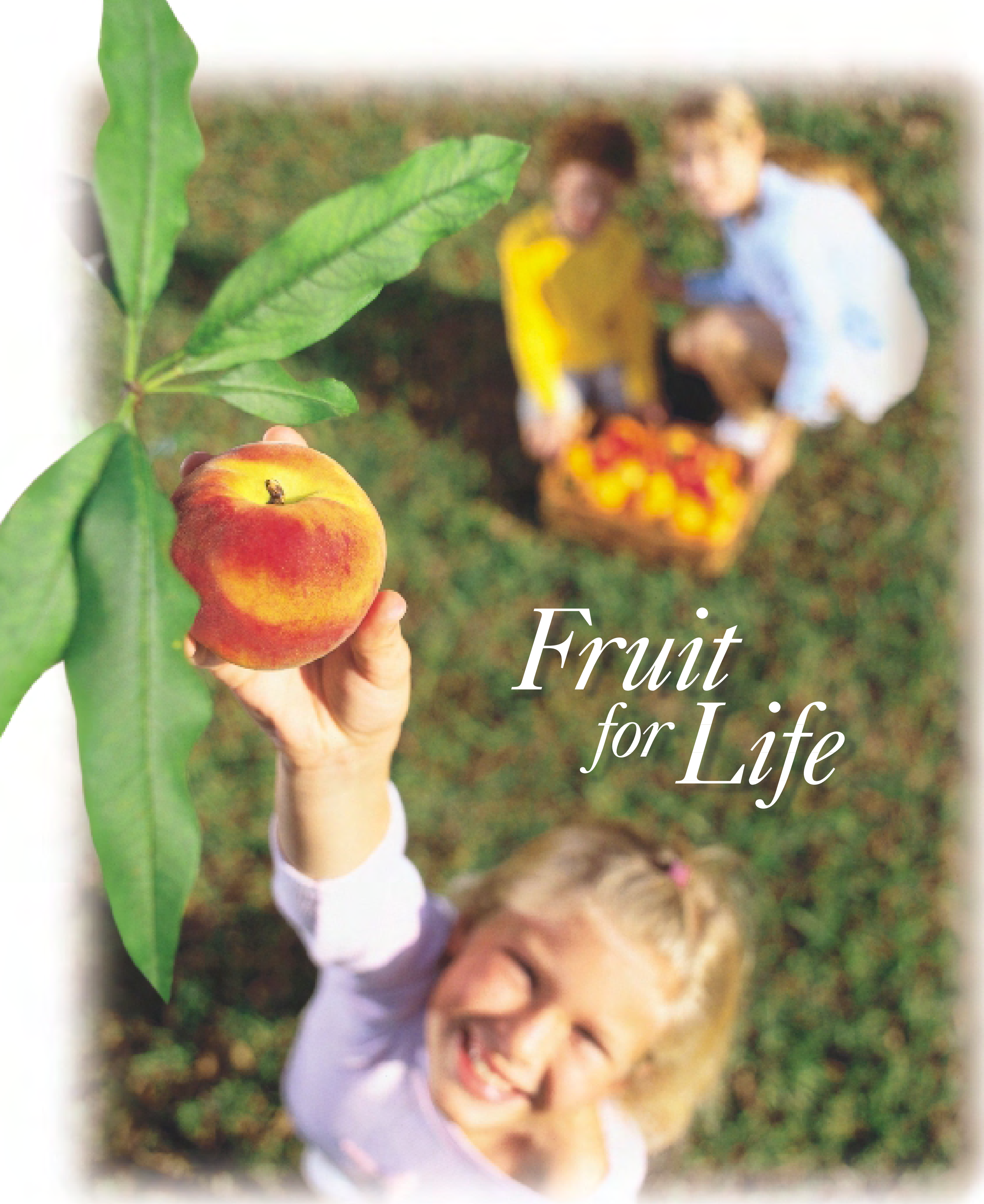


# *Fruit for Life*

*Fresh Del Monte Produce Inc. 2001 Annual Report*

*Fresh Del Monte Produce Inc. is a leading vertically integrated producer and marketer of high-quality fresh and packaged fresh-cut fruit and vegetables. The Company's products include bananas, pineapples, cantaloupe, honeydew, watermelons, grapes, non-tropical fruit (including citrus, apples, pears, peaches, plums, nectarines, apricots and kiwi), plantains, Vidalia® sweet onions, and various greens. Fresh Del Monte markets its products worldwide under the Del Monte® brand, a symbol of product quality and reliability since 1892.*

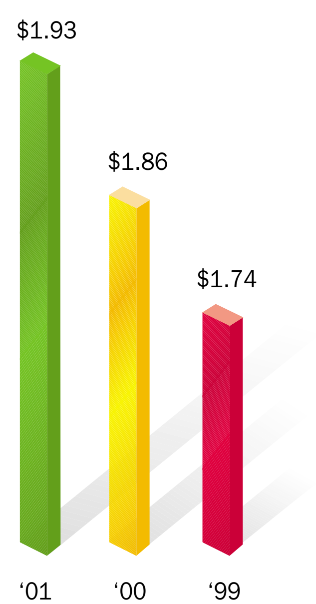
*Fresh Del Monte believes it has premier market positions in several fresh produce categories. The Company is a leading marketer of fresh pineapples worldwide, the top marketer of branded melons in the United States and the United Kingdom, the world's third largest marketer of bananas, and the leading year-'round marketer of branded grapes in the United States. In addition, Fresh Del Monte has an established platform in the value-added fresh-cut fruit and vegetable market, one of the fastest-growing categories in the fresh produce segment.*

*Fresh Del Monte Produce Inc. is a global company with approximately 20,000 employees. The Company's ordinary shares trade on the New York Stock Exchange under the symbol FDP.*

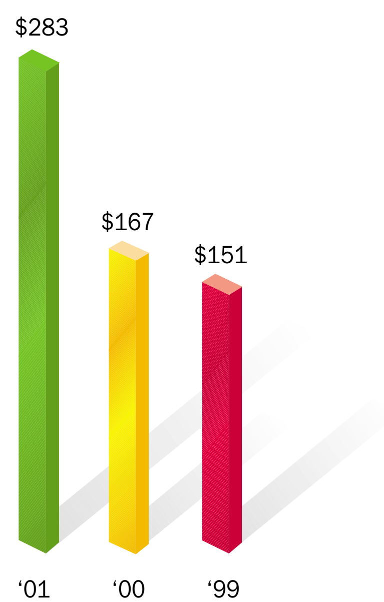
# Financial Highlights

| (U.S. dollars in millions, except per share data) | Year ended 2001 | 2000 | 1999 |
|---|---|---|---|
| **Selected Consolidated Statements of Income Data** | | | |
| Net sales | $ 1,928.0 | $1,859.3 | $1,743.2 |
| Gross profit | 282.9 | 166.9 | 150.6 |
| Operating income | 164.9 | 82.6 | 84.5 |
| Net income | $ 96.2 | $ 33.1 | $ 56.9 |
| Per share net income: | | | |
| Basic | $ 1.79 | $ 0.62 | $ 1.06 |
| Diluted | $ 1.77 | $ 0.62 | $ 1.06 |
| Weighted average number of ordinary shares outstanding: | | | |
| Basic | 53,856,392 | 53,763,600 | 53,763,600 |
| Diluted | 54,414,868 | 53,764,383 | 53,805,237 |
| **Balance Sheet and Cash Flow Data** | | | |
| Cash and cash equivalents | $ 13.0 | $ 10.6 | $ 31.2 |
| Working capital | 131.9 | 156.9 | 203.7 |
| Total assets | 1,196.9 | 1,221.6 | 1,216.2 |
| Total debt | 333.3 | 485.5 | 504.1 |
| Shareholders' equity | 550.5 | 457.2 | 425.8 |
| Cash flow from operations | $ 230.2 | $ 98.5 | $ 38.9 |

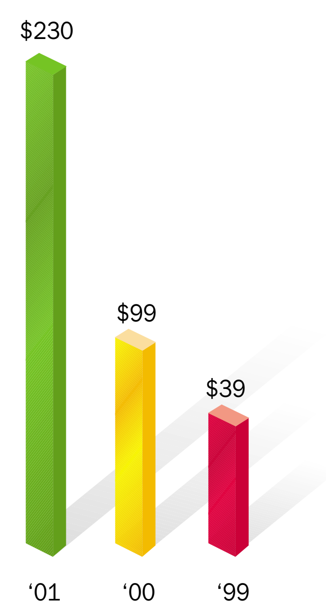
## Net Sales *(in billions)*



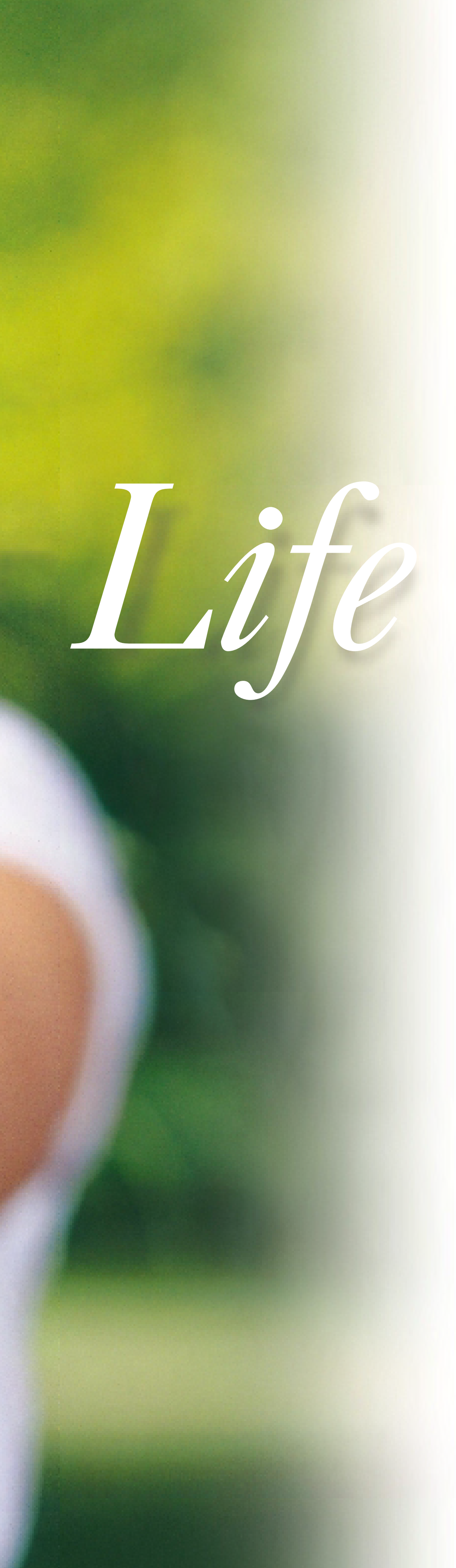

## Gross Profit *(in millions)*




## Cash Flow from Operations *(in millions)*



# *Fruit for*




# To Our Shareholders:

I've always believed that good things come to those who wait. In 2001, my belief came true for loyal shareholders of Fresh Del Monte Produce Inc., who were rewarded for their patient support with the strongest results in our Company's recent history. Net sales increased to $1.93 billion, from $1.86 billion in 2000. Net income increased $63.1 million to $96.2 million or $1.77 per diluted share, from $33.1 million, or $0.62 per diluted share in 2000. Operating cash flow grew to $230 million, a strong showing over $99 million in 2000 and $39 million in 1999. What's more, the market recognized that these excellent results were generated by our hard work and diligent business practices -- a fact that helped drive our year-end stock price to $15.02 per share, from $4.50 per share at the close of 2000.

*We achieved the strongest results in our Company's recent history.*

It's clear that our 2001 results are attributable, in part, to an improvement in market dynamics that we believe denotes the beginning of a welcome recovery for our industry. During the year, interest rates declined, as did the costs of bunker fuel and containerboard. Banana pricing gained strength as cold weather, drought conditions and rationalization served to restrict supply. The European Union's resolution of the debate on banana import licensing created pricing stability, predictability and profitability for the first time in two years in the European banana market. Volume and pricing of our other fresh produce, such as pineapples, melons and non-tropical fruit, also continued to grow and strengthen.

Fresh Del Monte's turnaround is also a result of our prudent business strategy and our team's success in optimizing our Company's operating performance and establishing a solid, vertically integrated infrastructure that positions our company to perform as industry conditions improve. Moreover, our ability to initiate this turnaround is a compelling testament to the discipline of our management, the commitment of our more than 20,000 employees and the confidence of our customers.

# Capitalizing on Industry Dynamics

As the dynamics for our industry progressively improved throughout 2001, we worked to capitalize on them through a number of new business initiatives. We instituted ways to drive banana profitability by establishing new contracts with banana producers, reducing costs associated with our Company-owned farms in Central America, and curtailing banana sales to unprofitable markets. In addition, we continued to drive profitability and capture cost savings in our shipping operations as a result of our strategy to become less dependent on the charter market and its unpredictable rates.

*We capitalized on industry dynamics by implementing new business initiatives.*

We also invested in new technologies to drive efficiencies. We expanded communications between our growers and our sales force by introducing electronic links that track and share information related to product quality, inventory, sales and delivery schedules. We implemented an integrated cash management system that allows us to monitor our global supply of cash and improve cash utilization. And we recently invested in a state-of-the-art logistics system, which is slated for deployment in North America in 2002. We expect this new system to drive efficiencies in transportation while leveraging our distribution network.

We also worked diligently to reduce capital expenditures in 2001, trimming this metric to $56 million, a 45 percent decrease from 1999. At the same time, we continued to fortify our balance sheet, reducing debt by $153 million at year end from $486 million in 2000, and driving down our debt-to-capital ratio to an impressive 38 percent, compared with 52 percent in the prior year. Today, Fresh Del Monte has a strong, solid balance sheet, which affords us the flexibility to take advantage of attractive opportunities in the future.

# *Delivering Fresh Products*

## Maximizing Our Competitive Edge

Fresh Del Monte's state-of-the-art distribution centers provide our Company with distinct competitive advantages. For example, our facilities offer a range of value-added services, including ripening, cold storage, packing and sorting, merchandising and promotional support, and fresh-cut capabilities. These services present a method for Fresh Del Monte to improve margins, while affording us leverage with retailers, food service providers and other buyers. Our varied capabilities enable us to maintain control of the entire cold chain through distribution and ensure on-time delivery of our products to our customers.

