V. which led to the Acquisition. Based on the offer price in the letter of intent, FDMP N.V. determined that goodwill had been impaired by an additional \$138.7 million. Accordingly, a special charge to the carrying value of goodwill in the amount of \$138.7 million was recorded in 1996. FDMP N.V. did not write off the entire carrying value of goodwill because the fair value of FDMP N.V., based on the purchase price for FDMP N.V. agreed to in the letter of intent, supported the continuing carrying value of goodwill.

Impairment of Long-Lived Assets

The Company accounts for the impairment of long-lived assets under Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS No. 121). SFAS No. 121 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Based on current circumstances, the Company does not believe that any impairment indicators are present.

Cost of Products Sold

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

Research and Development

Research and development expenses are included in selling, general and administrative expenses and amounted to \$1.4 million, \$1.7 million and \$1.6 million for the year ended December 26, 1997, the fifty-one week period ended December 20, 1996 and the year ended December 29, 1995, respectively.

Income Taxes

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

Deferred Credit Vessel Leases

Deferred credit vessel leases represents the excess of amounts due under long-term operating leases of six vessels over the estimated fair value of such leases. At the time of the Acquisition on December 20, 1996, the Company revalued the liability for deferred credit vessel leases to its fair value of \$14.5 million. On December 26, 1997 and December 27, 1996, \$8.5 million and \$11.5 million, respectively, were classified as deferred credit vessel leases and \$3.0 million was included in accrued expenses as of December 26, 1997 and December 27, 1996. These amounts are amortized over the remaining life of the leases, which expire during the year 2000.

Foreign Currency Translation

For the Company's operations in countries where the functional currency is other than the U.S. Dollar, balance sheet amounts are translated using the exchange rate in effect at the balance sheet date. Income statement amounts are translated at the average exchange rate for the year. The gains and losses resulting from the changes in exchange rates from year to year are recorded as a separate component of shareholders' equity.

For the Company's other operations where the functional currency is the U.S. Dollar or where the operations are located in highly inflationary countries, non-monetary assets are translated at historical exchange rates. Other balance sheet amounts are translated at the exchange rates in effect at the balance sheet date. Income statement accounts, excluding depreciation, are translated at the average rate for the

year. These translation adjustments are included in the determination of net income.

Other income, net in the accompanying consolidated statements of operations includes approximately \$(3.8) million, \$0.1 million and \$4.0 million in net gains/(losses) on foreign exchange for the year ended December 26, 1997, the fifty-one week period ended December 20, 1996 and the year ended December 29, 1995, respectively.

Net Income (Loss) Per Ordinary Share

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

Net income (loss) per ordinary share represents the net income applicable to ordinary shareholders after deducting the redemption premium, dividends and accretion on the Convertible Preferred Shares. Net income (loss) per ordinary share is computed by dividing the net income (loss) applicable to ordinary shareholders by the weighted average number of ordinary shares outstanding for the seven days ended December 27, 1996 and the year ended December 26, 1997.

Stock Based Compensation

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

Off Balance Sheet Risk

The Company enters into foreign currency forward contracts as a hedge against foreign currency exposures, principally relating to sales made in Europe and

the Pacific Rim. Gains and losses on these contracts are included in income when the contracts are closed and are included in other income in the accompanying consolidated financial statements.

Reclassifications

Certain amounts from 1996 and 1995 have been reclassified to conform to the 1997 presentation.

New Accounting Pronouncements

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS No. 130) which establishes standards for reporting and displaying comprehensive income. SFAS No. 130 is effective beginning in the first quarter of 1998 and is not expected to have a significant impact on the Company's operating results.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS No. 131), which is effective for years beginning after December 15, 1997. SFAS No. 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. SFAS No. 131 is effective for financial statements for fiscal years beginning after December 15, 1997, and therefore the Company will adopt the new requirements retroactively in 1998. Management has not completed its review of SFAS No. 131, however, management anticipates the adoption of SFAS No. 131 may require changes to the Company's segment disclosures.

3. Horn-Linie Acquisition

On December 23, 1997, the Company acquired the remaining 49% minority interest in Horn-Linie. The total consideration paid in connection with the acquisition was \$14.7 million and the assumption of approximately \$22.3 million in liabilities (including \$10.8 million in long-term debt). The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on appraisals and other estimates of their underlying fair values and are included in the Company's accompanying consolidated balance sheet as of December 26, 1997. The excess purchase price over the fair value of the net assets acquired of \$6.0 million has been classified as goodwill and is being amortized over 40 years.

The acquisition was financed through a loan secured by a mortgage on two of Horn-Linie's multi-purpose refrigerated vessels (see Note 10). The loan amount of \$26.0 million includes the consideration paid in connection with the acquisition as well as approximately \$10.8 million in existing debt that was refinanced. Horn-Linie provides the Company with eastbound transportation services for fresh fruit from Latin America to Northern Europe and also provides third-party westbound contract charter for automobiles and container freight to various destinations in the Caribbean. For the year ended December 26, 1997, the Company accounted for the earnings from its investment in Horn-Linie using the equity method of accounting (see Note 5).

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

	1997
Net sales	\$ 1,217.4
Income before extraordinary item	\$ 55.2
Net income	\$ 44.8
Net income applicable to ordinary shareholders	\$ 22.3
Net income per ordinary share	\$ 0.59
Number of ordinary shares used in computation	37,765,188

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

4. Inventories

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

	December 26, 1997	December 27, 1996
Bananas, pineapples, melons and other fresh produce, principally in-transit	\$ 27.7	\$ 21.0
Raw materials and packaging supplies	48.2	53.0
Pineapple and melon growing crops	41.5	41.8
	<u>\$117.4</u>	<u>\$115.8</u>

5. Investments in and Advances to Unconsolidated Companies

The Company accounts for investments in 20% to 50% owned companies and for investments in over 50% owned companies over which the Company does not have control under the equity method of accounting. Investments in unconsolidated companies accounted for under the equity method amounted to \$39.9 million and \$56.5 million at December 26, 1997 and December 27, 1996, respectively, and advances to unconsolidated companies amounted to \$3.4 million at December 27, 1996. There were no advances to unconsolidated companies at December 26, 1997.

These unconsolidated companies are engaged in the manufacturing of corrugated boxes (Compañia Industrial Corrugadora Guatemala, S.A. – 50% owned); maritime transportation (Horn-Linie – 51% owned through December 23, 1997 (see Note 3)); and the production and distribution of fresh fruit and other produce (Comval Tropical Fruit, Inc. – 40% owned; Davao Agricultural Ventures Corporation – 40% owned; various melon farms – 50% owned; Interfrucht – 80% owned). The Company accounts for its investments in Horn-Linie (through December 23, 1997) and Interfrucht under the equity method of accounting since the minority partners in these partnerships must approve all significant operating and administrative decisions. Consequently, the Company did not have control of Horn-Linie until December 23, 1997 and does not have control of Interfrucht.

Purchases from these companies were \$46.2 million, \$43.0 million and \$33.5 million for 1997, 1996 and 1995, respectively.