Recognizing the strategic role our distribution centers play in our future, we have intensified our determination to develop our distribution center network. During 2001, we opened new distribution centers in Denver and Baltimore, Md., expanded our Plant City, Fla. facilities to include fresh-cut operations, and enlarged our existing fresh-cut capabilities in Baltimore, Md. and Kankakee, Ill. By year-end 2001, Fresh Del Monte had a total of 27 global distribution centers, 16 of which were in major North American markets from coast-to-coast. Five of these North American distribution centers have fresh-cut operations, while two are "stand-alone" fresh-cut facilities. The remainder are located in other major markets, including the United Kingdom and Japan. In 2002, we expect to open additional distribution centers in North America, the United Kingdom, Korea, Hong Kong and Brazil, making our distribution network substantially more powerful than it was just five years ago, when we had only two banana ripening centers in Florida.

A primary goal for Fresh Del Monte is to deliver our products with the same premium quality standard worldwide, regardless of the distribution center from which they are sent. In 2001, our management team began to implement a common operating platform in all of our distribution centers, putting in place similar equipment, operating procedures and systems to ensure global equivalency of our operations and quality. This initiative will increase our appeal to our North American customers, who want to be sure that they receive the same service for all locations, while also differentiating us to global companies who require established quality standards to meet the expectations of their customers worldwide.

# Ensuring Superior Quality

## Growing Our Product Selection

In the last five years, Fresh Del Monte has focused on becoming a diversified company. This effort has helped to make our business more predictable by decreasing our dependence on the banana market. Though Fresh Del Monte continues to be the third largest banana company in the world, by year-end 2001, bananas made up just 46 percent of total sales, down from 56 percent in 1998.

Our popular premium pineapple, Del Monte Gold™ Extra Sweet, introduced in 1996, clearly demonstrates the success of our diversification strategy. Del Monte Gold™ Extra Sweet is a unique hybrid fruit with twice the sweetness and four times the vitamin C as the Champaka pineapple, which was primarily developed for canning. It is extremely popular with consumers and has helped to expand the pineapple category by 10 percent over the last five years. A high-margin product, Del Monte Gold™ Extra Sweet has also contributed substantially to Fresh Del Monte's top line growth. In 2001, we built on its success with the introduction of Del Monte Hawaii™ Gold, a premium pineapple that is distributed in 11 western states, western Canada and Japan.

Today, Fresh Del Monte is a leading fresh pineapple company, as well as the top marketer of branded melons in North America and the United Kingdom. We have established North American market leadership in sweet onions and grapes, and we have diversified our product line to include plantains; specialty melons; and collard, mustard and turnip greens. We are also a major marketer of branded citrus, apples, pears and other non-tropical fruit in select markets.

We added to our fresh-cut produce line during the year, taking advantage of growing consumer interest in pre-packaged, ready-to-eat fruit and vegetables that contribute to a healthy lifestyle. Fresh Del Monte is the only nationally recognized brand in the fresh-cut category, and as more and more of our customers request our fresh-cut line, we are moving swiftly to meet demand. Our fresh-cut operations are both synergistic and complementary to our core business, as they

enable us to maximize the value of our fresh produce supply, while leveraging our Del Monte® brand, fresh produce sourcing and logistics network.

During the year, we also sought to utilize technology to accelerate our new initiatives. We are currently mechanizing and automating our facilities to a new industry standard in order to boost profitability. In addition, we are leading our industry in the development and design of specialized, high-performance equipment for the fresh-cut fruit and vegetable market. In a particularly exciting development during the year, our North American subsidiary signed a 5-year limited exclusive licensing agreement with the Florida Department of Citrus to utilize its proprietary new citrus peeling system to prepare oranges and grapefruit for fresh-cut distribution. We expect this system, soon-to-be installed in our Plant City, Fla. fresh-cut facility, to enable us to build sales of fresh-cut citrus in new and existing markets.

*Our fresh produce customers are now requesting our fresh-cut products.*

# Driving Global Growth

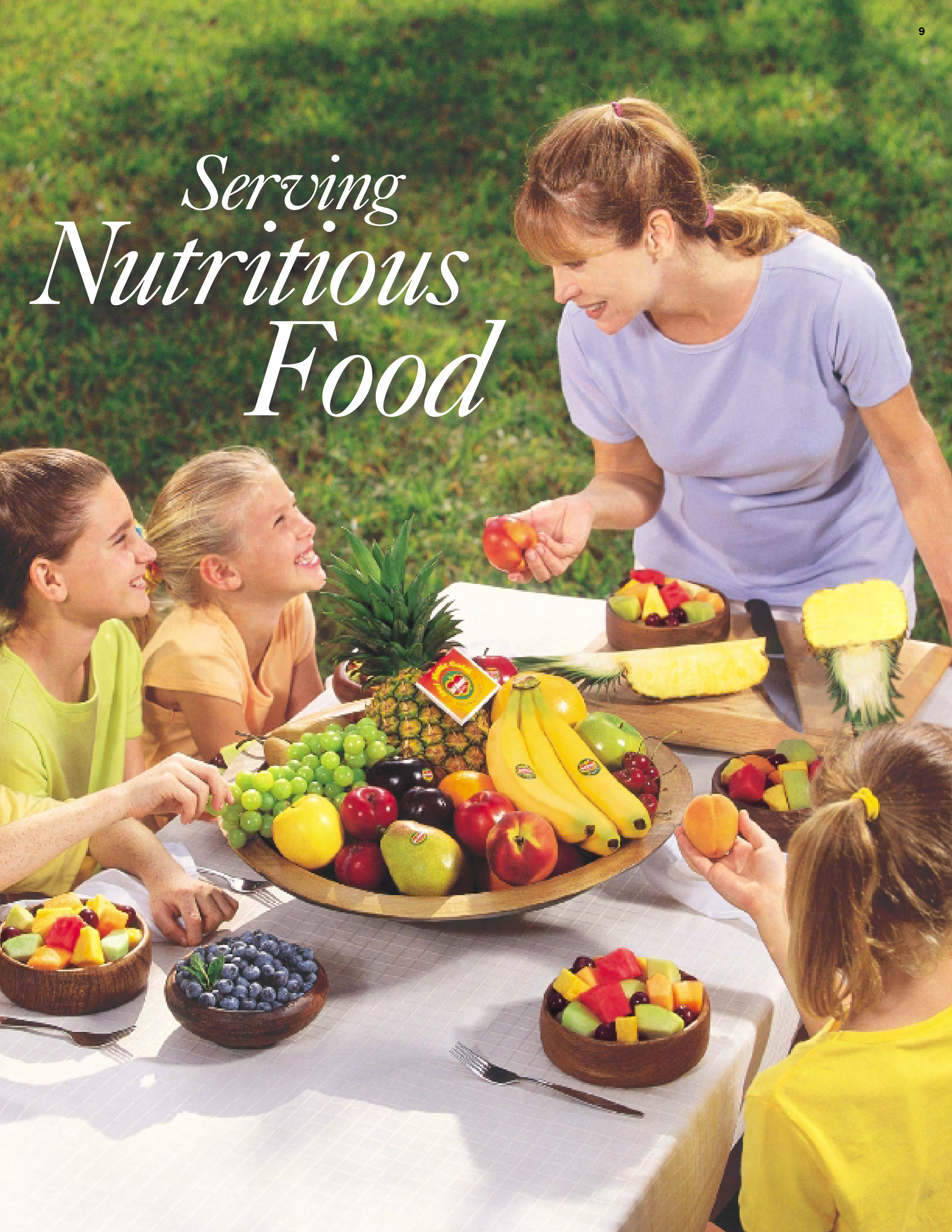
Fresh Del Monte's deep commitment to global growth, and the power of our strong, 110-year old brand, have enabled us to develop the large scale and the precise capabilities required to serve the needs of customers worldwide -- from a growing distribution network, to a uniform quality standard, to an expanding presence, to an increasing flexibility to deliver customized service to grocery customers regardless of their size. These strengths have not only attracted mid-sized regional supermarkets and smaller grocery store operations, but they have also drawn several large grocery chains and food service suppliers who have aggressive growth plans around the globe.

During the year, we continued to expand our global production, logistics and marketing system, and at year-end 2001, we were sourcing our products from Company-owned farms and independent growers in such countries as Brazil, Cameroon, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Mexico, North America, Panama, Peru, Philippines, South Africa and Spain. The products are shipped in a continuous temperature-controlled environment to ports around the globe, from which they are sent to our own distribution centers or trucked to customer-designated locations.

*We sought to serve our global customers in key markets worldwide.*

We also continued to expand our ability to serve our global customers by growing our presence in key markets worldwide. Brazil, a country that is only slightly smaller than the United States, has become a region of particular interest for us, and over the last three years, we have begun to compete effectively in Brazil. We have cultivated bananas that grow a delicious, comparatively large banana variety that is new and appealing to Brazilians. We have become a leading exporter of melons from Brazil, and in 2001, we began to cultivate Del Monte Gold™ Extra Sweet pineapple in Brazil, with plans to enter full-scale production in the near future.

# *Serving Nutritious Food*




## Pursuing More "Good Things"

For the last five years, Fresh Del Monte's management team and employees have tirelessly pursued our mission to become a major contender in the global fresh and fresh-cut produce business. We significantly accelerated this goal in 2001, and we have every reason to expect our evolution to continue. Our confidence rests on a multitude of strengths: We have a sound and proven business strategy. We have the power of the global Del Monte® brand. We are the market leader in diverse product categories. We have vertically integrated global operations. And we have an expanding, efficient and value-added distribution network.

As we move forward, we plan to leverage these strengths to enhance and sustain our profitability. We will continue to build on our leading market position in key fresh produce categories; we will leverage our global operations, while implementing innovations to improve profitability; we will control costs; and we will work to build a larger revenue base.

Paramount to our ability to meet these objectives is the continuing support of our more than 20,000 employees around the globe, many of whom have devoted their entire careers to Fresh Del Monte. I have worked in the fresh produce industry for more than three decades, and I have never seen a more capable and committed team. From the most seasoned manager to the hardest-working agricultural professional, each of our employees takes tremendous pride in Fresh Del Monte and regards upholding our superior quality standards as a personal mission. Our employees are truly exceptional; I am humbled by their passion, and profoundly thankful for their dedication.

I am equally grateful to our shareholders, who have stood by with patience, support and unshakable confidence as they waited for the good things that finally came in 2001. Though we still have much work ahead, we believe that our outstanding 2001 performance clearly demonstrates that the dreams we have held for our Company for so long are at last becoming reality.

Mohammad Abu-Ghazaleh
Chairman and Chief Executive Officer
February 2002

# Operating Results

Fresh Del Monte Produce Inc. and Subsidiaries

## Overview

We are a leading vertically-integrated producer and marketer of high quality fresh and packaged fresh-cut fruit and vegetables. Our products include bananas, pineapples, cantaloupes, honeydew, watermelons, grapes, non-tropical fruit (including citrus, apples, pears, peaches, plums, nectarines, apricots and kiwi), plantains, Vidalia® sweet onions and various greens. We market our products worldwide under the DEL MONTE® brand, a symbol of product quality and reliability since 1892. Our global sourcing and logistics system allows us to provide regular delivery of consistently high quality produce and value-added services to our customers.

## Net Sales

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

Since our financial reporting currency is the dollar, our net sales are significantly affected by fluctuations in the value of the currency in which we conduct our sales versus the dollar, with a strong dollar versus such currencies resulting in reduced net sales in dollar terms. Our net sales for 2001 were negatively impacted by approximately $37 million, as compared to 2000, primarily as a result of a strong dollar versus the Euro and Japanese yen.

Our net sales growth in recent years has been achieved primarily through increased sales volume in existing markets of other fresh produce, primarily pineapples and melons, favorable pricing on our "*Del Monte Gold* tm *Extra Sweet*" pineapple, as well as acquisitions and expansion of value-added services such as banana ripening. Our net sales growth in recent years is also attributable, to a lesser extent, to a broadening of our product line with the expansion of our fresh-cut fruit and vegetable and sweet onion business. We expect our net sales growth to continue to be driven by increased sales volumes in our other fresh produce segment.

## Cost of Products Sold

Cost of products sold is principally composed of two elements, product and logistics costs. Product cost for company-grown produce is primarily composed of cultivation (the cost of growing crops), harvesting, packaging, labor, depreciation and farm administration. Product cost for produce obtained from independent growers is composed of produce cost and packaging costs. Logistics costs include air, land and sea transportation and expenses related to port facilities and distribution centers. Sea transportation cost is the most significant component of logistics costs and is comprised of the cost of chartering refrigerated vessels and vessel operating expenses. Vessel operating expenses for company-owned vessels include operations, maintenance, depreciation, insurance, fuel, the cost of which is subject to commodity price fluctuations, and port charges. For chartered vessels, operating expenses include the cost of chartering the vessels, fuel and port charges. Variations in containerboard prices, which affect the cost of boxes and other packaging materials, and fuel prices, can have a significant impact on our product cost and our profit margins. Containerboard, plastic, resin and fuel prices have historically been volatile. Containerboard and fuel prices increased significantly in 2000 as compared to 1999 and decreased in 2001 as compared to 2000.

Historically, we received subsidies from the Costa Rican government for the production and export of pineapples which we accounted for as a reduction in cost of products sold. These subsidies, which were $9.3 million for 1999, expired on December 31, 1999.

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

In 1998, our Guatemalan banana operations were interrupted as a result of Hurricane Mitch. The hurricane damage resulted in a one-time charge of $26.5 million for asset write offs and other costs, net of insurance proceeds and reduced banana production by approximately six million and two million boxes in 1999 and 1998, respectively, or approximately 5% and 2%, respectively, of our worldwide banana volume.

### Selling, General and Administrative Expenses

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

### Interest Expense

Interest expense consists primarily of interest on borrowings under working capital facilities that we maintain and interest on other long-term debt primarily for vessel purchases and capital lease obligations. Decreases in interest rates during 2001 significantly contributed to the decrease in interest expense combined with a lower average debt balance.

### Other Income (Loss), Net

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

### Provision for Income Taxes

Income taxes consist of the consolidation of the tax provisions, computed on a separate entity basis, in each country in which we have operations. Since we are a non-U.S. company with substantial operations outside the United States, a substantial portion of our results of operations is not subject to U.S. taxation. Many of the countries in which we operate have favorable tax rates. We are subject to U.S. taxation on our distribution operations in the United States. From time to time, tax authorities in various jurisdictions in which we operate audit our tax returns and review our business structures and positions and there are audits presently pending in various countries. There can be no assurance that any tax audits, or changes in existing tax laws or interpretations in countries in which we operate, will not result in an increased effective tax rate for us. We have established tax reserves as a result of various tax audits currently in process. The eventual outcome of these audits may differ from the estimated tax reserves.

## 2001 Compared with 2000

Fresh Del Monte Produce Inc. and Subsidiaries

### Net Sales

Net sales in 2001 were $1,928.0 million compared with $1,859.3 million in 2000. The increase in net sales of $68.7 million was attributable to the other fresh produce category, partially offset by lower banana net sales. Banana net sales decreased by $26.8 million as compared with the prior year due in part to a planned reduction in sales to selected less profitable markets, which was partially offset by increased per unit selling prices. Net sales of other fresh produce increased as a result of higher per unit sales prices of pineapples, melons, non-tropical fruit and fresh-cut products, as well as higher sales volumes of pineapples and fresh-cut products. The fresh-cut operations contributed $76.5 million to net sales in 2001.

Net sales were adversely affected by a stronger dollar versus the Euro and Japanese yen. The net effect of foreign exchange in 2001 compared with 2000 was a decrease in net sales of approximately $37 million.

### Cost of Products Sold

Cost of products sold was $1,645.1 million in 2001 compared with $1,692.4 million in 2000, a decrease of $47.3 million. The decrease is primarily due to the planned reduction in banana sales volume combined with lower sea transportation costs.

### Gross Profit

Gross profit was $282.9 million in 2001 compared with $166.9 million in 2000, an increase of $116.0 million or 70%. As a percentage of net sales, gross profit margin increased to 14.7% in 2001 from 9.0% in 2000, primarily due to the increase in per unit banana selling prices and the higher net sales of other fresh produce, principally pineapples and melons, and reduced sea transportation costs.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $8.5 million to $89.4 million in 2001 compared with $80.9 million in 2000. The increase is principally due to higher selling and marketing expenses in North America combined with higher professional fees and other expenses due to business expansion efforts.

### Provision for Kunia Well Site

As the result of communications with the EPA related to our leased plantation in Kunia, Hawaii, a charge of

$15.0 million for environmental remediation was recorded in 2001.

### Asset Impairment Charge

Based on the continued operating losses of certain growing and production facilities in South, Central and North America related to our banana and the other fresh produce categories and estimates of fair values related to these assets in 2001, we recorded a charge of $10.2 million for impairment of long-lived assets related primarily to property, plant and equipment to be disposed of or abandoned.

### Operating Income

Operating income in 2001 was $164.9 million compared with $82.6 million in 2000, an increase of $82.3 million, or 100%. The increase is due primarily to an increase in gross profit, partially offset by the increase in selling, general and administrative expenses.

### Interest Expense

Interest expense decreased $11.1 million to $32.1 million for 2001 compared with $43.2 million in 2000, as a result of lower effective interest rates during 2001 and a lower average debt balance.

### Other Income (Loss), Net

Other income (loss), net increased by $6.1 million to a loss of $12.2 million in 2001 from a loss of $6.1 million in 2000. The change was due primarily to foreign exchange losses and higher minority interest expense related to consolidated subsidiaries which are not wholly owned by us, partially offset by higher equity earnings of unconsolidated subsidiaries.

### Provision for Income Taxes

Provision for income taxes increased from $2.9 million in 2000 to $26.5 million in 2001 primarily due to adjustments that may result from ongoing audits in various jurisdictions, increased earnings in jurisdictions where tax rates are significantly higher, and jurisdictions in which the use of tax loss carry forwards cannot be assured.

We are currently undergoing tax audits in several jurisdictions for certain years prior to 2001. As a result of these examinations, we provided reserves of $19.1 million during 2001. The accrual for the audits are included in other noncurrent liabilities in our balance sheet at December 28, 2001. We believe the amounts accrued as of December 28, 2001 are sufficient to cover potential tax assessments for the years under examination.

## 2000 Compared with 1999

Fresh Del Monte Produce Inc. and Subsidiaries

### Net Sales

In 2000 net sales were $1,859.3 million compared with $1,743.2 million for 1999, an increase of 7%. The increase in net sales of $116.1 million was primarily the result of higher sales volume of other fresh produce, partially offset by lower per unit sales volume of bananas and the effect of a stronger dollar against the Euro.

Net sales of bananas decreased 3% in 2000 compared with 1999, as a result of a planned 4% reduction in sales volume in Europe and North America and lower per unit sales prices in Europe and the Asia-Pacific region, partially offset by higher per unit sales prices in North America. The decrease in per unit sales pricing in Europe and the Asia Pacific region resulted from an oversupply in these markets.

Net sales of other fresh produce increased by $137.6 million, or 20%, in 2000 compared with 1999 primarily due to an increase in unit sales volume of our extra sweet pineapples, melons, non-tropical fruit and fresh-cut operations and higher per unit sales prices of all of the major products. The increase in unit sales volume resulted from better yields from the melon operations and the introduction of our fresh-cut operations in late 1999. Our fresh-cut operations contributed $59.8 million to net sales in 2000.

Our net sales in 2000 were negatively impacted by the strengthening of the dollar versus the Euro, partially offset by a weaker dollar versus the Japanese yen. The net effect of foreign exchange for the year 2000 compared with 1999 was a decrease of approximately $35.0 million in net sales.

### Cost of Products Sold

Cost of products sold was $1,692.4 million for 2000 compared with $1,592.6 million for 1999, an increase of $99.8 million. The increase in cost of products sold was principally attributable to the increased unit sales volume in the other fresh produce segment.

### Gross Profit

Gross profit was $166.9 million for 2000 compared with $150.6 million for 1999, an increase of $16.3 million or 11%. As a percentage of net sales, gross profit remained relatively constant from 8.6% in 1999 to 8.9% in 2000. Gross profit was favorably impacted by increased sales volumes of other fresh produce and overall improved per unit sales prices, and negatively impacted by the effect of foreign exchange and higher fuel and containerboard prices.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $17.4 million to $80.9 million in 2000 compared with $63.5 million in 1999. This increase is primarily the result of increased sales and marketing expenses related to the expansion in North America, increased selling and marketing activities in the Asia-Pacific region, an increase in bad debt expense in certain European operations and increased sales volumes of other fresh produce.

### Interest Expense

Interest expense increased $13.0 million to $43.2 million for 2000 compared with $30.2 million in 1999, as a result of higher effective interest rates during 2000 and a higher average debt balance.

### Other Income (Loss), Net

Other income (loss), net was a loss of $6.1 million in 2000 compared to income of $14.7 million in 1999. The loss in 2000 was due primarily to foreign exchange losses and recognition of a $5.2 million loss due to a permanent decline in market value on available-for-sale securities, partially offset by equity income in unconsolidated subsidiaries. The income in 1999 was primarily due to Hurricane Mitch insurance recoveries of $13.5 million.

### Provision for Income Taxes

Provision for income taxes decreased from $14.7 million in 1999 to $2.9 million in 2000 primarily due to a decrease in taxable income in North America and Europe.

### Liquidity and Capital Resources

Net cash provided by operating activities for 2001 was $230.2 million, an increase of $131.7 million from 2000. The increase in net cash provided by operating activities was primarily attributable to the increase in net income, lower inventory balances, a reduction in the growth of accounts receivable, and a reduction in advances to growers and other receivables, combined with the changes in other noncurrent assets and liabilities, the accruals for Kunia Well Site and tax reserves and the asset impairment charges.

Net cash provided by operating activities for 2000 was $98.5 million, an increase of $59.6 million from 1999. The increase in net cash provided by operating activities was primarily attributable to lower inventory balances, prepaid expenses and other current assets and a reduction in the growth of accounts receivable, combined with changes in other noncurrent assets and liabilities.

Net cash used in investing activities was $66.6 million for 2001, $81.2 million for 2000 and $172.3 million for 1999. Net cash used in investing activities for 2001 consisted primarily of capital expenditures of $55.9 million and the acquisition of the remaining 50% interest in a Chilean subsidiary engaged in the production of grapes and non-tropical fruit for approximately $13.8 million. Capital expenditures for 2001 were primarily for expansion of our production facilities in South America and distribution facilities in North America and the Asia-Pacific region. Net cash used in investing activities for 2000 was primarily attributable to capital expenditures of $75.5 million and the acquisition of fresh-cut operations in the United States and a fresh produce distribution operation in the United Kingdom totaling $9.9 million. Capital expenditures for 2000 were primarily for expansion of our production and distribution facilities in North and South America and the purchase of pre-owned refrigerated vessels. Net cash used in investing activities for 1999 consisted primarily of capital expenditures of $100.8 million and the acquisition of a Belgian banana marketing company for $58.7 million. Capital expenditures for 1999 were primarily for expansion of our production and distribution facilities in North, Central and South America and the purchase of pre-owned refrigerated vessels. Capital expenditures were funded from our credit facility, from mortgages on the pre-owned refrigerated vessels and from our operating cash flows.

Net cash used in financing activities for 2001 and 2000 of $161.6 million and $37.7 million, respectively, were primarily for net payments on long-term debt. Net cash provided by financing activities for 1999 of $144.5 million was primarily attributed to borrowing under our revolving credit facility.

In recent years, we have financed our working capital and other liquidity requirements primarily through cash from operations and borrowings under our credit facility. We have a credit facility with Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., "Rabobank Nederland," New York Branch, which we refer to as Rabobank. Our obligations under the credit facility are guaranteed by certain of our subsidiaries. This credit facility includes a revolving line of credit, letter of credit facility and foreign exchange contract facility of up to $450 million and as of May 2000, a term loan of an additional $135 million. The credit facility is collateralized directly or indirectly by substantially all of our assets and requires us to meet certain covenants. We believe we are in compliance with these covenants. The revolving line of credit expires on May 19, 2003, and amounts outstanding under the revolving line of credit must be repaid by that date. We expect to refinance the revolving line of credit in 2002. We believe we will be able to refinance our revolving line of credit and obtain suitable terms based on our positive operating results and cash flows in recent years. The revolving line of credit permits borrowings with an interest rate based on a spread over LIBOR. The term loan is payable in quarterly installments of $3.4 million which commenced in September 2000, and bears interest based on a spread over LIBOR. The term loan matures on May 10, 2005 with a principal payment at maturity of $70.9 million. As of December 28, 2001, $2.7 million of the available credit line was applied towards the issuance of letters of credit. The principal amount outstanding under the revolving line of credit at December 28, 2001 was $130.4 million, bearing interest at a weighted average rate of 3.5% at that date. The unpaid balance on the term loan was $114.8 million at December 28, 2001, bearing interest at a rate of 4.34% at that date.

In connection with the revolving credit facility, we entered into an interest rate swap agreement expiring in January 2003 with Rabobank International in order to limit the effect of an increase in interest rates on a portion of the revolving credit facility. The notional amount of the swap decreases over its life from $150 million in the first three months to $53.6 million in the last three months. The cash differentials paid or received on the swap agreement are accrued and recognized as adjustments to interest expense. Interest expense related to the swap agreement for 2001 was $1.4 million. Interest income related to the swap agreement for 2000 was $0.3 million. Interest expense related to the swap agreement for 1999 was $0.9 million.

At December 28, 2001, we had $451.6 million in committed working capital facilities, of which $317.3 million was available. The major portion of these facilities is represented by the $450.0 million revolving credit facility.

As of December 28, 2001, we had $332.1 million of long-term debt and capital lease obligations, including the current portion, consisting of $130.4 million related to the revolving credit facility, $114.8 million related to the term loan, $50.3 million of long-term debt related to refrigerated vessel loans, $15.2 million of other long-term debt and $21.4 million of capital lease obligations.

Principal capital expenditures planned for 2002 consist of approximately $90 million for expansion of distribution and fresh-cut facilities in North America, Europe and the Asia-Pacific region, expansion of operating facilities in South and Central America and the acquisition of a pre-owned refrigerated vessel. We expect to fund our capital expenditures for the year 2002 from operating cash flows, borrowings under our revolving credit facility and a mortgage on the pre-owned refrigerated vessel.

We believe that cash generated from operations and available borrowings will be adequate to cover our cash needs during 2002. We generated cash from operations of $230.2 million in 2001 and have $317.3 million available under our revolving credit facility as of December 28, 2001. Based on our operating plan goals and borrowing capacity of our revolving credit facility, we believe we have sufficient cash to meet our obligations in 2002. Our revolving credit facility matures in May 2003. We believe we will be able to refinance our revolving line of credit and obtain suitable terms based on our positive operating results and cash flows in recent years.

### Other

We are involved in several legal and environmental matters which, if not resolved in our favor, could require significant cash outlays and could have a material adverse effect on our results of operations, financial condition and liquidity.