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

	December 26, 1997	December 27, 1996
Current assets	\$ 43.7	\$ 65.5
Noncurrent assets	54.3	99.2
Current liabilities	(18.5)	(41.7)
Noncurrent liabilities	(18.0)	(30.5)
Net worth	\$ 61.5	\$ 92.5

	Year Ended December 26, 1997	Fifty-one Week Period Ended December 20, 1996	Year Ended December 29, 1995
Net sales	\$272.9	\$61.5	\$61.7
Gross profit	\$ 21.9	\$ 9.1	\$11.4
Net income	\$ 16.5	\$ 7.8	\$ 7.5

The December 26, 1997 balance sheet amounts above exclude Horn-Linie. Net sales, gross profit and net income for the unconsolidated companies were not material for the seven-day period ended December 27, 1996.

The Company's portion of earnings in unconsolidated companies amounted to \$9.3 million in 1997, \$4.6 million in 1996 and \$2.7 million in 1995 and is included in "Other income (loss), net" in the accompanying consolidated financial statements.

On May 16, 1996, FDMP N.V. finalized the sale of its ownership interest in a joint venture banana plantation in Indonesia. The sale of this investment released FDMP N.V. from a loan guarantee to the joint venture. Future production from this plantation will, however, continue to provide a source of fruit for FDMP N.V. This investment of \$4.6 million was expensed during 1995 due to a banana disease affecting the plantation. In addition, a provision of \$2.3 million was established in 1995 to cover losses on advances for FDMP N.V.'s banana joint venture in the Philippines.

6. Property, Plant and Equipment

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

	December 26, 1997	December 27, 1996
Land and land improvements	\$144.4	\$139.5
Buildings and leasehold improvements	76.5	75.0
Ships and containers	55.0	—
Machinery and equipment	39.9	37.0
Automotive	5.1	4.8
Construction-in-progress	6.8	2.5
	327.7	258.8
Less accumulated depreciation	(14.6)	(0.3)
	\$313.1	\$258.5

Depreciation expense and amortization of leasehold improvements amounted to \$15.6 million, \$0.3 million, \$15.7 million and \$15.7 million for the year ended December 26, 1997, the seven-day period ended December 27, 1996, the fifty-one week period ended December 20, 1996 and the year ended December 29, 1995, respectively.

7. Accounts Payable and Accrued Expenses

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

	December 26, 1997	December 27, 1996
Trade payables	\$ 70.2	\$ 64.2
Payroll and employee benefits	9.4	10.5
Vessel and port operating expenses	8.7	8.4
Accrued interest payable	3.6	5.2
Current portion of deferred credit vessel leases	3.0	3.0
Other payables and accrued expenses	38.0	39.3
	\$132.9	\$130.6

8. Provision for Income Taxes

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

	Year Ended December 26, 1997	Fifty-one Week Period Ended December 20, 1996	Year Ended December 29, 1995
Current:			
U.S. federal income tax	\$ 4.6	\$ 0.1	\$0.2
State	0.4	0.1	0.2
Non-U.S.	8.7	2.7	1.4
	13.7	2.9	1.8
Deferred:			
Non-U.S.	—	(0.3)	0.4
Provision for income taxes	\$13.7	\$ 2.6	\$2.2

At December 27, 1996, the U.S. consolidated group had approximately \$2.2 million of tax operating losses to be carried forward to offset future taxable income until the year 2010. The U.S. consolidated group used all of its tax operating losses in 1997.

Total income tax payments during 1997, 1996 and 1995 were \$6.7 million, \$2.6 million and \$1.2 million.

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

	Year Ended December 26, 1997	Period from August 29, 1996 through December 27, 1996	Fifty-one Week Period Ended December 20, 1996	Year Ended December 29, 1995
United States	\$ 9.0	\$ —	\$ (0.6)	\$ 7.0
Non-U.S.	58.9	(0.7)	(129.7)	(77.1)
	\$67.9	\$(0.7)	\$(130.3)	\$(70.1)

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, 1997	Period from August 29, 1996 through December 27, 1996	Fifty-one Week Period Ended December 20, 1996	Year Ended December 29, 1995
Income tax provision (benefit) computed at the U.S. statutory federal income tax rate of 34%	\$23.1	\$(0.2)	\$(44.3)	\$(23.8)
Effect of non-U.S. operations and tax rates	(8.5)	0.2	46.9	28.2
Utilization of U.S. net operating loss carry forward	(0.7)	—	—	(3.2)
Other	(0.2)	—	—	1.0
	\$13.7	\$ —	\$ 2.6	\$ 2.2

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

	December 26, 1997	December 27, 1996
Deferred tax liabilities:		
Inventories	\$ (0.5)	\$ (0.1)
Investments	(1.8)	(1.8)
Depreciation	(14.1)	—
Equity in earnings of unconsolidated companies	(3.5)	(8.4)
Total deferred tax liabilities	(19.9)	(10.3)
Deferred tax assets:		
Accounts receivable	0.8	1.2
Accounts payable and accrued expenses	0.5	0.5
Property, plant and equipment	1.5	1.7
Other long-term liabilities	1.4	1.4
Pension liability	4.0	2.9
Post-retirement benefits other than pension	6.9	8.2
Worker's compensation and other claims	1.4	1.3
Net operating loss carry forwards	25.2	29.1
Credits and charitable contributions carry forwards	0.6	0.8
Total deferred tax assets	42.3	47.1
Valuation allowance	(36.5)	(42.7)
Net deferred tax liabilities	\$(14.1)	\$ (5.9)

The valuation allowance established with respect to the deferred tax assets relates primarily to net operating losses and employee benefit accruals in taxing jurisdictions where, due to the Company'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 1997, the valuation allowance decreased by \$6.2 million.

9. Notes Payable to Banks

In connection with the Acquisition, FDMP N.V. entered into a revolving collateralized credit facility with two major financial institutions. Under this facility, FDMP N.V., through specified subsidiaries, may borrow up to \$100.0 million.

The facility includes a swing line facility, a letter of credit facility and a foreign exchange contract facility. The amount that may be borrowed under the credit facility is based on percentages of FDMP N.V.'s level of receivables, inventory and the appraised value of FDMP N.V.'s trademark licenses. The credit facility is collateralized directly or indirectly by substantially all of FDMP N.V.'s assets. The facility expires on December 20, 1998, and permits borrowings with an interest rate based on a spread over the prime rate or the London Interbank offered rate (LIBOR). There were no outstanding borrowings under this facility on December 26, 1997. Outstanding borrowings under this facility on December 27, 1996 were \$18.2 million at an interest rate of 10%. This facility contains covenants requiring FDMP N.V. to maintain certain minimum financial ratios, limits capital expenditures, limits payment of future dividends and contains an annual "clean-up" requirement to bring outstanding borrowings (other than letter of credit or foreign exchange contract exposures) below \$10.0 million for a specified period. At December 26, 1997, FDMP N.V. applied \$14.5 million of available credit under this facility towards the issuance of letters of credit, of which \$11.5 million was required pursuant to agreements with the owners of certain vessels on long-term charter. This facility replaced \$66.5 million of credit facilities and letters of credit from Banco Union S.A., a Mexican bank, as well as a \$25.0 million credit facility with a U.S. financial institution. The interest rate on the

credit facilities with Banco Union S.A. was 22% in both 1996 and 1995.