# Consolidated Balance Sheets

Fresh Del Monte Produce Inc. and Subsidiaries

| | December 28, 2001 | December 29, 2000 |
|---|---|---|
| | *(U.S. dollars in millions, except share data)* | |
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 13.0** | $ 10.6 |
| Trade accounts receivable, net of allowance of $13.9 and $12.5, respectively | **141.2** | 142.7 |
| Advances to growers and other receivables, net of allowance of $13.5 and $4.9, respectively | **39.7** | 56.3 |
| Inventories | **178.5** | 188.8 |
| Prepaid expenses and other current assets | **9.5** | 6.5 |
| Total current assets | **381.9** | 404.9 |
| Investments in unconsolidated companies | **42.9** | 51.7 |
| Property, plant and equipment, net | **658.1** | 635.6 |
| Other noncurrent assets | **37.0** | 47.9 |
| Goodwill, net of accumulated amortization of $12.2 and $9.3, respectively | **77.0** | 81.5 |
| Total assets | **$1,196.9** | $1,221.6 |
| **Liabilities and shareholders' equity** | | |
| Current liabilities: | | |
| Notes payable to banks | **$ 1.2** | $ 0.4 |
| Accounts payable and accrued expenses | **186.2** | 187.1 |
| Current portion of long-term debt and capital lease obligations | **49.9** | 51.1 |
| Income taxes payable | **12.7** | 9.4 |
| Total current liabilities | **250.0** | 248.0 |
| Long-term debt | **267.4** | 416.6 |
| Capital lease obligations | **14.8** | 17.4 |
| Retirement benefits | **53.2** | 53.2 |
| Other noncurrent liabilities | **41.0** | 9.6 |
| Deferred income taxes | **7.7** | 8.5 |
| Total liabilities | **634.1** | 753.3 |
| Minority interest | **12.3** | 11.1 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Preferred shares, $0.01 par value; 50,000,000 shares authorized; none issued or outstanding | **—** | — |
| Ordinary shares, $0.01 par value; 200,000,000 shares authorized; 54,091,650 and 53,763,600 shares issued and outstanding | **0.5** | 0.5 |
| Paid-in capital | **329.7** | 327.1 |
| Retained earnings | **236.4** | 140.2 |
| Accumulated other comprehensive loss | **(16.1)** | (10.6) |
| Total shareholders' equity | **550.5** | 457.2 |
| Total liabilities and shareholders' equity | **$1,196.9** | $1,221.6 |

See accompanying notes

# Consolidated Statements of Income

Fresh Del Monte Produce Inc. and Subsidiaries

| | Year Ended | | |
|---|---|---|---|
| | **December 28, 2001** | December 29, 2000 | December 31, 1999 |
| | *(U.S. dollars in millions, except share data)* | | |
| Net sales | **$ 1,928.0** | $ 1,859.3 | $ 1,743.2 |
| Cost of products sold | **1,645.1** | 1,692.4 | 1,592.6 |
| Gross profit | **282.9** | 166.9 | 150.6 |
| Selling, general and administrative expenses | **89.4** | 80.9 | 63.5 |
| Amortization of goodwill | **3.4** | 3.4 | 2.6 |
| Provision for Kunia Well Site | **15.0** | — | — |
| Asset impairment charges | **10.2** | — | — |
| Operating income | **164.9** | 82.6 | 84.5 |
| Interest expense | **32.1** | 43.2 | 30.2 |
| Interest income | **2.1** | 2.7 | 2.6 |
| Other income (loss), net | **(12.2)** | (6.1) | 14.7 |
| Income before provision for income taxes | **122.7** | 36.0 | 71.6 |
| Provision for income taxes | **26.5** | 2.9 | 14.7 |
| Net income | **$ 96.2** | $ 33.1 | $ 56.9 |
| Net income per share: | | | |
| Basic | **$ 1.79** | $ 0.62 | $ 1.06 |
| Diluted | **$ 1.77** | $ 0.62 | $ 1.06 |
| Weighted average number of ordinary shares outstanding: | | | |
| Basic | **53,856,392** | 53,763,600 | 53,763,600 |
| Diluted | **54,414,868** | 53,764,383 | 53,805,237 |

See accompanying notes

# Consolidated Statements of Cash Flows

Fresh Del Monte Produce Inc. and Subsidiaries

| | Year Ended | | |
|---|---|---|---|
| | **December 28, 2001** | December 29, 2000 | December 31, 1999 |
| | | *(U.S. dollars in millions)* | |
| **Operating activities:** | | | |
| Net income | **$ 96.2** | $ 33.1 | $ 56.9 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Goodwill amortization | **3.4** | 3.4 | 2.6 |
| Depreciation and amortization other than goodwill | **57.8** | 54.4 | 42.6 |
| Provision for Kunia Well Site | **15.0** | — | — |
| Asset impairment charges | **10.2** | — | — |
| Deferred credit vessel leases | **—** | (2.9) | (4.8) |
| Equity in earnings of unconsolidated companies, net of dividends | **(1.6)** | (1.4) | 2.1 |
| Gain on insurance proceeds related to Hurricane Mitch | **—** | — | (13.5) |
| Unrealized loss on available-for-sale marketable securities | **0.1** | 5.2 | — |
| Deferred income taxes | **(0.8)** | (2.8) | 6.4 |
| Other, net | **4.3** | 2.3 | 2.0 |
| Changes in operating assets and liabilities: | | | |
| Receivables | **16.2** | (10.6) | (22.9) |
| Inventories | **10.5** | 7.4 | (40.3) |
| Prepaid expenses and other current assets | **(3.1)** | 6.9 | 21.6 |
| Accounts payable and accrued expenses | **(0.3)** | (2.5) | (1.6) |
| Other noncurrent assets and liabilities | **22.3** | 6.0 | (12.2) |
| **Net cash provided by operating activities** | **230.2** | 98.5 | 38.9 |
| **Investing activities:** | | | |
| Capital expenditures | **(55.9)** | (75.5) | (100.8) |
| Capital expenditures due to Hurricane Mitch, net of insurance proceeds | **—** | (3.1) | (2.8) |
| Proceeds from sale of assets | **1.4** | 5.9 | 0.1 |
| Purchase of subsidiaries, net of cash acquired | **(13.8)** | (9.9) | (67.7) |
| Other investing activities, net | **1.7** | 1.4 | (1.1) |
| **Net cash used in investing activities** | **(66.6)** | (81.2) | (172.3) |
| **Financing activities:** | | | |
| Proceeds from long-term debt | **256.0** | 273.5 | 321.6 |
| Payments on long-term debt | **(413.2)** | (307.8) | (181.4) |
| Proceeds from short-term borrowings | **2.2** | 5.8 | 10.6 |
| Payments on short-term borrowings | **(6.8)** | (8.5) | (5.9) |
| Other financing activities, net | **0.2** | (0.7) | (0.4) |
| **Net cash provided by (used in) financing activities** | **(161.6)** | (37.7) | 144.5 |
| Effect of exchange rate changes on cash and cash equivalents | **0.4** | (0.2) | (4.5) |
| Cash and cash equivalents: | | | |
| Net change | **2.4** | (20.6) | 6.6 |
| Beginning balance | **10.6** | 31.2 | 32.8 |
| Net cash change due to change in year end of subsidiaries | **—** | — | (8.2) |
| Ending balance | **$ 13.0** | $ 10.6 | $ 31.2 |
| **Supplemental non-cash activities:** | | | |
| Capital lease obligations for new assets | **$ 4.4** | $ 13.9 | $ 2.5 |

See accompanying notes

# Consolidated Statements of Shareholders' Equity

Fresh Del Monte Produce Inc. and Subsidiaries

| | Ordinary Shares Outstanding | Ordinary Shares | Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total Shareholders' Equity |
|---|---|---|---|---|---|---|
| | | | (U.S. dollars in millions) | | | |
| Balance at January 1, 1999 | 53,763,600 | $0.5 | $327.1 | $ 57.8 | $ (2.9) | $382.5 |
| Net loss of IAT for the three month period ended January 1, 1999 | — | — | — | (7.6) | — | (7.6) |
| Comprehensive income: | | | | | | |
| Net income | — | — | — | 56.9 | — | 56.9 |
| Unrealized loss on available-for-sale marketable securities | — | — | — | — | (3.7) | (3.7) |
| Currency translation adjustment | — | — | — | — | (2.3) | (2.3) |
| Comprehensive income | | | | | | 50.9 |
| Balance at December 31, 1999 | 53,763,600 | 0.5 | 327.1 | 107.1 | (8.9) | 425.8 |
| Comprehensive income: | | | | | | |
| Net income | — | — | — | 33.1 | — | 33.1 |
| Unrealized loss on available-for-sale marketable securities, net of reclassification for losses of $5.2 included in net income | — | — | — | — | 3.6 | 3.6 |
| Currency translation adjustment | — | — | — | — | (5.3) | (5.3) |
| Comprehensive income | | | | | | 31.4 |
| Balance at December 29, 2000 | 53,763,600 | 0.5 | 327.1 | 140.2 | (10.6) | 457.2 |
| Issuance of ordinary shares upon exercise of stock options | 328,050 | — | 2.6 | — | — | 2.6 |
| Comprehensive income: | | | | | | |
| Net income | — | — | — | 96.2 | — | 96.2 |
| Unrealized loss on available-for-sale marketable securities, net of reclassification for losses of $0.1 included in net income | — | — | — | — | 0.1 | 0.1 |
| Currency translation adjustment | — | — | — | — | (3.3) | (3.3) |
| Unrealized loss on derivatives | — | — | — | — | (2.3) | (2.3) |
| Comprehensive income | | | | | | 90.7 |
| Balance at December 28, 2001 | 54,091,650 | $0.5 | $329.7 | $236.4 | $(16.1) | $550.5 |

See accompanying notes

# Notes to Consolidated Financial Statements

Fresh Del Monte Produce Inc. and Subsidiaries

## 1. General

Fresh Del Monte Produce Inc. (Fresh Del Monte) was incorporated under the laws of the Cayman Islands on August 29, 1996 and is 56.5% owned by IAT Group Inc. which is 100% beneficially owned by members of the Abu-Ghazaleh family. In addition, members of the Abu-Ghazaleh family directly own 9.1% of the outstanding ordinary shares of Fresh Del Monte.

On September 17, 1998, Fresh Del Monte acquired 14 wholly owned operating companies from IAT Group Inc. and its shareholders (collectively, such companies are known as IAT and their acquisition is known as the IAT transaction). At the time of the IAT transaction, IAT Group Inc. owned approximately 86% of FG Holdings Limited, which in turn owned approximately 63% of Fresh Del Monte. As a result, the IAT transaction was accounted for as a combination of entities under common control using the as if pooling of interests method of accounting.

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

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

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

## 2. Summary of Significant Accounting Policies

*Principles of Consolidation*

The consolidated financial statements include the accounts of Fresh Del Monte and its majority owned subsidiaries which Fresh Del Monte controls. Fresh Del Monte's fiscal year end is the last Friday of the calendar year or the first Friday subsequent to the end of the calendar year, whichever is closest to the end of the calendar year. All significant intercompany accounts and transactions have been eliminated in consolidation.

*Use of Estimates*

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

*Cash and Cash Equivalents*

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

*Inventories*

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

## Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

*Growing Crops*

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

*Investments in Unconsolidated Companies*

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

*Property, Plant and Equipment*

Property, plant and equipment are stated at cost. Depreciation is recorded following the straight-line method over the estimated useful lives of the assets, which range from 10 to 30 years for buildings, 10 to 20 years for ships and containers, 2 to 20 years for machinery and equipment, 3 to 7 years for furniture, fixtures and office equipment and 2 to 10 years for automotive equipment. Leasehold improvements are amortized over the life of the lease or the related asset, whichever is shorter. When assets are retired or disposed of, the costs and accumulated depreciation or amortization are removed from the respective accounts and any related gain or loss is recognized. Maintenance and repairs are charged to expense when incurred. Significant expenditures, which extend useful lives of assets, are capitalized. Costs related to land improvements for bananas, pineapples, grapes and non-tropical fruit and other agricultural projects are deferred during the formative stage and are amortized over the estimated life of the project.

*Goodwill*

Goodwill has been amortized on a straight-line basis over its estimated useful life which ranges from 10 to 40 years. Fresh Del Monte continually assesses the carrying value of its goodwill in order to determine whether an impairment has occurred. This assessment takes into account both historical and forecasted results of operations including consideration of a terminal value. See further discussion under ''New Accounting Pronouncements''.

*Impairment of Long-Lived Assets*

Fresh Del Monte accounts for the impairment of long-lived assets in accordance with 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 write downs to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Based on the continued operating losses of certain growing and production facilities in South and North America related to the banana and the other fresh produce segments and estimates of fair values related to these assets, Fresh Del Monte recorded a charge of $10.2 million for impairment of long-lived assets in 2001, related primarily to property, plant and equipment to be disposed of or abandoned.

*Revenue Recognition*

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

*Cost of Products Sold*

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

*Income Taxes*

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

*Environmental Remediation Liabilities*

Losses associated with environmental remediation obligations are accrued when such losses are probable and can be reasonably estimated. Fresh Del Monte recorded a

# Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

provision of $15.0 million in 2001 related to the environmental remediation for the Kunia Well Site (see Note 18).

*Currency Translation*

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

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

Other income (loss), net in the accompanying consolidated statements of income includes approximately $12.9 million, $4.7 million and $3.6 million in net losses on foreign exchange for 2001, 2000 and 1999, respectively. These amounts include the effect of foreign currency translation, realized foreign currency gains and losses and changes in the value of the foreign currency accounts receivable and related forward contracts.

*Stock Based Compensation*

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

*Derivative Financial Instruments*

Effective December 30, 2000, Fresh Del Monte adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), as amended by Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS No. 133, as amended, requires the recognition of all derivative instruments as either assets or liabilities on the balance sheet measured at fair value and establishes new accounting rules for the hedging instrument depending on the nature of the hedge relationship. A fair value hedge requires that the effective portion of the change in the fair value of a derivative instrument be offset against the change in the fair value of the underlying asset, liability, or firm commitment being hedged through earnings. A cash flow hedge requires that the effective portion of the change in the fair value of a derivative instrument be recognized in other comprehensive income, a component of shareholders' equity, and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Any ineffective portion of a derivative instrument's change in fair value is immediately recognized in earnings. The consolidated financial statements for the year ended December 28, 2001 comply with the provisions required by SFAS No. 133, while the consolidated financial statements for the years ended on or before December 29, 2000 and December 31, 1999 were prepared in accordance with the applicable professional literature for derivatives and hedging instruments in effect at that time.

*Reclassifications*

Certain amounts from 2000 and 1999 have been reclassified to conform to the 2001 presentation.

*New Accounting Pronouncements*

In July 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations" (SFAS No. 141) and No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142). SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method and changes the criteria to recognize intangible assets apart from good-

# Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

will. Under SFAS No. 142, goodwill and intangible assets with indefinite lives will no longer be amortized but will be reviewed annually, or more frequently if indicators arise, for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives. The amortization provisions of SFAS No. 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, Fresh Del Monte will adopt SFAS No. 142 effective December 29, 2001. Adoption of the provisions of SFAS No. 142 will eliminate goodwill amortization starting in 2002.

During 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). SFAS 144 superseded Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. SFAS No. 144 also amended Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. Fresh Del Monte will adopt SFAS 144 on December 29, 2001, and expects the adoption of this standard will not have a material impact on its financial condition, results of operations or cash flows.

## 3. Acquisitions

*Agricola Villa Alegre*

In June 2001, a subsidiary of Fresh Del Monte, which owned a 50% interest in Agricola Villa Alegre Limitada (Villa Alegre), a producer of grapes and non-tropical fruit in Chile, acquired the remaining 50% interest in Villa Alegre. The total consideration paid in connection with the acquisition of the remaining 50% interest was $13.8 million in cash and the assumption of approximately $2.7 million in short-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. For the period prior to the acquisition, Fresh Del Monte accounted for the earnings from its original 50% investment in Villa Alegre using the equity method of accounting (see Note 5). Effective June 29, 2001, the operating results of Villa Alegre were consolidated with the operating results of Fresh Del Monte.

The following unaudited pro forma information presents a summary of consolidated results of operations of Fresh Del Monte as if the acquisition of the remaining 50% interest in Villa Alegre had occurred on January 1, 2000 (U.S. dollars in millions, except share data):

| | Year Ended | |
|---|---|---|
| | **December 28, 2001** | December 29, 2000 |
| Net sales | **$ 1,928.0** | $ 1,859.3 |
| Net income | **95.8** | 32.7 |
| Diluted net income per share | **$ 1.76** | $ 0.61 |
| Number of ordinary shares used in computation | **54,414,868** | 53,764,383 |

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 50% interest in Villa Alegre occurred on January 1, 2000, or of future results of operations of the consolidated entities.

*Belgian Acquisition*

On January 14, 1999, Fresh Del Monte acquired all of the outstanding shares of Banana Marketing Belgium N.V. (BMB) and executed a long-term banana purchase agreement with a subsidiary of C.I. Banacol S.A. (Banacol). Banacol is a significant producer of bananas and BMB was Banacol's exclusive marketing company in Europe.

The total consideration paid in connection with the acquisition of BMB was $58.7 million. The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the assets acquired of $36.9 million, consisting primarily of European banana import licenses, based on an appraisal. The value assigned to the banana import licenses is included in other noncurrent assets and was being amortized over their estimated life of five years. On May 12, 2001, the European Commission adopted a new regulation which implemented a banana import system based on an agreement reached by the European Union with the U.S. government. The new system became effective July 1, 2001 and maintains the use of the banana import

# Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

licenses until December 31, 2005. Based on this new system, Fresh Del Monte extended the amortization period of the banana import licenses acquired through December 31, 2005. The excess of the purchase price over the fair value of net assets acquired of $21.8 million was classified as goodwill and is being amortized over 20 years.

The effect of the change in the amortization period of the Belgian licenses is a reduction in amortization expense of $1.9 million or $0.03 per diluted share for 2001.

## 4. Inventories

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

| | December 28, 2001 | December 29, 2000 |
|---|---|---|
| Fresh produce, principally in-transit | $ 44.1 | $ 52.4 |
| Raw materials and packaging supplies | 70.0 | 79.3 |
| Growing crops | 64.4 | 57.1 |
| | $178.5 | $188.8 |

## 5. Investments in Unconsolidated Companies

Fresh Del Monte utilizes the equity method of accounting for investments in 20% to 50% owned companies and for investments in over 50% owned companies over which Fresh Del Monte does not have control. Investments in unconsolidated companies accounted for under the equity method amounted to $41.3 million and $50.3 million at December 28, 2001 and December 29, 2000, respectively. At December 28, 2001 and December 29, 2000, net amounts receivable from unconsolidated companies amounted to $6.8 million and $13.7 million, respectively.

These unconsolidated companies are engaged in the manufacturing of corrugated boxes (Compañia Industrial Corrugadora Guatemala, S.A. — 50% owned) and the production and distribution of fresh fruit and other produce (Davao Agricultural Ventures Corporation — 40% owned; Agricola Villa Alegre, Limitada — 50% owned through June 29, 2001 (see Note 3); various melon farms — 50% owned; and Internationale Fruchtimport Gesellschaft Weichert & Co. (Interfrucht) — a non-controlling 80% interest).

Purchases from these unconsolidated companies were $62.4 million, $63.8 million and $58.7 million for 2001, 2000 and 1999, respectively.

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

| | December 28, 2001 | December 29, 2000 |
|---|---|---|
| Current assets | $ 48.2 | $ 53.2 |
| Noncurrent assets | 52.4 | 83.2 |
| Current liabilities | (23.6) | (37.7) |
| Noncurrent liabilities | (5.2) | (6.6) |
| Net worth | $ 71.8 | $ 92.1 |

| | Year Ended | | |
|---|---|---|---|
| | December 28, 2001 | December 29, 2000 | December 31, 1999 |
| Net sales | $193.8 | $206.0 | $228.4 |
| Gross profit | 10.4 | 15.9 | 14.0 |
| Net income | 6.6 | 5.8 | 6.3 |

Fresh Del Monte's portion of earnings in unconsolidated companies amounted to $4.1 million, $3.6 million and $3.7 million, in 2001, 2000 and 1999, respectively, and is included in other income (loss), net. Dividends received from unconsolidated subsidiaries amounted to $2.5 million, $2.2 million and $5.8 million in 2001, 2000 and 1999, respectively.

## 6. Property, Plant and Equipment

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

| | December 28, 2001 | December 29, 2000 |
|---|---|---|
| Land and land improvements | $ 251.8 | $ 228.6 |
| Buildings and leasehold improvements | 158.7 | 155.0 |
| Maritime equipment (including containers) | 210.4 | 207.2 |
| Machinery and equipment | 140.8 | 125.6 |
| Furniture, fixtures and office equipment | 52.8 | 50.6 |
| Automotive equipment | 17.0 | 15.9 |
| Construction-in-progress | 36.6 | 23.2 |
| | 868.1 | 806.1 |
| Less accumulated depreciation and amortization | (210.0) | (170.5) |
| | $ 658.1 | $ 635.6 |

# Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

Depreciation and amortization expense on property, plant and equipment amounted to $51.5 million, $46.2 million and $36.3 million for 2001, 2000 and 1999, respectively.

Buildings, containers, machinery and equipment and automotive equipment under capital leases totaled $38.1 million and $33.6 million at December 28, 2001 and December 29, 2000, respectively. Accumulated amortization for assets under capital leases was $10.2 million and $6.2 million at December 28, 2001 and December 29, 2000, respectively.

## 7. Hurricane Mitch

In 1998, Fresh Del Monte's Guatemalan banana operations were damaged as a result of Hurricane Mitch. Insurance recoveries related to Hurricane Mitch of $13.5 million are included in other income (loss), net for the year ended December 31, 1999.

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

## 8. Accumulated Other Comprehensive Loss

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

| | Currency Translation Adjustments | Unrealized Gain/(Loss) on Available-for-Sale Marketable Securities | Unrealized Loss on Derivatives | Total |
|---|---|---|---|---|
| Balance, January 1, 1999 | $ (2.9) | $ — | $ — | $ (2.9) |
| Current year net change in accumulated other comprehensive income (loss) | (2.3) | (3.7) | — | (6.0) |
| Balance, December 31, 1999 | (5.2) | (3.7) | — | (8.9) |
| Current year net change in accumulated other comprehensive income (loss) | (5.3) | 3.6 | — | (1.7) |
| Balance, December 29, 2000 | (10.5) | (0.1) | — | (10.6) |
| Current year net change in accumulated other comprehensive income (loss) | (3.3) | 0.1 | (2.3) | (5.5) |
| Balance, December 28, 2001 | $(13.8) | $ — | $(2.3) | $(16.1) |

## 9. Accounts Payable and Accrued Expenses

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

| | **December 28, 2001** | December 29, 2000 |
|---|---|---|
| Trade payables | **$ 85.0** | $ 93.2 |
| Payroll and employee benefits | **11.7** | 9.7 |
| Vessel and port operating expenses | **14.7** | 16.4 |
| Accrued interest payable | **2.0** | 3.0 |
| Other payables and accrued expenses | **72.8** | 64.8 |
| | **$186.2** | $187.1 |

# Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

## 10. Provision for Income Taxes

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

| | Year Ended December 28, 2001 | December 29, 2000 | December 31, 1999 |
|---|---|---|---|
| **Current:** | | | |
| U.S. federal income tax | $18.1 | $ — | $ 2.5 |
| State | 0.3 | — | 0.3 |
| Non-U.S. | 8.9 | 5.7 | 5.8 |
| | 27.3 | 5.7 | 8.6 |
| **Deferred:** | | | |
| U.S. | (1.0) | (1.0) | 1.7 |
| Non-U.S. | 0.2 | (1.8) | 4.4 |
| | (0.8) | (2.8) | 6.1 |
| Provision for income taxes | $26.5 | $ 2.9 | $14.7 |

Total income tax payments during 2001, 2000 and 1999 were $6.3 million, $3.9 million and $5.9 million, respectively.

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

| | Year Ended December 28, 2001 | December 29, 2000 | December 31, 1999 |
|---|---|---|---|
| United States | $ (26.0) | $(13.5) | $ 3.3 |
| Non-U.S. | 148.7 | 49.5 | 68.3 |
| | $122.7 | $ 36.0 | $71.6 |

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 28, 2001 | December 29, 2000 | December 31, 1999 |
|---|---|---|---|
| Income tax provision computed at the U.S. statutory federal income tax rate | $ 42.9 | $12.6 | $ 25.1 |
| Effect of tax rates on non-U.S. operations, and changes in valuation allowance for non-U.S. operations | (42.4) | (9.7) | (10.5) |
| Reserve for tax audits | 19.1 | | |
| Valuation allowance for U.S. net loss carryforwards | 6.9 | — | — |
| Other | — | — | 0.1 |
| | $ 26.5 | $ 2.9 | $ 14.7 |

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

| | December 28, 2001 | December 29, 2000 |
|---|---|---|
| **Deferred Tax Liabilities:** | | |
| Inventories | $ (9.6) | $ (8.6) |
| Depreciation | (15.9) | (14.2) |
| Equity in earnings of unconsolidated companies | (4.5) | (4.1) |
| Total deferred tax liabilities | (30.0) | (26.9) |
| **Deferred Tax Assets:** | | |
| Pension liability | 1.7 | 1.1 |
| Post-retirement benefits other than pension | 7.2 | 6.7 |
| Net operating loss carryforwards | 27.0 | 29.8 |
| Other, net | 11.5 | 8.6 |
| Total deferred tax assets | 47.4 | 46.2 |
| Valuation allowance | (25.1) | (27.8) |
| Net deferred tax liabilities | $ (7.7) | $ (8.5) |

## Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

The valuation allowance established with respect to the deferred tax assets relates primarily to net operating losses and employee benefit accruals in taxing jurisdictions where, due to Fresh Del Monte's current and foreseeable operations within the various jurisdictions, it is deemed more likely than not that future taxable income will not be sufficient within such jurisdictions to realize the related income tax benefits. During 2001, the valuation allowance decreased by $2.7 million. In 2001, non-U.S. net operating loss carryforwards expired for which $11.3 million of deferred tax assets and valuation allowance had been previously recorded.

At December 28, 2001, Fresh Del Monte had approximately $130.4 million of tax operating loss carry forwards expiring as follows (U.S. dollars in millions):

| Expiration | Amount |
|---|---|
| 2003 | $ 12.1 |
| 2004 | 1.6 |
| 2005 | 0.3 |
| 2006 and beyond | 23.1 |
| No expiration | 93.3 |
| | $130.4 |

Fresh Del Monte is currently undergoing tax audits in several jurisdictions for certain years prior to 2001. As a result of these examinations, Fresh Del Monte has provided reserves of $19.1 million during 2001. The accrual for the audits are included in other noncurrent liabilities in the accompanying balance sheet at December 28, 2001. Fresh Del Monte believes the amounts accrued as of December 28, 2001 are sufficient to cover potential tax assessments for the years under examination.

### 11. Notes Payable to Banks

Fresh Del Monte has $1.6 million of working capital revolving credit facilities with banks in Japan and Chile. These facilities expire on May 2002 and June 2002 and bear interest, as of December 28, 2001, at 2.5% and 4.0%, respectively. As of December 28, 2001, there was $1.2 million in borrowings outstanding under these credit facilities. As of December 29, 2000, Fresh Del Monte also had a working capital facility with the same Japanese bank with an outstanding balance of $0.4 million.

The weighted average interest rate on borrowings under these short-term credit facilities as of December 28, 2001 and December 29, 2000 was 3.5% and 2.5%, respectively. The cash payments for interest on notes payable to banks and other financial institutions was $0.4 million, $0.3 million and $0.2 million for 2001, 2000, 1999, respectively.

# Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

## 12. Long-Term Debt

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

| | December 28, 2001 | December 29, 2000 |
|---|---|---|
| $450.0 million five-year syndicated credit facility (see below) | **$130.4** | $246.3 |
| $135.0 million five-year term loan (see below) | **114.8** | 128.2 |
| Term notes bearing interest at various rates ranging from 8.62% to LIBOR plus 1.25%, set quarterly (3.27% at December 28, 2001), payable in quarterly installments of principal and interest maturing in January 2003 and January 2004, secured by mortgages on five of Fresh Del Monte's vessels | **7.6** | 11.9 |
| Term notes bearing interest at 8.62%, payable in quarterly installments of principal and interest maturing in January 2003, secured by mortgages on five of Fresh Del Monte's vessels | **9.9** | 17.2 |
| Term notes bearing interest at various rates ranging from 7.14% to LIBOR plus 1.25%, set quarterly (3.84% at December 28, 2001), payable in quarterly installments of principal and interest maturing from August 2001 to January 2005, with a balloon payment of $6.9 million due in January 2005, secured by mortgages on five of Fresh Del Monte's vessels for 2000 and three for 2001 | **17.3** | 22.6 |
| Term notes payable to financial institutions, bearing interest at LIBOR plus 1%, set quarterly (3.27% at December 28, 2001) due October 2003, secured by mortgages on five of Fresh Del Monte's vessels | **15.5** | 22.6 |
| Various other notes payable | **15.2** | 12.8 |
| Total | **310.7** | 461.6 |
| Less current portion | **(43.3)** | (45.0) |
| | **$267.4** | $416.6 |

On May 19, 1998, Fresh Del Monte, and certain wholly-owned subsidiaries, entered into a $350.0 million, five-year syndicated credit facility (the Revolving Credit Facility), with Rabobank International, New York Branch, as agent. On December 15, 1998, the Revolving Credit Facility was amended to increase the borrowing level to $389.0 million and on May 20, 1999, the Revolving Credit Facility was amended to increase the borrowing level to $450.0 million. The Revolving Credit Facility includes a swing line facility, a letter of credit facility and an exchange contract facility. The Revolving Credit Facility is collateralized directly or indirectly by substantially all of the assets of Fresh Del Monte and its subsidiaries. The facility expires on May 19, 2003, and permits borrowings with an interest rate based on a spread over the London Interbank offered rate (LIBOR). Outstanding borrowings at December 28, 2001 were $130.4 million, bearing interest at a weighted average rate of 3.5%. At December 28, 2001, Fresh Del Monte applied $2.7 million of available credit under this facility towards the issuance of letters of credit.