In addition to the above mentioned credit facilities, the Company has \$11.0 million of working capital revolving credit facilities with various other banks in Europe and Latin America. These facilities expire between July 1998 and February 1999 and bear interest rates ranging from LIBOR plus 1.25% to prime plus 1.5%. At December 26, 1997 and December 27, 1996, there were no borrowings outstanding under these credit facilities.

The weighted average interest rate on borrowings under the credit facilities for 1997, 1996 and 1995 was 11.0%, 20.7% and 18.7%, respectively. The cash payments for interest on notes payable to banks and other financial institutions were \$0.6 million, \$5.7 million and \$4.3 million for 1997, 1996 and 1995, respectively.

10. Long-Term Debt

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

	December 26, 1997	December 27, 1996
N.V. Notes bearing interest at 10%, interest only payable semi-annually, principal due in 2003 (see below).	\$193.3	\$288.0
GRC Term Note bearing interest at 7.14%, payable in quarterly installments of principal and interest with a balloon payment of \$6.9 million due in January 2005 secured by a mortgage on two of the Company's multi-purpose refrigerated vessels.	26.0	—
Term Note bearing interest at LIBOR plus 1.25% (7.22% at December 26, 1997), payable in quarterly installments of principal and interest of \$0.3 million through 2002, secured by a mortgage on one of the Company's multi-purpose refrigerated vessels.	5.1	—
Total	224.4	288.0
Less current portion	(2.8)	—
	<u>\$221.6</u>	<u>\$288.0</u>

On April 27, 1993, FDMP N.V. issued \$300 million in 10% Series A Notes due 2003 (the Series A Notes). During 1993, FDMP N.V. filed a registration statement with the Securities and Exchange Commission (the

Commission) covering FDMP N.V.'s offer (the Exchange Offer) to exchange all of its outstanding Series A Notes for substantially identical 10% Series B Notes due 2003 (together with the Series A Notes, the N.V. Notes). Such registration statement was declared effective by the Commission on October 28, 1993, and the Exchange Offer was completed on June 15, 1994.

At the Acquisition date, the N.V. Notes were recorded at their fair market value of \$288.0 million. The difference between the face value of the N.V. Notes and their fair value is being accreted by periodic charges to interest expense over the remaining life of the debt. The Company used approximately \$106.5 million of the net proceeds from the Offering (see Note 1) to purchase and retire \$100.0 million in aggregate principal amount of the outstanding N.V. Notes, which resulted in an extraordinary loss of \$10.4 million, representing the difference between the purchase price of the N.V. Notes plus approximately \$0.4 million of expenses associated with the tender offer for the N.V. Notes and the book value of the N.V. Notes.

The N.V. Notes are not collateralized and include certain covenants which limit, among other things, the amount of indebtedness that may be incurred by FDMP N.V., payment of future dividends, transactions with shareholders and affiliates and changes in the nature of the business. The N.V. Notes restrict the payment of dividends by FDMP N.V. to 50% of net income plus capital contributions received by FDMP N.V., as defined in the indenture governing the N.V. Notes. Due to FDMP N.V.'s cumulative net losses, as defined, since January 2, 1993, FDMP N.V. is not currently permitted to pay dividends. The net assets of FDMP N.V. at December 26, 1997 totaled \$227.5 million. Upon the occurrence of both a Change of Control and a Rating Decline within a specified period (each as defined in the indenture governing the N.V. Notes), each holder of the N.V. Notes has the right to require FDMP N.V. to repurchase such N.V. Notes at a premium of 101%. At the option of FDMP N.V., the N.V. Notes may be redeemed commencing in May 1998 at a premium of 105%, which declines to 102.5% in May 1999.

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

Cash payments of interest on long-term debt were \$29.9 million, \$30.0 million and \$30.0 million for the year ended December 26, 1997, the fifty-one week period ended December 20, 1996 and the year ended December 29, 1995.

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

1998	\$ 2.8
1999	3.5
2000	3.6
2001	3.9
2002	3.8
Thereafter	206.8
	<u>\$224.4</u>

11. Convertible Preferred Stock

In connection with the Acquisition, the Company issued 55,000 Series 1 Convertible Preferred Shares with a face amount of \$55.0 million (see Note 1). Cumulative dividends were payable in kind at a fixed annual rate of 6% beginning June 30, 1997, and commencing in January 2002, dividends were payable in cash at a rate of 8% per year. Each Convertible Preferred Share had an initial liquidation preference of \$1,000 and was convertible into shares of the Company's Class B ordinary shares initially representing 20% of the Company's ordinary shares.

In connection with the acquisition, the Convertible Preferred Shares were recorded at fair value at the date of issuance less issue costs, based on information provided by a major investment bank. The excess of the preference over the fair value was being accreted by periodic charges to retained earnings over the original life of the issue resulting in an effective interest rate of 9%.

The Convertible Preferred Shares were redeemable in six equal semi-annual payments of the face amount beginning July 1, 2004. All outstanding Convertible Preferred Shares were required to be redeemed by January 1, 2007. The Convertible Preferred Shares were redeemable, at the option of the Company, at any time after the earlier of an initial public offering of the Company's Class A ordinary shares or December 31, 2001. In the event of liquidation of the Company, the holders of the Convertible Preferred Shares were entitled to receive an amount equal to the face value of the Convertible Preferred Shares plus all cumulative accrued and unpaid dividends less certain offsets. The terms of the Convertible Preferred Shares restricted, among other things, the sale of the Company and certain other significant transactions by the Company.

On October 29, 1997, the Company completed its initial public offering (see Note 1). The Company used \$68.5 million of the net proceeds from the Offering to redeem all of its issued and outstanding Convertible Preferred Shares with a book value of \$48.9 million. The Company recorded a \$19.6 million charge to retained earnings, representing the difference between the redemption price and the book value of the Convertible Preferred Shares, in connection with the redemption of the outstanding Convertible Preferred Shares.

12. Rights Offering

On July 3, 1996, FDMP N.V. approved the sale of up to 54,455,446 ordinary shares, par value \$1.00 per share, at a price of \$1.00 per share (the Rights Offering). FDMP N.V.'s principal shareholder at the time, GEAM, subscribed for 49,962,872 ordinary shares in the Rights Offering (its proportional share of the total number of ordinary shares offered). All of the 49,962,872 ordinary shares were issued to GEAM in consideration of a cash payment of \$4,996,287 (representing 10% of the par value) and a receivable in the amount of \$44,966,585 which was subject to call by the Board of Directors. This receivable due from the holder of the shares was non-interest bearing. On December 20, 1996, these shares were subsequently sold by GEAM to FDM Holdings. In connection with the Acquisition, FDM Holdings became liable for the unpaid amount of the partly-paid shares of FDMP N.V., and the Board of Directors and shareholders of FDMP N.V. released GEAM from any obligation to fully pay up those shares. During the fourth quarter of 1997, FDMP N.V. received payment for this receivable as part of the Company's initial public offering.

13. Retirement and Other Employee Benefits

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

The Company's funding policy is to contribute amounts sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended, or such additional amounts as determined appropriate to assure that assets of the plans would be adequate to provide benefits. Substantially all of the plans' assets are invested in fixed income and equity funds.