On May 10, 2000, Fresh Del Monte amended its $450.0 million Revolving Credit Facility to include a five-year term loan (Term Loan) of $135.0 million giving Fresh Del Monte a total borrowing capacity under this facility of $585.0 million. The Term Loan has similar terms and conditions as the Revolving Credit Facility, is payable in quarterly installments of $3.4 million which commenced in September 2000, and bears interest based on a spread over LIBOR. The Term Loan matures on May 10, 2005 with a balloon payment of $70.9 million. The unpaid balance at December 28, 2001 of the Term Loan was $114.8 million bearing interest at a rate of 4.34%.

The Revolving Credit Facility contains covenants which require Fresh Del Monte to maintain certain minimum financial ratios and limits the payment of future dividends. In connection with the Revolving Credit Facility, Fresh Del Monte entered into an interest rate swap agreement expiring in 2003 with the same bank to limit the effect of increases in interest rates on a portion of the Revolving Credit Facility. The notional amount of the swap decreases over its life from $150.0 million in the first three months, to $53.6 million in the last three months. The cash differentials paid or received on the swap agreement are accrued and recognized as adjustments to interest expense. Interest expense related to the swap agreement amounted to $1.4 million for 2001. Interest

## Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

income related to the swap agreement for 2000 amounted to $0.3 million. Interest expense related to the swap agreement for 1999 amounted to $0.9 million.

Cash payments of interest on long-term debt, net of amounts capitalized were $28.9 million, $38.3 million and $27.2 million for 2001, 2000 and 1999, respectively.

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

| | |
|---|---|
| 2002 | $ 43.3 |
| 2003 | 161.8 |
| 2004 | 17.7 |
| 2005 | 82.0 |
| 2006 | 1.3 |
| Thereafter | 4.6 |
| | $310.7 |

### 13. Capital Lease Obligations

Fresh Del Monte leases certain buildings, machinery and equipment, and containers under capital leases. These lease obligations are payable in monthly installments. The future minimum lease payments at December 28, 2001 are as follows (U.S. dollars in millions):

| | |
|---|---|
| 2002 | $ 7.6 |
| 2003 | 7.1 |
| 2004 | 4.5 |
| 2005 | 2.1 |
| 2006 | 3.7 |
| Thereafter | — |
| Total payments remaining under capital leases | 25.0 |
| Less amount representing interest | (3.6) |
| Present value of capital leases | 21.4 |
| Less current portion | (6.6) |
| Capital lease obligations, net of current portion | $14.8 |

### 14. Earnings Per Share

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

| | Year Ended | | |
|---|---|---|---|
| | **December 28, 2001** | December 29, 2000 | December 31, 1999 |
| **Numerator:** | | | |
| Net income | **$ 96.2** | $ 33.1 | $ 56.9 |
| **Denominator:** | | | |
| Denominator for basic earnings per share — weighted average number of ordinary shares outstanding | **53,856,392** | 53,763,600 | 53,763,600 |
| Effect of dilutive securities: | | | |
| Employee stock options | **558,476** | 783 | 41,637 |
| Denominator for diluted earnings per share | **54,414,868** | 53,764,383 | 53,805,237 |
| Net income per share: | | | |
| Basic | **$ 1.79** | $ 0.62 | $ 1.06 |
| Diluted | **$ 1.77** | $ 0.62 | $ 1.06 |

The number of outstanding stock options considered antidilutive for either part or all of the fiscal year and not included in the calculation of diluted net income per share for 2001, 2000 and 1999 were 1,478,000 3,082,000 and 3,078,000, respectively.

### 15. Retirement and Other Employee Benefits

Fresh Del Monte sponsors two non-contributory defined benefit pension plans, which cover a portion of its U.S. based employees. These plans provide benefits based on the employees' years of service and qualifying compensation. Fresh Del Monte's funding policy for these plans is to contribute amounts sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended, or such additional amounts as determined appropriate to assure that assets of the plans would be adequate to provide benefits. Substantially all of the plans' assets are invested in fixed income and equity funds.

As of July 31, 1997, a subsidiary of Fresh Del Monte ceased accruing benefits under its cash balance pension plan covering all salaried employees who were U.S. based and worked a specified minimum number of hours. The hypothetical account balances under such plan continued

## Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

to be credited with monthly interest and participants who are not fully vested in such plan continued to earn vesting services after July 31, 1997. Fresh Del Monte adopted an amendment to terminate the cash balance plan effective as of December 31, 1999 and a settlement distribution of $10.1 million was paid during 2000. The loss recognized in 2000 due to settlement amounted to $1.1 million.

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

The weighted average discount rate used in determining the accumulated benefit obligation for postretirement pension benefit obligation was 7.25% at December 28, 2001 and December 29, 2000. For measuring the liability as of December 28, 2001, a 10% annual rate of increase in real medical inflation, declining gradually to 4% by the year 2007 and thereafter, were assumed.

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

| | December 28, 2001 | December 29, 2000 |
|---|---|---|
| Weighted average discount rate | 6.00% - 7.25% | 6.00% - 7.50% |
| Rate of increase in compensation levels | 4.50% | 4.50% |
| Expected long-term return on assets | 8.75% | 7.75% - 8.75% |

# Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

The following table sets forth a reconciliation of benefit obligations, plan assets and funded status for Fresh Del Monte's defined benefit pension plans and post retirement pension plan as of December 28, 2001 and December 29, 2000 (U.S. dollars in millions):

| | Postretirement Plan | | Defined Benefit Plans | |
|---|---|---|---|---|
| | **December 28, 2001** | December 29, 2000 | **December 28, 2001** | December 29, 2000 |
| **Changes in Benefit Obligation:** | | | | |
| Benefit obligation at beginning of period | **$ 13.7** | $ 12.5 | **$14.0** | $ 21.2 |
| Service cost | **0.6** | 0.5 | **0.3** | 0.3 |
| Interest cost | **0.9** | 0.9 | **1.0** | 1.4 |
| Actuarial (gain)/loss | **2.3** | 0.2 | **0.2** | 2.0 |
| Benefits paid | **(0.5)** | (0.4) | **(0.8)** | (0.7) |
| Settlements | **—** | — | **—** | (10.1) |
| Other | **—** | — | **(0.1)** | (0.1) |
| Benefit obligation at end of period | **$ 17.0** | $ 13.7 | **$14.6** | $ 14.0 |
| **Change in Plan Assets:** | | | | |
| Fair value of plan assets at beginning of period | **$ —** | $ — | **$10.8** | $ 18.5 |
| Actual return on plan assets | **—** | — | **0.8** | 1.2 |
| Employer contribution | **0.5** | 0.4 | **0.6** | 1.9 |
| Benefits paid | **(0.5)** | (0.4) | **(0.8)** | (0.7) |
| Settlements | **—** | — | **—** | (10.1) |
| Fair value of plan assets at end of period | **$ —** | $ — | **$11.4** | $ 10.8 |
| **Reconciliation:** | | | | |
| Funded status | **$(17.0)** | $(13.7) | **$ (3.2)** | $ (3.2) |
| Unrecognized net (gain)/loss | **(2.9)** | (5.6) | **1.2** | 0.9 |
| Accrued benefit cost | **$(19.9)** | $(19.3) | **$ (2.0)** | $ (2.3) |

The following table sets forth the net periodic pension cost of Fresh Del Monte's defined benefit pension plans for 2001, 2000 and 1999 (U.S. dollars in millions):

| | Year Ended | | |
|---|---|---|---|
| | **December 28, 2001** | December 29, 2000 | December 31, 1999 |
| Service cost-benefits earned during the period | **$0.3** | $0.3 | $0.4 |
| Interest cost on projected benefit obligation | **1.0** | 1.4 | 2.1 |
| Expected return on assets | **(0.9)** | (1.3) | (2.1) |
| Net periodic pension expense for defined benefit plans | **$0.4** | $0.4 | $0.4 |

The following table sets forth the net periodic cost of Fresh Del Monte's postretirement plan for 2001, 2000 and 1999 (U.S. dollars in millions):

| | Year Ended | | |
|---|---|---|---|
| | **December 28, 2001** | December 29, 2000 | December 31, 1999 |
| Service cost-benefits earned during the period | **$0.6** | $0.5 | $0.4 |
| Interest cost on accumulated postretirement benefit obligation | **0.9** | 0.9 | 0.9 |
| Net amortization of deferred gain | **(0.4)** | (0.4) | (0.3) |
| Net periodic postretirement benefit cost | **$1.1** | $1.0 | $1.0 |

## Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

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 $2.4 million as of December 28, 2001 and the total of service cost plus interest cost by $0.3 million for 2001. In addition, decreasing the trend rate by 1% would decrease the accumulated postretirement benefit obligation by $2.0 million as of December 28, 2001 and the total of the service cost plus interest cost by $0.2 million for 2001.

Fresh Del Monte also sponsors a defined contribution plan established pursuant to Section 401(k) of the Internal Revenue Code. Subject to certain dollar limits, employees may contribute a percentage of their salaries to the plan, and Fresh Del Monte will match a portion of each employee's contribution. This plan is in effect for U.S. based employees only. The expense pertaining to this plan was $0.8 million, $0.4 million, and $0.4 million for 2001, 2000 and 1999, respectively.

Fresh Del Monte provides retirement benefits to substantially all employees who are not U.S. based. Generally, benefits under these programs are based on an employee's length of service and level of compensation. The majority of these programs are commonly referred to as termination indemnities which provide retirement benefits in accordance with programs mandated by the governments of the countries in which such employees work. The expense pertaining to these programs was $4.5 million, $4.5 million and $7.5 million for 2001, 2000 and 1999, respectively. The decrease in the expense in 2000 was caused primarily by a decrease in the number of employees covered by the program due to terminations during 1999 and 2000.

Funding generally occurs when employees cease active service. The most significant of these programs pertains to one of Fresh Del Monte's subsidiaries in Central America for which a liability of $14.7 million and $15.6 million was recorded at December 28, 2001 and December 29, 2000, respectively. Expenses for this program for 2001, 2000 and 1999 amounted to $1.5 million, $1.8 million and $3.3 million, respectively, including service cost earned of $0.9 million, $0.9 million and $1.6 million, and interest cost of $0.8 million, $0.9 million and $1.7 million, respectively.

As of August 31, 1997, a subsidiary of the Fresh Del Monte ceased accruing benefits under its salary continuation plan covering all Central American management personnel. At December 28, 2001 and December 29, 2000, Fresh Del Monte had $9.1 million and $8.7 million, respectively, accrued for this plan.

### 16. Stock Based Compensation

Effective upon the completion of its initial public offering in October 1997, Fresh Del Monte established a share option plan pursuant to which options to purchase ordinary shares may be granted to certain directors, officers and key employees of Fresh Del Monte chosen by the Board of Directors (the 1997 Plan). Under the 1997 Plan, the Board of Directors is authorized to grant options to purchase an aggregate of 2,380,030 ordinary shares. Under this plan, options have been granted to directors, officers and other key employees to purchase ordinary shares of Fresh Del Monte at the fair market value of the ordinary shares at the date of grant.

On May 11, 1999, Fresh Del Monte's shareholders approved and ratified the 1999 Share Incentive Plan (the 1999 Plan). Under the 1999 Plan, the Board of Directors is authorized to grant options to purchase an aggregate of 2,000,000 ordinary shares. Under this plan, options have been granted to directors, officers and other key employees to purchase ordinary shares of Fresh Del Monte at the fair market value of the ordinary shares at the date of grant.

Under the plans, twenty percent of the options usually vest immediately and the remaining options vest in equal installments over the next four years and may be exercised over a period not in excess of ten years. During 2000, the vesting schedule for 120,000 options granted during the year was accelerated so that 100% of the options vested within six months.

On April 17, 2001, Fresh Del Monte granted to directors' officers and key employees options to purchase a total of 1,159,030 ordinary shares of Fresh Del Monte at the fair market value of the ordinary shares at the date of grant of $5.95 per share. The options were granted under Fresh Del Monte's 1997 and 1999 share incentive plans. The options vest over periods ranging from twelve months to four years and may be exercised over a period not in excess of ten years.

During 2001, Fresh Del Monte received proceeds of $2.6 million due to the exercise of 328,050 options.

# Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

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

| | Number of Shares | Weighted Average Exercise Price |
|---|---|---|
| Options outstanding at | | |
| January 1, 1999 | 1,227,000 | $15.91 |
| Granted | 1,960,000 | $10.89 |
| Canceled | (79,000) | $15.32 |
| Options outstanding at | | |
| December 31, 1999 | 3,108,000 | $12.08 |
| Granted | 150,000 | $ 9.14 |
| Canceled | (176,000) | $13.90 |
| Options outstanding at | | |
| December 29, 2000 | 3,082,000 | $12.52 |
| Granted | 1,159,030 | $ 5.95 |
| Exercised | (328,050) | $ 7.80 |
| Canceled | (90,000) | $15.11 |
| Options outstanding at | | |
| December 28, 2001 | 3,822,980 | $10.87 |
| Exercisable at December 31, 1999 | 1,155,000 | $14.10 |
| Exercisable at December 29, 2000 | 1,698,000 | $13.10 |
| Exercisable at December 28, 2001 | 2,125,756 | $13.11 |

| | Option Price Range | Option Price Range |
|---|---|---|
| Range of Exercise Prices | $ 5.95-$9.28 | $ 14.22-$16 |
| Number of Options Outstanding at December 28, 2001 | 2,344,980 | 1,478,000 |
| Weighted Average Remaining Contractual Life | 8.5 years | 6.2 years |
| Weighted Average Exercise Price | $ 7.76 | $ 15.81 |
| Exercisable at December 28, 2001 | 831,756 | 1,294,000 |
| Weighted Average Price of Exercisable Options at December 28, 2001 | $ 8.84 | $ 15.85 |

SFAS No. 123 requires pro forma information regarding net income and earnings per share determined as if Fresh Del Monte had accounted for its employee stock options under the fair value method of SFAS No. 123. The fair value for the outstanding options was estimated at the date of grant using a Black-Scholes option pricing model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility.

The weighted-average fair value of each option granted during 2001, 2000 and 1999 is estimated at $2.34, $1.37 and $5.18, respectively, on the date of grant using the Black-Scholes option-pricing model using the following assumptions: dividend yield of 3.36%, 0% and 0% in 2001, 2000 and 1999, respectively, expected volatility of 0.603, 0.53 and 0.45 in 2001, 2000 and 1999, respectively, risk free interest rate of 3.31%, 5.02% and 6.13% in 2001, 2000 and 1999, respectively, and expected lives of two to five years.

For purposes of pro forma disclosures required by SFAS No. 123, the estimated fair value of the options is amortized to expense over the options' vesting period. Fresh Del Monte's 2001, 2000 and 1999 pro forma information follows (U.S. dollars in millions, except per share data):

| | Year Ended | | |
|---|---|---|---|
| | **December 28, 2001** | December 29, 2000 | December 31, 1999 |
| Net income | **$90.2** | $27.8 | $52.4 |
| Net income per ordinary share | | | |
| Basic | **$1.67** | $0.52 | $0.97 |
| Diluted | **$1.66** | $0.52 | $0.97 |

In accordance with APB No. 25, because the exercise price of Fresh Del Monte's employee stock options equaled the market price of the underlying stock on the date of grant, no compensation expense was recorded for 2001, 2000 and 1999 in connection with the 1997 Plan and the 1999 Plan.

# Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

## 17. Commitments and Contingencies

Fresh Del Monte leases agricultural land and certain property, plant and equipment, including office facilities and vessels, under operating leases. The aggregate minimum rental payments under all operating leases with initial terms of one year or more at December 28, 2001 are as follows (U.S. dollars in millions):

| | |
|---|---|
| 2002 | $10.8 |
| 2003 | 9.6 |
| 2004 | 8.0 |
| 2005 | 7.0 |
| 2006 | 6.5 |
| Thereafter | 17.1 |
| | $59.0 |

Total rent expense for all operating leases amounted to $23.5 million, $39.0 million and $55.2 million for 2001, 2000 and 1999, respectively, of which $22.1 million and $40.9 million pertained to vessel charter lease commitments in 2000 and 1999, respectively. In 2001, Fresh Del Monte did not have vessel charter lease commitments with initial terms of one year or more.

Fresh Del Monte also has agreements to purchase substantially all of the production of certain independent growers in Costa Rica, Guatemala, Ecuador, Cameroon, Colombia, Chile, Panama, South Africa and the Philippines. Total purchases under these agreements amounted to $458.5 million, $494.8 million and $560.9 million for 2001, 2000 and 1999, respectively.

## 18. Litigation

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

In December 1998, these subsidiaries entered into a settlement in the amount of $4.6 million with counsel representing approximately 25,000 individuals. Of the six principal defendants in these DBCP cases, Dow Chemical Company, Shell Oil Company, Occidental Chemical Corporation and Chiquita Brands, Inc. have also settled these claims. Under the terms of the settlement, approximately 22,000 of these claimants dismissed their claims with prejudice and without payment. The 2,643 claimants who allege employment on a company-related farm in Costa Rica and the Philippines and who demonstrated some injury were offered a share of the settlement funds upon execution of a release. Over 98% of these claimants accepted the terms of the settlement, the majority of which has been recovered from insurance carriers. The remaining claimants did not accept the settlement proceeds and approximately $268,000 was returned to Fresh Del Monte's subsidiaries.

On February 16, 1999, two of Fresh Del Monte's U.S. subsidiaries were served in the Philippines in an action entitled *Davao Banana Plantation Workers' Association of Tiburcia, Inc. v. Shell Oil Co., et al.* The action is brought by the Banana Workers' Association (Association) on behalf of its 34,852 members for injuries they allege to have incurred as a result of DBCP exposure. Approximately 13,000 members of the Association claim employment on a farm that was under contract to a Fresh Del Monte subsidiary at the time of DBCP use. Fresh Del Monte's subsidiaries filed motions to dismiss and for reconsideration on jurisdictional grounds, which were denied. Accordingly, Fresh Del Monte's subsidiaries answered the complaint denying all of plaintiff's allegations. Fresh Del Monte's subsidiaries believe that they have substantial defenses to the claims asserted by the Association. To date only 300 of more than 34,000 members have come forward to be tested. The court in the Philippines may set a date as early as the second quarter of 2002 for the trial to start. Discovery and medical testing of Association members can continue during the trial.

Fresh Del Monte's U.S. subsidiaries have not settled the DBCP claims of approximately 3,500 claimants represented by different counsel who filed actions in Mississippi in 1996 and Hawaii in 1997. Each of those actions was dismissed by a federal district court on grounds of *forum non conveniens* in favor of the courts of the plaintiffs' home countries and appealed by the plaintiffs. As a result of the dismissal of the Hawaiian actions, several Costa Rican and Guatemalan individuals have filed the same type actions in those countries. On January 19, 2001, the Court of Appeals for the Fifth Circuit affirmed the dismissal of Fresh Del Monte's subsidiaries for *forum non conveniens* and lack of personal jurisdiction for the Mississippi actions, and on October 1, 2001, the United States Supreme Court denied plaintiffs' petition for an appeal.

## Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

On May 31, 2001, the Hawaiian plaintiffs' appeal of the dismissal was granted, thereby remanding the action to the Hawaiian State court. A petition for an appeal to the United States Supreme Court was filed on October 9, 2001. On December 7, 2001, the Supreme Court requested the views of the Office of the Solicitor General on the petition. The Solicitor General has yet to provide its views and the petition to the Supreme Court will be heard on April 19, 2002.

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

On June 19, 1995, a group of several thousand plaintiffs in an action entitled *Lucas Pastor Canales Martinez, et al. v. Dow Chemical Co. et al.* sued one of Fresh Del Monte's U.S. subsidiaries along with several other defendants in the District Court for the Parish of St. Charles, Louisiana asserting claims similar to those arising in the Texas cases due from the alleged exposure to DBCP. That action was removed to the United States District Court in New Orleans and was subsequently remanded in September 1996. Fresh Del Monte's subsidiary has answered the complaint and asserted substantial defenses. Following the decision of the United States Court of Appeals for the Fifth Circuit in the Texas actions, this action was re-removed to federal court in November 2000. Fresh Del Monte's subsidiary has settled with all but 13 of the Canales Martinez plaintiffs. On October 25, 2001, defendants filed a motion to dismiss the action on grounds of *forum non conveniens* in favor of plaintiffs' home countries. The motion remains pending.

On November 15, 1999, one of Fresh Del Monte's U.S. subsidiaries was served in two actions entitled, *Godoy Rodriguez, et al. v. AMVAC Chemical Corp., et al* and *Martinez Puerto, et al. v. AMVAC Chemical Corp., et al.*, in the 29th Judicial District Court for the Parish of St. Charles, Louisiana. These actions were removed to federal court, where they have been consolidated. These actions are brought on behalf of claimants represented by the same counsel who filed the Mississippi and Hawaii actions as well as a number of the claimants who have not accepted the settlement offer. Fresh Del Monte's subsidiary has been given an indefinite extension of time to respond to the complaints. At this time, it is not known how many of the 2,962 *Godoy Rodriguez* and *Martinez Puerto* plaintiffs are claiming against Fresh Del Monte's subsidiary. The court's disposition of the pending motion in the Canales Martinez action to dismiss on grounds of *forum non conveniens* will likely apply to theses two cases as well.

On January 8, 2001, local residents of Honolulu, Hawaii amended their complaint (the initial complaint did not include Fresh Del Monte's U.S. subsidiary as a defendant) in federal court to include one of Fresh Del Monte's subsidiaries as one of several defendants for injuries allegedly caused by consuming contaminated water. Fresh Del Monte's U.S. subsidiary has answered the complaint denying all the plaintiffs' claims and asserting substantial defenses. This matter is still in the early stage of the litigation, which has been bifurcated to address the claims of an initial set of 34 plaintiffs.

On or about October 20, 1997, one of Fresh Del Monte's subsidiaries and Nordeste Investimentos e Participacoes S.A. (Nordeste), Fresh Del Monte's subsidiary partner in two joint venture companies, Interfruit Brasil S.A. (IBSA) and International Produce Trading Ltd. (IPTL), agreed to submit to arbitration certain disputes that arose under joint venture agreements relating to the development of and exporting of produce from a banana plantation in Brazil. In its Request for Arbitration and Reply to Nordeste's Counterclaim, Fresh Del Monte's subsidiary asserted claims for breach of contract, breach of duty of loyalty, misappropriation of trade secrets and proprietary information. Fresh Del Monte's subsidiary sought injunctive relief and $43 million in damages. Nordeste asserted in its Counterclaim that Fresh Del Monte's subsidiary breached certain contractual obligations and improperly terminated the joint venture agreements and sought to recover liquidated and other damages in the amount of approximately $39.2 million. The hearing of the claims before the arbitral tribunal was conducted in October 1999. On May 10, 2000, the arbitrators issued their award requiring Fresh Del Monte's subsidiary to pay $2 million to Nordeste and that Nordeste and Fresh Del Monte's subsidiary exchange the 50% ownership they each have in the two joint venture companies (IPTL and IBSA, respectively). Fresh Del Monte accrued for the $2 million award. The May 10, 2000 award directed Fresh Del Monte's subsidiary to transfer to Nordeste all of its shares in Bananos do Brazil Ltda (Bandebras) which held the shares of IBSA. Unbeknownst to the arbitral

## Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

tribunal, during the pendency of the arbitration Bandebras was renamed Del Monte Fresh Produce Brasil Ltda (DMFPB) and to it were transferred substantial assets and operations of Fresh Del Monte in Brazil.

On June 8, 2000 the arbitral tribunal issued an Addendum to Final Award, in which the Final Award was corrected to require Fresh Del Monte's subsidiary to transfer to Nordeste the shares of IBSA and not any other company. Fresh Del Monte's subsidiary has tendered payment of the $2 million and has proposed to have a closing to effect the transfer of the shares of the two companies. Nordeste has declined Fresh Del Monte's subsidiary's tender.

On July 24, 2001, DMFPB was served with a preliminary injunction issued by a judge of the Eighth Civil Court in Recife, Brazil enjoining Fresh Del Monte's subsidiary from transferring the assets and ownership of DMFPB as well as requiring the provision of certain information to the court on a monthly basis regarding DMFPB's business pending the resolution of Nordeste's action seeking enforcement of the May 10, 2000 arbitral award as originally entered, and declaring the addendum to that award a nullity. On August 6, 2001, DMFPB filed an appeal with the State of Pernambuco Appellate Tribunal seeking to revoke the preliminary injunction. The appeal contained a specific request addressed to the Reporting Judge of the Appellate Tribunal for the immediate suspension of the effects of the preliminary injunction. On August 21, 2001, the Reporting Judge denied DMFPB's specific request for an immediate suspension of the preliminary injunction. On December 21, 2001, the briefs in support of the principal appeal were filed, along with a motion for change of venue. The three judge panel of the Appellate Tribunal has yet to rule on the merits of DMFPB's principal appeal.

Fresh Del Monte's subsidiaries intend to vigorously defend themselves in all of these matters. At this time, management is not able to evaluate the likelihood of a favorable or unfavorable outcome in any of the above-described matters. Accordingly, management is not able to estimate the range or amount of loss, if any, on any of the above-described matters and no accruals have been recorded as of December 28, 2001, except for the previously noted accrual related to the Nordeste action.

In 1980, elevated levels of certain chemicals were detected in the soil and ground water at a plantation leased by one of Fresh Del Monte's U.S. subsidiaries in Honolulu, Hawaii (Kunia Well Site). Shortly thereafter, Fresh Del Monte's subsidiary discontinued the use of the Kunia Well Site and provided an alternate water source to area well users and the subsidiary commenced its own voluntary cleanup operation. In 1993, the Environmental Protection Agency (EPA) identified the Kunia Well Site for potential listing on the National Priorities List (NPL) under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended. On December 16, 1994, the EPA issued a final rule adding the Kunia Well Site to the NPL. On September 28, 1995, Fresh Del Monte's subsidiary entered into an order (Order) with the EPA to conduct the remedial investigation and the feasibility study of the Kunia Well Site. Under the terms of the Order, Fresh Del Monte's subsidiary submitted a remedial investigation report in November 1998 for review by the EPA. The EPA approved the remedial investigation report in February 1999. A final draft feasibility study was submitted for EPA review in December 1999 (and is updated from time to time), and it is expected that the feasibility study will be finalized by the second quarter of 2002.

Based on an updated draft of the final feasibility study in December 2001, the estimated remediation costs associated with this matter range from $5.2 million to $28.9 million. Certain portions of these estimates have been discounted using a 5% interest rate. The undiscounted estimates are between $6.4 million and $33.6 million. As a result of communications with the EPA, Fresh Del Monte recorded a charge of $15.0 million in 2001 in addition to $4.1 million previously recorded as an estimate of the expected future cleanup cost for the Kunia Well Site. Accordingly, an accrual of $19.1 million is included in other noncurrent liabilities in the accompanying balance sheet at December 28, 2001.

In addition to the foregoing, Fresh Del Monte's subsidiaries are involved, from time to time, in various claims and legal actions incident to their operations, both as plaintiff and defendant. In the opinion of management, after consulting with legal counsel, none of these other claims are currently expected to have a material adverse effect on Fresh Del Monte's financial position or operating results.

# Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

## 19. Derivative Financial Instruments

Effective December 30, 2001, Fresh Del Monte began accounting for derivative financial instruments in accordance with SFAS No. 133, as amended. Fresh Del Monte uses derivative financial instruments primarily to reduce its exposure to adverse fluctuations in interest rates and foreign exchange rates. When entered into, Fresh Del Monte formally designates and documents the financial instrument as a hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transaction. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the cash flows or fair value of the underlying exposures being hedged. Derivatives are recorded in the consolidated balance sheet at fair value in either "prepaid expenses and other current assets" or "accounts payable and accrued expenses," depending on whether the amount is an asset or liability. The fair values of derivatives used to hedge or modify Fresh Del Monte's risks fluctuate over time. These fair value amounts should not be viewed in isolation, but rather in relation to the cash flows or fair value of the underlying hedged transactions or assets and other exposures and to the overall reduction in Fresh Del Monte's risk relating to adverse fluctuations in foreign exchange rates and interest rates. In addition, the earnings impact resulting from Fresh Del Monte's derivative instruments is recorded in the same line item within the consolidated statement of income as the underlying exposure being hedged. Fresh Del Monte also formally assesses, both at the inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in the cash flows or fair value of the related underlying exposures. Any ineffective portion of a financial instrument's change in fair value is immediately recognized in earnings. Hedge ineffectiveness was not material for the year ended December 28, 2001.

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

*Foreign Currency Management*

To protect against the reduction in value of forecasted foreign currency cash flows resulting from a portion of net sales, Fresh Del Monte periodically enters into foreign currency cash flow hedges (Euro and Japanese yen). Fresh Del Monte hedges portions of its forecasted sales denominated in foreign currencies with forward contracts, which generally expire within one year. The forward contracts are designated as dual-purpose cash flow hedges with gains and losses in the forward contract recognized in other comprehensive income or loss until the foreign currency denominated sales are recognized in earnings. Subsequent to the recognition of the sale in earnings, changes in the value of the foreign currency accounts receivable and related forward contract are recognized in "other income". Any ineffective portion of a financial instrument's change in fair value is immediately recognized in earnings. Hedge ineffectiveness had no material impact on earnings for the year ended December 28, 2001. As of December 28, 2001, Fresh Del Monte had no outstanding foreign currency cash flow hedges.

*Interest Rate Management*

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

The adoption of SFAS No. 133, as amended, on December 30, 2000 did not result in a significant cumulative

# Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

effect of an accounting change to the result of operations or financial position of Fresh Del Monte.

### Off Balance Sheet Risk

At December 29, 2000, Fresh Del Monte had $15.2 million (notional amount) of currency forward contracts outstanding for the Euro with an unrealized loss of $0.8 million and $8.7 million (notional amount) of currency forward contracts outstanding for Japanese yen with an unrealized gain of $0.1 million. There were no currency forward contracts outstanding at December 28, 2001.

At December 29, 2000, Fresh Del Monte had $96.4 million (notional amount) related to the swap agreement with an unrealized loss of $0.3 million.

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

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

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

*Notes payable and long-term debt.* The carrying value of Fresh Del Monte's notes payable and long-term debt approximate their fair value since they bear interest at variable rates or fixed rates which approximate market.

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

| | December 28, 2001 | | December 29, 2000 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Cash and cash equivalents | $ 13.0 | $ 13.0 | $ 10.6 | $ 10.6 |
| Accounts receivables | 141.2 | 141.2 | 142.7 | 142.7 |
| Advances to growers and other receivables | 39.7 | 39.7 | 56.3 | 56.3 |
| Accounts payable | (85.0) | (85.0) | (93.2) | (93.2) |
| Notes payable and long-term debt | (311.8) | (311.8) | (462.0) | (462.0) |
| Capital lease obligations | (21.4) | (21.4) | (23.5) | (23.5) |
| Forward contracts | — | — | — | (0.7) |
| Swap agreement | (2.8) | (2.8) | — | (0.3) |

## 20. Related Party Transactions

Fresh Del Monte's products are distributed in Northern Europe by Interfrucht, an unconsolidated subsidiary. Receivables from Interfrucht, included in accounts receivable, were $4.3 million and $2.8 million at December 28, 2001 and December 29, 2000, respectively. Sales to this distributor amounted to $79.5 million, $85.8 million and $112.5 million for 2001, 2000 and 1999, respectively.

Sales to Ahmed Abu-Ghazaleh & Sons Company, a related party through common ownership, were $15.8 million, $17.3 million and $8.7 million in 2001, 2000 and 1999, respectively. At December 28, 2001 and December 29, 2000 there were $1.7 million and $1.2 million, respectively, of receivables from this related party, which are included in trade accounts receivable.

## 21. Unaudited Quarterly Financial Information

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

| | Quarter Ended | | | |
|---|---|---|---|---|
| | March 30, 2001 | June 29, 2001 | Sept. 28, 2001 | December 28, 2001 |
| Net sales | $534.3 | $541.0 | $430.7 | $422.0 |
| Gross profit | 84.0 | 82.7 | 64.6 | 51.6 |
| Net income | 41.1 | 41.5 | 8.3 | 5.3 |
| Net income per share | $ 0.76 | $ 0.77 | $ 0.15 | $ 0.10 |

| | Quarter Ended | | | |
|---|---|---|---|---|
| | March 31, 2000 | June 30, 2000 | Sept. 29, 2000 | December 29, 2000 |
| Net sales | $536.1 | $516.2 | $395.8 | $411.2 |
| Gross profit | 71.3 | 48.3 | 21.9 | 25.4 |
| Net income (loss) | 38.5 | 17.2 | (14.1) | (8.5) |
| Net income (loss) per share | $ 0.72 | $ 0.32 | $ (0.26) | $ (0.16) |

# Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

## 22. Business Segment Data

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

Fresh Del Monte's operations have been aggregated on the basis of products; bananas, other fresh produce and non-produce. Other fresh produce includes pineapples, melons, grapes, non-tropical fruit, other fruit and vegetables and fresh-cut fruit and vegetables. Non-produce includes a third-party ocean freight container business, a plastic products and box manufacturing business, a poultry business and a grain business.

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

| | Year Ended | | | | | |
|---|---|---|---|---|---|---|
| | December 28, 2001 | | December 29, 2000 | | December 31, 1999 | |
| | Net Sales | Gross Profit | Net Sales | Gross Profit (Loss) | Net Sales | Gross Profit (Loss) |
| Bananas | $ 894.2 | $ 70.9 | $ 921.0 | $ 6.3 | $ 951.3 | $ (4.0) |
| Other fresh produce | 928.6 | 208.9 | 838.9 | 162.1 | 701.3 | 155.5 |
| Non-produce | 105.2 | 3.1 | 99.4 | (1.5) | 90.6 | (0.9) |
| Total | $1,928.0 | $282.9 | $1,859.3 | $166.9 | $1,743.2 | $150.6 |

| | Year Ended | | |
|---|---|---|---|
| | December 28, 2001 | December 29, 2000 | December 31, 1999 |
| **Net Sales by Geographic Region:** | | | |
| North America | $ 995.6 | $ 922.2 | $ 830.4 |
| Europe | 550.4 | 572.7 | 601.5 |
| Asia-Pacific | 328.5 | 324.5 | 280.7 |
| Other | 53.5 | 39.9 | 30.6 |
| Total net sales | $1,928.0 | $1,859.3 | $1,743.2 |

| | December 28, 2001 | December 29, 2000 |
|---|---|---|
| **Property Plant and Equipment:** | | |
| North America | $ 65.2 | $ 55.9 |
| Europe | 41.9 | 49.0 |
| Asia-Pacific | 3.4 | 2.3 |
| Central and South America | 368.9 | 345.9 |
| Maritime equipment (including containers) | 148.0 | 159.4 |
| Corporate | 30.7 | 23.1 |
| Total property, plant and equipment | $ 658.1 | $ 635.6 |

# Notes to Consolidated Financial Statements — (Continued)

Fresh Del Monte Produce Inc. and Subsidiaries

| | December 28, 2001 | December 29, 2000 |
|---|---|---|
| **Identifiable Assets:** | | |
| North America | $ 223.4 | $ 213.7 |
| Europe | 183.6 | 220.8 |
| Asia-Pacific | 43.7 | 34.3 |
| Central and South America | 502.8 | 507.0 |
| Maritime equipment (including containers) | 148.0 | 159.4 |
| Corporate | 95.4 | 86.4 |
| Total assets | $1,196.9 | $1,221.6 |

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

Fresh Del Monte has three principal sales agreements for the distribution of its fresh produce, which principally cover sales in the European and Japanese markets. Sales made through these agreements approximated 15%, 17% and 21% of total net sales for 2001, 2000 and 1999, respectively.

Identifiable assets by geographic area represent those assets used in the operations of each geographic area.

Corporate assets consist of an allocation of goodwill, leasehold improvements and furniture and fixtures.

## 23. Subsequent Event

On January 8, 2002, Fresh Del Monte announced that its Board of Directors determined to pay a regular quarterly cash dividend of $0.05 per share to the shareholders of the ordinary shares. The first quarterly dividend was declared for payment on March 6, 2002 to shareholders of record as of February 11, 2002. Pursuant to provisions of the Revolving Credit Facility, Fresh Del Monte may declare and pay dividends and distributions in cash solely out of and up to 50% of Fresh Del Monte's net income for the fiscal year immediately preceding the year in which the dividend or distribution is paid.

# Report of Independent Certified Public Accountants

Fresh Del Monte Produce Inc. and Subsidiaries

Board of Directors and Shareholders
Fresh Del Monte Produce Inc.

We have audited the accompanying consolidated balance sheets of Fresh Del Monte Produce Inc. and subsidiaries as of December 28, 2001 and December 29, 2000, and the related consolidated statements of income, cash flows and shareholders' equity for each of the three years in the period ended December 28, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fresh Del Monte Produce Inc. and subsidiaries at December 28, 2001 and December 29, 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 28, 2001, in conformity with accounting principles generally accepted in the United States of America.

Ernst + Young LLP

Miami, Florida
February 11, 2002

## Ordinary Share Prices and Related Matters

The Company's ordinary shares are traded solely on the New York Stock Exchange, under the symbol FDP, and commenced trading on October 24, 1997.

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

| | High | Low |
|---|---|---|
| **Five Most Recent Financial Years** | | |
| Year ended December 26, 1997 (commencing October 24, 1997) | $18.00 | $13.13 |
| Year ended January 1, 1999 | 23.63 | 10.50 |
| Year ended December 31, 1999 | 21.00 | 6.31 |
| Year ended December 29, 2000 | 9.94 | 3.38 |
| Year ended December 28, 2001 | 15.95 | 4.56 |
| **2000** | | |
| First quarter | 9.75 | 6.75 |
| Second quarter | 9.94 | 6.06 |
| Third quarter | 7.06 | 5.38 |
| Fourth quarter | 6.44 | 3.38 |
| **2001** | | |
| First quarter | 8.89 | 4.56 |
| Second quarter | 11.08 | 5.75 |
| Third quarter | 15.95 | 10.10 |
| Fourth quarter | 15.14 | 11.69 |
| **Most Recent Six Months** | | |
| September 2001 | 15.95 | 10.10 |
| October 2001 | 13.82 | 11.69 |
| November 2001 | 14.00 | 12.35 |
| December 2001 | 15.14 | 12.55 |
| January 2002 | 15.34 | 13.50 |
| February 2002 | 17.88 | 15.15 |

As of December 28, 2001, there were 54,091,650 ordinary shares outstanding.

# Shareholder Information

### Stock Information
New York Stock Exchange
Symbol: FDP

### Dividend Information
On January 8, 2002, the Company determined to pay a regular quarterly cash dividend of $0.05 per share. The first quarterly dividend was paid on March 6, 2002 to shareholders of record as of February 11, 2002.

### Shareholder's of Record
As of December 28, 2001, there were 54,091,650 ordinary shares outstanding.  We believe that approximately 31 percent of the outstanding ordinary shares are held by shareholders in the United States.

### Forward-Looking Information
Our Annual Report may discuss future performance of the Company. Comments about expectations, plans and prospects constitute forward-looking statements for purposes of the Safe Harbor provisions of the Private Securities Litigation Reform Act. Actual results may differ materially from those contemplated in any forward-looking statements, and the Company undertakes no obligation to update any such statements.  Risk factors are identified in the Company's December 28, 2001 Form 20-F on file at the Securities and Exchange Commission.

### Corporate and Shareholder Information
Corporate and shareholder information and a copy of the Company's Annual Report on Form 20-F, as filed with the Securities and Exchange Commission, may be obtained free of charge by contacting Christine Cannella, Director of Investor Relations, at Fresh Del Monte Produce Inc., U.S. Executive Offices, 241 Sevilla Avenue, Coral Gables, FL 33134, 305-520-8400 or by visiting the Company's Web site at www.freshdelmonte.com.

### Transfer Agent and Registrar
Mellon Investor Services LLC
85 Challenger Road
Overpeck Center
Richfield Park, NJ 07660
800-851-9677

### Auditors
Ernst & Young LLP
200 South Biscayne Blvd.
Suite 3900
Miami, FL 33131

### Annual Meeting
May 1, 2002, at 10:30 a.m.
Hyatt Regency Coral Gables
50 Alhambra Plaza
Coral Gables, FL 33134

### Executive Officers
Mohammad Abu-Ghazaleh
Chairman and Chief Executive Officer

Hani El-Naffy
President and Chief Operating Officer

John F. Inserra
Executive Vice President and Chief Financial Officer

M. Bryce Edmonson
Senior Vice President – North America

Jean-Pierre Bartoli
Senior Vice President – Europe and Africa

Randolph Breschini
Vice President – Asia-Pacific

José Antonio Yock
Senior Vice President – Central America

Jose Luis Bendicho
Vice President – South America

Sergio Mancilla
Senior Vice President – Shipping Operations

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

Zoltan Pinter
Vice President – General Counsel and Secretary

Marissa R. Tenazas
Vice President – Human Resources

Antolin D. Saiz
Vice Presient – Internal Audit

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

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

Amir Abu-Ghazaleh
General Manager
Abu-Ghazaleh International Company

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

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

Stephen L. Way[2,3]
Chairman and Chief Executive Officer
HCC Insurance Holdings, Inc.

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

Edward L. Boykin[1,3]
Retired Partner, Deloitte & Touche LLP

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

**Fresh Del Monte Produce Inc.**

U.S. Executive Offices, 241 Sevilla Avenue, Coral Gables, FL 33134
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www.freshdelmonte.com