As of July 31, 1997, a subsidiary of the Company "froze" (i.e., ceased accruing benefits under) its cash balance pension plan covering all salaried employees who are U.S. based and work a specified minimum number of hours. The hypothetical account balances under such plan will continue to be credited with

monthly interest and participants who are not fully vested in such plan will continue to earn vesting services after July 31, 1997.

The assumptions used in the calculation of the actuarial present value of the projected benefit obligation and expected long-term return on plan assets consisted of the following:

	December 26, 1997	December 27, 1996	December 29, 1995
Weighted average discount rate	6.50%-7.25%	7.75%	7.25%
Rate of increase in compensation levels	2.50%-4.50%	5.00%	4.75%
Expected long-term return on assets	8.75%	8.75%	8.25%

The following table sets forth the funded status and pension liability recognized in the consolidated balance sheet (U.S. Dollars in millions):

	December 26, 1997	December 27, 1996
Actuarial present value of accumulated benefit obligation:		
Vested benefits	\$30.1	\$27.2
Non-vested benefits	1.5	1.7
Accumulated benefit obligation	\$31.6	\$28.9
Projected benefit obligation	\$32.1	\$30.7
Plan assets at fair value	28.6	27.5
Pension liability recognized in the consolidated balance sheet	\$ 3.5	\$ 3.2

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

The following table sets forth the net periodic pension cost of the Company's U.S. pension plans (U.S. Dollars in millions):

	Year Ended December 26, 1997	Fifty-one Week Period Ended December 20, 1996	Year Ended December 29, 1995
Service cost-benefits earned during the period	\$ 0.8	\$ 1.3	\$ 1.0
Interest cost on projected benefit obligation	2.2	2.1	2.1
Return on assets	(3.8)	(2.7)	(3.7)
Net amortization and deferral	1.6	0.7	1.5
Net pension expense for non-contributory plans	0.8	1.4	0.9
Multi-employer defined union benefit plans	—	1.4	1.4
Net periodic pension expense for U.S. defined benefit plans	\$ 0.8	\$ 2.8	\$ 2.3

The Company 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 the Company will match a portion of each employee's contribution. This plan is in effect for U.S. based employees only. The expense pertaining to this plan was \$0.3 million, \$0.4 million and \$0.4 million for the year ended December 26, 1997, the fifty-one week period ended December 20, 1996 and the year ended December 29, 1995, respectively.

The Company 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 of \$8.0 million, \$0.2 million, \$8.8 million and \$6.0 million, for the year ended December 26, 1997, the seven-day period ended December 27, 1996, the fifty-one week period ended December 20, 1996 and the year ended December 29, 1995, respectively, was recorded by the Company based on established formulas. Funding generally occurs when employees cease active service. The most significant of these programs pertains to one of the Company's subsidiaries in Central America for which a liability of \$23.3 million and \$21.1 million was recorded at December 26, 1997 and December 27, 1996, respectively. Expenses for this program for 1997, 1996 and 1995 amounted to

\$4.8 million, \$5.6 million, and \$3.5 million, respectively, including service cost earned of \$3.2 million, \$3.2 million and \$2.5 million and interest of \$0.9 million, \$1.4 million and \$1.2 million, respectively.

As of August 31, 1997, a subsidiary of the Company “froze” (i.e., ceased accruing benefits under) its salary continuation plan covering all Latin American management personnel. At December 26, 1997 and December 27, 1996, the Company had \$10.1 million and \$9.6 million, respectively, accrued for this plan.

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

The following table sets forth the financial status of the plan reconciled to amounts recorded in the Company’s financial statements (U.S. Dollars in millions):

	December 26, 1997	December 27, 1996
Accumulated postretirement benefit obligation:		
Retirees	\$11.0	\$ 9.3
Active employees eligible to retire	1.8	1.5
Other active employees	6.8	5.8
Unrecognized net loss	(1.3)	—
Unfunded accumulated postretirement benefit obligation	\$18.3	\$16.6

Effective December 30, 1994, early retirement eligibility for certain employees was changed from age 50 with 5 years of service to age 55 with 10 years of service. Employees who had already satisfied the former requirements retained their eligibility.

The weighted average discount rate used in determining the accumulated benefit obligation was 7.75% at both December 26, 1997 and December 27, 1996. For measuring the liability as of December 26, 1997, an annual rate of increase of 3.25% for general inflation and a 4.5% annual rate of increase in real medical

inflation, declining gradually to 1.5% by the year 2003 and thereafter, were assumed.

The components of net periodic postretirement benefit cost consisted of the following (U.S. Dollars in millions):

	Year Ended December 26, 1997	Fifty-one Week Period Ended December 20, 1996	Year Ended December 29, 1995
Service cost-benefits earned during the period	\$0.6	\$0.2	\$0.1
Interest cost on accumulated postretirement benefit obligation	1.3	1.1	1.3
Net periodic postretirement benefit cost	\$1.9	\$1.3	\$1.4

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 \$2.7 million and \$2.3 million at December 26, 1997 and December 27, 1996, respectively, and would increase the total of the service and interest cost components of net periodic postretirement benefit cost by \$0.3 million, \$0.3 million and \$0.3 million for the year ended December 26, 1997, the fifty-one week period ended December 20, 1996 and the year ended December 29, 1995, respectively.

14. Stock Options

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

In October 1997, the Company granted stock options to purchase 1,355,000 of the Company’s ordinary shares. Twenty percent of the options vested 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. Options outstanding as of December 26, 1997 have an exercise price of \$16.00 per share and have a weighted average remaining contractual life of ten years.

A summary of the Company's stock option activity and related information is as follows:

	Shares	Weighted Average Price
Outstanding, December 27, 1996	—	—
Granted	1,355,000	\$16.00
Exercised	—	—
Canceled	—	—
Outstanding, December 26, 1997	1,355,000	\$16.00
Exercisable, December 26, 1997	271,000	\$16.00
Shares available for future grant	1,025,030	

SFAS No. 123 requires pro forma information regarding net income and earnings per share determined as if the Company had accounted for its employee stock options under the fair value method of SFAS No. 123. The fair value for the outstanding options was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions for 1997: weighted average risk-free interest rate of 5.75%; dividend yield of 0%; volatility factor of the expected market price of the Company's ordinary shares of 0.568; and a weighted average expected life of the options of 5 years.

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

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

	Year Ended December 26, 1997
Net income	\$43.4
Net income applicable to ordinary shares	\$20.9
Net income per ordinary share	\$0.55

In accordance with APB No. 25, because the exercise price of the Company's employee stock options equaled the market price of the underlying stock on the date of grant, no compensation expense was recorded for the year ended December 26, 1997 in connection with the Company's Option Plan.

15. Commitments and Contingencies

The Company 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, 1997 are as follows (U.S. Dollars in millions):

1998	\$28.0
1999	27.0
2000	16.3
2001	17.2
2002	4.1
Thereafter	6.4
	<u>\$99.0</u>

Total rent expense for all operating leases amounted to \$51.4 million, \$0.9 million, \$48.5 million and \$33.3 million for the year ended December 26, 1997, the seven-day period ended December 27, 1996, the fifty-one week period ended December 27, 1996 and the year ended December 29, 1995, respectively, of which \$39.9 million, \$38.0 million and \$19.3 million, respectively, pertained to vessel charter lease commitments.

FDMP N.V. also has agreements to purchase substantially all of the production of certain independent growers in Costa Rica, Guatemala, Ecuador, Cameroon, Colombia, Indonesia and the Philippines. Total purchases under these agreements amounted to \$293.0 million, \$7.0 million, \$358.1 million and \$330.1 million for the year ended December 26, 1997, the seven-day period ended December 27, 1996, the fifty-one week period ended December 20, 1996 and the year ended December 29, 1995, respectively.

In connection with the construction of certain vessels, FDMP N.V. entered into a deposit financing agreement with two Spanish banks whereby funds irrevocably deposited with such banks earn interest at a rate in excess of the interest rate on related loans from such banks. Based on this deposit financing agreement, FDMP N.V. will not require further funding to pay the outstanding loans. At December 26, 1997, the related bank deposits/interest differential benefit and bank loans, each aggregating \$19.9 million, were offset in the accompanying financial statements since the loans will be repaid by the deposits and related interest differential benefit.

Two of GRC's subsidiaries guarantee the debt on vessels owned by Interfrucht. The debt totaled \$8.6 million at December 26, 1997.

16. Litigation

On December 29, 1993, two of the Company's U.S. subsidiaries were purportedly served with a petition naming them as parties in an action, styled *Franklin*

Rodríguez Delgado, et al. v. Shell Oil Company, et al. (“*Delgado*”). This action is one in a series of similar actions, one of which was filed as a putative class action, filed in Texas state courts against subsidiaries of the Company and others involving allegations by numerous Latin American, Caribbean, Philippine and African plaintiffs that they were injured during the 1970s and 1980s by exposure to a nematocide containing the chemical Dibromochloropropane (“DBCP”). There are approximately 14,500 named plaintiffs in all of these similar actions in Texas. On July 11, 1995, the U.S. District Court in Houston, to which the actions were removed, granted the defendants’ motion to dismiss these actions on the grounds that the plaintiffs’ respective home countries are more convenient forums in which to address their claims. The terms of the judge’s order required, among other conditions, that the plaintiffs file their claims in their home countries by the end of August 1995, which they have done. Expedited discovery in the U.S. was conducted. At a hearing held on October 26, 1995, the U.S. District Court in Houston entered an order dismissing these actions. Plaintiffs have appealed in *Delgado*, challenging the jurisdiction of the District Court to enter the order, and an oral argument was held on March 5, 1997 before the U.S. Court of Appeals for the Fifth Circuit in New Orleans.

In September 1997, the Court of Appeals referred the matter to an Appellate Conference Attorney to explore the possibility of a global settlement of all pending DBCP actions. During the summer of 1997, three DBCP manufacturers Dow Chemical Co., Shell Oil Co. and Occidental Chemical Corp. entered into a settlement with the majority of the known DBCP claimants, although not all of them. The Company’s U.S. subsidiaries have worked with the other defendants and the Conference Attorney in an effort to reach an acceptable settlement, but to date those efforts have not succeeded. At this time it is premature to evaluate the likelihood of a favorable or unfavorable outcome in the Fifth Circuit appeal.

Subsequent to the U.S. District judge’s July 11, 1995 order, plaintiffs filed claims against Company subsidiaries in Costa Rica and the Philippines. One of the Costa Rican actions, in which there were approximately 4,600 named plaintiffs, was dismissed on September 1, 1995. The other two Costa Rican actions, each of which was filed by one named plaintiff, were dismissed for failure to prosecute. Motions have been filed by the Costa Rican plaintiffs seeking reinstatement of the dismissed action in the U.S. District Court in Houston, which motions will not be considered until after plaintiffs’ appeal is resolved. Two of the four actions filed by the plaintiffs in the Philippines (in which there were approximately 340 named plaintiffs and 160 named plaintiffs, respectively) were dismissed in May 1996 and October 1996, respectively, which

dismissals are subject to further review. The two other Philippine actions are proceeding. Following these dismissals and subsequent plaintiff withdrawals totaling approximately 670 named plaintiffs, there are currently an aggregate of approximately 2,400 named plaintiffs in these Philippine proceedings.

On June 12, 1995 in Jefferson Parish, Louisiana and on June 19, 1995 in St. Charles Parish, Louisiana, an additional group of approximately 3,900 named plaintiffs purported to file petitions in the respective Louisiana state courts styled *Lucas Pastor Canales Martinez, et al. v. Dow Chemical Co., et al.* One of the Company’s U.S. subsidiaries is also named as defendant in these actions. Plaintiffs assert claims similar to those asserted in Texas arising from the alleged exposure to DBCP. The actions were removed to the U.S. District Court in New Orleans, where plaintiffs filed a motion to remand the action to state court and defendants filed a motion to dismiss in favor of litigation in the plaintiffs’ respective home countries. On September 5, 1996, the District Court entered an order granting plaintiffs’ motion to remand the actions to Louisiana state court. Upon remand, the Jefferson Parish action was dismissed as duplicative of the St. Charles Parish case. The Company’s subsidiary has answered the complaint.

On May 10, 1996, an additional five plaintiffs filed individual complaints in the Circuit Court of Harrison County, Mississippi, which name one of the Company’s U.S. subsidiaries as a defendant. Plaintiffs assert claims similar to those asserted in Texas arising from the alleged exposure to DBCP. The actions were removed to federal court. Thereafter, the Company’s subsidiary filed a motion to dismiss based upon lack of personal jurisdiction and *forum non conveniens*, and plaintiffs filed a motion for remand back to state court. On November 25, 1997, the court denied Plaintiff’s motion to remand, granted the Company’s subsidiary’s motion to dismiss for lack of personal jurisdiction and granted defendants’ motion to dismiss for *forum non conveniens* in three of the five cases. On December 31, 1997, the court issued the identical rulings in the fourth action, leaving only one case pending in Mississippi federal court. Plaintiffs have filed a motion for reconsideration in each of the four actions that have been adjudicated. At this time it is premature to evaluate the likelihood of a favorable or unfavorable ultimate outcome in this litigation.

On February 14, 1997, one of the Company’s U.S. subsidiaries was named as a third-party defendant in an action filed in Dallas County, Texas, styled *Narciso Borja, et al. v. The Dow Chemical Company, et al.* In this case, approximately 1,400 named plaintiffs have asserted claims arising from the alleged exposure to DBCP. On February 14, 1997, a co-third-party defendant, Dead Sea Bromine Compounds Ltd., filed a notice of removal of the action to federal court in the

Northern District of Texas in Dallas. Defendants and third-party defendants have filed a motion to dismiss for *forum non conveniens*, and plaintiffs have moved to remand the action to state court. Consideration of the pending motions has been stayed pending a decision by the U.S. Court of Appeals for the Fifth Circuit in the pending appeal of *Delgado*.

On October 3, 1997, two of the Company's U.S. subsidiaries were named among the defendants in an action styled *Gerardo Dennis Patrickson, et al. v. Dole Food Company, Inc., et al.* in the Circuit Court for the Second Circuit in Maui, Hawaii. The putative class action complaint brought by 11 residents of Costa Rica, Guatemala, Panama and Ecuador, on their own behalf as well as on behalf of similarly-situated banana workers in those countries, seeks unspecified damages arising out of the alleged exposure to and injury from DBCP used in their home countries. The action was removed to federal court on October 31, 1997. The Company's subsidiaries were served with the complaint and moved to dismiss the action for lack of personal jurisdiction in Hawaii and joined in defendants' motion to dismiss on grounds of *forum non conveniens*. The *forum non conveniens* motion, along with plaintiffs' motion to remand the action to state court in Hawaii are currently set to be argued on April 6, 1998. Plaintiffs have also amended their complaint to add two other Company subsidiaries (Fresh Del Monte Produce N.V. and Del Monte Fresh Produce Hawaii, Inc.) as defendants. At this time it is premature to evaluate the likelihood of a favorable or unfavorable outcome in this litigation.

As of December 26, 1997, there were a total of approximately 7,700 named plaintiffs in all of these DBCP actions, representing an increase of approximately 1,400 named plaintiffs from December 27, 1996 (which resulted from the filing of a complaint by an additional 1,400 named plaintiffs). None of the complaints in the above-described DBCP actions contain a claim for a specific range or amount of damages, other than the actions in the Philippines, in which each plaintiff has claimed 2.7 million Philippine pesos (or approximately \$68,000) in damages. The Company intends to vigorously defend itself in all of these matters. Management is unable to evaluate the likelihood of a favorable or unfavorable outcome in any of the above-described matters. Accordingly, management is unable to estimate the range or amount or loss, if any, on any of the above-described matters and no accrual has been recorded. The Company has not settled any DBCP claim.

A Company subsidiary entered into a contract to purchase bananas from a Philippine producer, Tagum Agricultural Development Company Inc. ("TADECO"), after being contacted by TADECO and TADECO confirming, in writing, that it had rescinded its contract

with Chiquita International and had no intention of continuing its business relationship with Chiquita International.

On August 19, 1994, Chiquita International filed suit in Circuit Court in Dade County, Florida against FDMP N.V. seeking injunctive relief and damages for tortious interference and conspiracy. The suit does not contain a claim for a specific range or amount of damages. The suit alleges that FDMP N.V. induced Chiquita International's sole supplier of bananas in the Philippines, TADECO, to breach its contract thereby driving Chiquita International out of business in the Asian and Middle East markets. FDMP N.V.'s motions to dismiss this action pursuant to the doctrine of *forum non conveniens* and for lack of personal jurisdiction were denied in September 1997.

On January 13, 1995 and at various times thereafter, two of the Company's U.S. subsidiaries were served with a number of different actions filed in Circuit Court in Broward County, Florida by Ecuadorian shrimp farmers. These actions allege that the named defendants (including manufacturer-defendants Ciba-Geigy Ltd., BASF Aktiengesellschaft and International Fertilizer Ltd., a distributor defendant) had used or had caused to be used agricultural chemicals in Ecuador. The actions further allege that the use of these chemicals caused a substantial reduction in the productivity of the plaintiffs' shrimp farms thereby causing the various plaintiffs to lose their primary source of shrimp for export. The plaintiffs seek unspecified damages for the alleged negligence of the Company's subsidiaries.

The case was removed to U.S. District Court for the Southern District of Florida where the complaints were consolidated and various procedural issues were addressed. On August 27, 1995, the U.S. District Court remanded the case back to state court on the basis that it did not have subject matter jurisdiction. On October 27, 1995, plaintiffs filed an additional 21 suits in Broward County Circuit Court. There are approximately 80 named plaintiffs in all the foregoing actions.

In February 1996, as a result of an intervening Florida Supreme Court decision which recognized the availability of the federal doctrine of *forum non conveniens*, defendants requested the Broward County Circuit Court to reconsider the issue of *forum non conveniens*. On April 16, 1996, the Broward County Circuit Court denied defendants' motion to dismiss for *forum non conveniens*, and defendants thereafter filed an appeal of this order with the Fourth District Court of Appeal.

On March 26, 1997, the Fourth District Court of Appeal reversed the Broward County Circuit Court's order and dismissed the actions based on the federal doctrine of *forum non conveniens*. Thereafter, plaintiffs moved for rehearing, which was denied by the

Fourth District Court of Appeal. On September 10, 1997, the Florida Supreme Court denied discretionary review of this ruling.

On November 13, 1997, the Broward County Circuit Court entered an order (effective October 9, 1997) implementing the mandate of the Court of Appeals to dismiss the consolidated cases in this matter subject to certain conditions enumerated in the order. Among other matters, the order of dismissal provided that the plaintiffs had 120 days (running from October 9, 1997) in which to re-file their claims in Ecuador.

The company received notice in February, 1998 that the plaintiffs in these actions had refiled their claims in Ecuador. On February 11, 1998, the plaintiffs in the original Broward County, Florida actions filed an emergency motion before the Broward County Circuit Court alleging that the plaintiffs had refiled these actions in Ecuador and that certain of these refiled actions had been dismissed. The plaintiffs sought guidance in the form of an order from the Broward County Circuit Court as to whether or not they were required to appeal the dismissal of the actions in Ecuador. The defendants opposed the emergency motion, and the court agreed with the defendants' position that the plaintiffs were improperly seeking an advisory opinion and that the Florida court did not have jurisdiction with respect to matters that were pending in Ecuador.

On September 4, 1997, a Liberian subsidiary of the Company received a notice of commencement of arbitration from Nordeste Investimentos Participações S.A. ("Nordeste") and Directivos Agrícola, S.A., an affiliate of Nordeste, with respect to a Brazilian joint venture entered into by the Company's subsidiary in 1993 which was terminated by the Company's subsidiary in August 1997. The notice of arbitration alleges that the Company's subsidiary has breached contractual obligations under the joint venture agreements. While the joint venture agreements contain a number of liquidated damage provisions involving substantial amounts, the notice of arbitration neither specifies the alleged contractual breaches by the Company's subsidiary nor contains any claims for damages. In response to the notice of arbitration, the Company's subsidiary served Nordeste with a request for arbitration in which it asserted claims for breach of the joint venture agreements, breach of duty of loyalty and misappropriation of trade secrets. To date, Nordeste has taken no further action to prosecute the arbitration proceedings.

The Company intends to vigorously defend itself in all of these matters. Management is unable to evaluate the likelihood of a favorable or unfavorable outcome in any of the above-described matters. Accordingly, management is unable to estimate the range or amount of loss, if any, on any of the above described matters and no accrual has been recorded.

On August 11, 1997, Empresaria Portuaria Nacional Santo Tomas de Castilla, a Guatemalan port authority ("EPNS"), filed a complaint against a Guatemalan subsidiary of the Company in the First Court of Collections in Guatemala seeking to collect port service fees and wharfage charges allegedly owed by the subsidiary. The complaint, together with a substantially similar complaint filed by EPNS on October 23, 1995, seeks port service fees and wharfage charges aggregating the local currency equivalent of approximately \$9.6 million (exclusive of interest, expenses and attorneys' fees). The port services for which port services fees are charged are typically performed by port authority employees; however, the Company's subsidiary has the right to bring, and does bring, its own employees to the port facilities to perform these services. Accordingly, the Company believes that its Guatemalan subsidiary should not be liable for the port service fees allegedly owed because the relevant services were performed by the subsidiary's employees, not by or on behalf of the port authority. In addition, the Company believes that it is exempt from the payment of wharfage charges under the Guatemalan Banana Development Act of 1983, and that EPNS has failed to follow proper judicial or administrative procedures in seeking collection of the fees and charges. The Company has reached an agreement in principle to settle these actions with EPNS for a sum equal to approximately 50% of the claimed amounts, which is accrued for as of December 26, 1997. The Company and EPNS are awaiting issuance of formal written approval of the settlement by the Guatemalan government.

On May 10, 1993, the United States Environmental Protection Agency (EPA) identified the Kunia Well Site at FDMP N.V.'s plantation in Oahu, Hawaii (DM Hawaii) for potential listing on the National Priorities List (NPL) for Uncontrolled Hazardous Waste Sites under the Comprehensive Environmental Response, Compensation, and Liability Act (Superfund). This identification was based upon detection in the area soil and ground water, in 1980, of elevated levels of certain chemicals which had been used as fumigants (for control of parasitic nematodes) and also as components in aviation fuel and leaded gasoline. DM Hawaii has discontinued use of the Kunia Well Site, provided an alternative water source to area well users, and commenced its own voluntary clean-up operation.

In 1994, the EPA issued a final ruling adding the Kunia Well Site to the NPL. In 1995, FDMP N.V. accrued \$1.2 million for the performance of a remedial investigation and feasibility study. On May 30, 1996, DM Hawaii submitted the Remedial Investigation Feasibility Study Workplan to the EPA for its review and acceptance. In October 1996, DM Hawaii submitted the Work Sampling Plan and Quality Project Plan to the EPA for its review and acceptance by the EPA.

Currently, management is unable to estimate the extent of the remedial work, if any, which will be required for the Kunia Well Site, or to reasonably estimate an amount or range of cost estimates for any such remedial work. The ultimate outcome and any potential costs associated with this matter cannot be reasonably estimated until the remedial investigation has been completed and the results agreed to by the EPA.

In November 1994, the Philippine Bureau of Internal Revenue (BIR) issued a favorable ruling for GRC, now a shipping subsidiary of the Company, holding that GRC was not subject to certain Philippine income and other taxes. The BIR also found that any taxable activities of GRC occurred outside the Philippine tax jurisdiction. Despite this finding, the Philippine Economic Intelligence & Investigation Bureau (EIIB) subsequently investigated GRC's tax status. Based upon this investigation, the BIR concluded that GRC was doing business in the Philippines and was therefore subject to certain Philippine income and other taxes. In June 1996, the BIR revoked its favorable ruling for GRC and filed charges with the Philippine Department of Justice against GRC for criminal evasion of payment of certain Philippine income and other taxes for 1994. The criminal complaint alleges that GRC failed to pay certain Philippine income and other taxes for 1994 aggregating to 774 million Philippine pesos (or approximately \$19.0 million using December 26, 1997 exchange rates). It is unclear from the allegations of the complaint whether this amount includes penalties and interest. On August 13, 1996, GRC filed a letter requesting reconsideration of the June 1996 revocation of the favorable BIR ruling, which request for reconsideration was denied in a letter from the BIR received by GRC in July 1997. In September 1996, GRC filed a motion to dismiss the criminal complaint for tax evasion with the Department of Justice, which motion is still pending.

The Company believes that GRC was entitled to rely on the BIR's favorable ruling issued in November 1994 and conducted its operations in a manner that did not subject it to Philippine income or other taxes. While no assessment of taxes has been made by the BIR, if an assessment of taxes is made, the Company

believes that GRC has a number of substantial defenses and grounds on which to challenge the basis and validity of any such assessment. Accordingly, the Company expects to contest any assessment of taxes vigorously. The Company is unable to determine the range or amount of the losses, if any, that may ultimately be incurred as a result of this contingency. Accordingly, no amount has been reflected in the financial statements for the potential outcome of this contingency.

In addition to the foregoing, the Company is involved from time to time in various claims and legal actions incident to its operations, both as plaintiff and defendant. In the opinion of management, after consulting with legal counsel, none of these other claims are currently expected to have a material adverse effect on the Company.

17. Financial Instruments and Concentration of Credit Risk

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

Off Balance Sheet Risk

The Company enters into foreign currency forward contracts as a hedge against foreign currency exposures, principally relating to sales made in Europe and the Pacific Rim. Gains and losses on these contracts are included in other income when the contracts are closed. At December 26, 1997 and December 27, 1996, there was \$1.3 million and \$11.1 million (notional amount), respectively, of foreign currency forward contracts outstanding. The table below summarizes by currency the contractual amounts of the Company's foreign currency forward contracts at December 26, 1997 and December 27, 1996 (U.S. Dollars in millions):

	December 26, 1997		December 27, 1996	
	Forward Contracts	Unrealized Gain/(Loss)	Forward Contracts	Unrealized Gain/(Loss)
Deutsche Mark	\$0.6	\$—	\$ 2.1	\$0.1
Japanese Yen	—	—	9.0	0.4
Italian Lira	0.7	—	—	—
Total	\$1.3	\$—	\$11.1	\$0.5

Counterparties expose the Company to credit loss in the event of non-performance on foreign currency forward contracts. However, because the contracts are entered into with highly-rated financial institutions, the Company 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.

The Company, in estimating its fair value disclosures for financial instruments, used the following methods and assumptions:

Cash and cash equivalents: The carrying value reported in the balance sheet for cash and cash equivalents approximates their fair value.

Accounts receivable and accounts payable: The carrying value reported in the balance sheet for accounts receivable and accounts payable approximate their fair value.

Long and short-term debt: The carrying value of the Company's notes payable approximate their fair value. The fair value of the Company's long-term debt is based on available market information.

Convertible Preferred Shares: The fair value of the Convertible Preferred Shares is estimated based on information provided by a major investment bank.

Foreign currency contracts: The fair values of the Company's foreign currency contracts are estimated based on quoted market prices of comparable contracts, adjusted through interpolation where necessary for maturity differences or if there are no relevant comparable contracts for options, on pricing models or formulas using current market assumptions.

The carrying amounts and fair values of the Company's financial instruments are as follows (U.S. Dollars in millions):

	December 26, 1997		December 27, 1996	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 79.4	\$ 79.4	\$ 25.8	\$ 25.8
Accounts receivables	81.6	81.6	86.6	86.6
Accounts payable	(70.2)	(70.2)	(64.2)	(64.2)
Notes payable	—	—	(18.2)	(18.2)
Long-term debt	(224.4)	(239.1)	(288.0)	(288.0)
Convertible Preferred Shares	—	—	46.0	46.0
Foreign currency forward contracts	—	—	0.5	0.5

18. Related Party Transactions

The Company is a party to various transportation agreements with Horn-Linie. Accounts payable and accrued expenses at December 27, 1996 included approximately \$1.9 million due to Horn-Linie. On December 23, 1997, the Company acquired the remaining 49% minority interest in Horn-Linie (see Note 3).

The Company's products are distributed in Northern Europe by Interfrucht, an unconsolidated subsidiary of GRC. Sales to this distributor amounted to \$109.7 million, \$106.5 million and \$100.8 million for 1997, 1996 and 1995, respectively. Trade accounts receivable at December 26, 1997 and December 27,

1996 included amounts due from Interfrucht of \$2.5 million and \$1.4 million, respectively.

FDMP N.V. had borrowing relationships with two Mexican banks, Banco Union, S.A., a significant minority shareholder of GEAM during 1996 and 1995, and Banca Cremi, S.A., both of which were controlled directly or indirectly by shareholders of GEAM. Interest expense and related fees paid to these banks totaled \$4.9 million and \$5.0 million for 1996 and 1995.

The Company does not receive any administrative or other services from affiliated companies outside the consolidated group.

19. Unaudited Quarterly Financial Information

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

	Quarter Ended			
	March 28, 1997	June 27, 1997	Sept. 26, 1997	Dec. 26, 1997
Successor				
Net sales	\$325.8	\$348.3	\$270.3	\$264.0
Gross profit	54.3	45.7	20.7	17.9
Net income (loss) before extraordinary item	30.7	30.3	(1.6)	(5.2)
Net income (loss)	30.7	30.3	(1.6)	(15.6)
Net income (loss) applicable to ordinary shareholders	29.7	29.5	(2.7)	(35.2)
Net income (loss) per share applicable to ordinary shareholders	0.83	0.82	(0.08)	(0.81)
	Quarter Ended			Twelve Weeks Ended
	March 29, 1996	June 28, 1996	Sept. 27, 1996	Dec. 20, 1996
Predecessor				
Net sales	\$296.6	\$ 355.8	\$266.8	\$248.3
Gross profit	22.9	47.7	15.2	15.9
Net income (loss)	0.1	(114.1)	(8.6)	(10.3)

20. Geographic Data

The Company is engaged in one major line of business, the production, distribution and marketing of fresh produce, principally bananas, pineapples, melons and other fresh produce. The Company's products are sold in markets throughout the world, with its major producing operations located in North America, Latin America, the Pacific Rim and Africa.

The Company's earnings are heavily dependent on operations located worldwide. These operations are a significant factor in the economies of some of the countries where it operates and are subject to the risks that are inherent in operating in such countries, including government regulations, currency and ownership restrictions and risk of expropriation.

The Company has three principal sales agreements for the distribution of its fresh produce, which principally cover sales in the European and Japanese markets. Sales made through these agreements approximated 31%, 31%, 34% and 33% of total net sales for year ended December 26, 1997, the seven-day period

ended December 27, 1996, the fifty-one week period ended December 20, 1996 and the year ended December 29, 1995, respectively.

Net sales by geographic area include both sales to customers, as reported in the consolidated statements of operations, and intergeographic sales. Intergeographic sales principally consist of the sales applicable to the transfer of product from producing operations in Latin America to offshore trading companies which service the North American and European markets. Operating income by geographic area represents net sales less applicable costs and expenses related to those sales. Unallocated expenses are primarily comprised of general and administrative expenses of a corporate nature and amortization of goodwill. Identifiable assets by geographic area represent those assets used in the operations of each geographic area. Corporate assets consist of an allocation of goodwill, leasehold improvements and furniture and fixtures.

The following table presents selected financial information pertaining to the Company's geographic operations (U.S. Dollars in millions):

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

	Year Ended December 26, 1997	Period from December 21, 1996 through December 27, 1996	Fifty-one Week Period Ended December 20, 1996	Year Ended December 29, 1995
Net sales:				
Net sales to customers:				
North America	\$ 594.5	\$ 7.7	\$ 503.0	\$ 486.7
Europe	368.7	5.6	329.1	300.9
Pacific Rim	219.9	7.5	289.5	267.4
Latin America	25.3	0.9	45.9	13.4
Intergeographic net sales:				
Pacific Rim	—	—	—	0.6
Mexico	18.7	0.2	8.5	5.6
Latin America	304.0	7.0	255.9	231.5
Eliminations	(322.7)	(7.2)	(264.4)	(237.7)
Consolidated net sales	\$1,208.4	\$21.7	\$1,167.5	\$1,068.4

Operating income (loss):				
North America	\$ 42.1	\$ 0.1	\$ 19.4	\$ 17.6
Europe	47.7	0.2	20.9	20.3
Pacific Rim	11.0	0.2	29.0	12.3
Latin America	7.4	(0.1)	(2.6)	(25.7)
Unallocated expenses	(13.4)	(0.4)	(21.0)	(17.8)
Acquisition related expenses	—	—	(3.2)	—
Special goodwill charge	—	—	(138.7)	(44.9)
Consolidated operating income (loss)	\$ 94.8	\$ —	\$ (96.2)	\$ (38.2)

	December 26, 1997	December 27, 1996
Identifiable assets:		
North America	\$120.3	\$151.7
Europe	150.2	73.2
Pacific Rim	34.3	34.3
Latin America	318.4	318.2
Corporate	117.9	81.6
Total assets	\$741.1	\$659.0

Dividend Information

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

Shareholders of Record

As of December 26, 1997, there were 47,600,600 Ordinary Shares outstanding, approximately 37% of which were held in the United States by approximately 189 U.S. holders of record.

Ordinary Share Prices

The following table shows, for the period indicated, the reported high and low closing sales prices for the Company's Ordinary Shares:

<u>1997</u>	<u>High</u>	<u>Low</u>
Fourth Quarter (10/24/97 to 12/26/97)	\$18.00	\$13.125

Ordinary Shares

Traded on the New York Stock Exchange under the symbol FDP.

SHAREHOLDERS' INFORMATION

FRESH DEL MONTE PRODUCE INC.

DIRECTORS

Mohammad Abu-Ghazaleh
Chairman

Amir Abu-Ghazaleh

Maher Abu-Ghazaleh

Hani El-Naffy

Stephen L. Way

Marvin P. Bush

Address of Principle Executive Offices:

Fresh Del Monte Produce Inc.
c/o Del Monte Fresh Produce Company
800 Douglas Road, North Tower,
Coral Gables, FL 33134

Transfer Agent and Registrar

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

Trustee — 10% N.V. Notes due 2003

Chase Bank of Texas, N.A.

Annual General Meeting of Shareholders:

May 8, 1998
Hyatt Regency Coral Gables
50 Alhambra Plaza
Coral Gables, FL 33134

Corporate and Shareholder information:

Investor Relations
Del Monte Fresh Produce Company
800 Douglas Entrance - North Tower
Coral Gables, FL 33134
(305) 520-8059

For further information, please send your written request to the above address for a copy of the 20-F filing with the Securities and Exchange Commission.

EXECUTIVE OFFICERS

Mohammad Abu-Ghazaleh
Chairman and Chief Executive Officer

Hani El-Naffy
President and Chief Operating Officer

John F. Inserra
Executive Vice President and Chief Financial Officer

M. Bryce Edmonson
Senior Vice President - North America

Jean-Pierre Bartoli
Senior Vice-President - Europe & Africa

José Antonio Yock
Senior Vice President - Central and South America

Sergio Mancilla
Senior Vice President - Shipping Operations

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

Bradley D. Hornbacher
Vice President, General Counsel and Secretary

Auditors:

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

