

PINEAPPLE  
WATERMELON  
PLUMS  
FRESH-CUT FRUIT  
FRUIT  
SNACKS  
APRICOTS  
MELONS  
BEVERAGES  
TOMATOES  
GRAPES  
KIWI  
PEARS  
PEACHES  
STRAWBERRIES  
APPLES  
CLEMENTINES  
BANANAS  
AVOCADOS  
SODA  
DEL MONTE GOLD

**LIFE'S SIMPLE PLEASURES**

FRESH DEL MONTE PRODUCE INC.



Truly a global diversified  
food company

2007  
ANNUAL  
REPORT



TO OUR SHAREHOLDERS:

THE YEAR 2007 WAS ONE OF THE BEST YEARS IN OUR HISTORY—  
A TRUE TESTAMENT TO THE COMMITMENT OF OUR MANAGEMENT TEAM  
AND THE DEDICATION OF OUR 35,000 EMPLOYEES AROUND THE WORLD.

Two thousand and seven was one of the best years in the history of Fresh Del Monte Produce. During this period, we benefited from the many improvements we made in all of our business lines, which restored Fresh Del Monte's track record of creating enhanced shareholder value. To achieve this goal, we continued to streamline our fresh and fresh-cut businesses, eliminating unprofitable products in our fresh-cut line, while maximizing production and driving efficiencies in our logistics networks. In addition, we improved banana contract pricing in North America, countering higher production and logistics costs. We expanded our global customer base, and we began to serve a number of new markets.

We also continued to leverage the power of the Del Monte® brand to create new inroads in fast-growing Middle East markets. Much of our success in these and other markets is due to enduring consumer confidence in our 115-year-old brand, which symbolizes quality, freshness and reliability. In addition, we aggressively repositioned our prepared food business by streamlining production and distribution.

As a result of our solid operating achievements in 2007, we were able to deliver substantially improved performance across a range of financial metrics. Earnings per diluted share climbed to \$3.22, compared with \$0.10 per diluted share for the year ended 2006, excluding asset impairment, restructuring and other charges. Net sales for the year increased to \$3.4 billion, compared with \$3.2 billion in 2006. Gross profit for the year rose to \$364.9 million, compared with \$189.4 million in the prior year. Net income for the year increased to \$179.8 million, compared with a net loss of \$142.2 million in 2006.



We are justifiably proud of our performance in 2007, particularly as the prior year had been one of the most difficult we had ever endured. In 2006, we faced a number of hurdles, including higher energy and production costs. The fact that we were able to overcome the lingering effects of those factors in 2007 is a testament to the expertise and commitment of our management team and the dedication of our 35,000 employees around the world. It is also a powerful endorsement of our business model. Our mission is centered on increasing shareholder value. To fulfill this mission, we set out

each day focused on offering products and services that meet the needs of our customers and enable us to improve profitability. While this mission requires disciplined implementation, it also calls for flexibility and resilience—two inherent qualities that we demonstrated yet again in 2007, when in spite of continuing cost pressures, we delivered some of the strongest financial results in our history.

As we advance through 2008, we are optimistic about our future. Fresh Del Monte Produce continues to perform well around the world, in part because of our concerted efforts to improve our operating efficiencies and reduce costs. These efforts continue, and we remain vigilant about meeting the continuing challenges of fluctuating costs related to production, transportation, fuel and packaging. We also remain firmly committed to prudently growing the Company, improving our operations, expanding in new geographic areas and developing new products to meet consumer demand. As we steadily pursue these measures, we warmly thank all of our shareholders—including those of you who took a first-time stake in our Company in 2007—for your continued support.

A large, stylized signature in blue ink, appearing to read "Mohammad Abu-Ghazaleh".

**Mohammad Abu-Ghazaleh**  
*Chairman and Chief Executive Officer*

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES  
**2007**  
ANNUAL  
REPORT

## TABLE OF CONTENTS

	<b>PAGE</b>
Operating Results .....	1
Ordinary Share Prices and Related Matters.....	20
Consolidated Balance Sheets .....	21
Consolidated Statements of Income .....	22
Consolidated Statements of Cash Flows .....	23
Consolidated Statements of Shareholders' Equity .....	24
Notes to Consolidated Financial Statements .....	25
Management's Annual Report on Internal Control Over Financial Reporting .....	78
Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting .....	79
Report of Independent Registered Public Accounting Firm .....	80

## OPERATING RESULTS

**Overview** We are one of the world's leading vertically integrated producers, marketers and distributors of high-quality fresh and fresh-cut fruit and vegetables, as well as a leading producer and marketer of prepared fruit and vegetables, juices, beverages and snacks in Europe, Africa and the Middle East. We market our products worldwide under the DEL MONTE® brand, a symbol of product innovation, quality, freshness 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. Our major producing operations are located in North, Central and South America, Asia and Africa. Production operations are aggregated on the basis of our products; bananas, other fresh produce, prepared foods and other products and services. Other fresh produce includes pineapples, melons, tomatoes, non-tropical fruit (including grapes, apples, pears, peaches, plums, nectarines, apricots, avocados, and kiwis), fresh-cut produce and other fruit and vegetables. Prepared foods include prepared fruit and vegetables, juices, beverages and snacks. Other products and services includes a third-party ocean freight business, a plastic product and box manufacturing business, a poultry business and a grain business.

**Strategy** Our strategy is focused on a combination of maximizing revenues from our existing infrastructure, entering new markets and strict cost control initiatives. We expect sales growth of fresh produce in key markets by increasing sales volume and per unit sales prices as permitted by market conditions. At the same time we plan to increase our investment in growth markets such as the Middle East by adding distribution facilities and expanding our value-added services. We plan to increase output in our Dubai fresh-cut facility and expand the processed meat product offerings from our new Jordan meat plant into other regional markets. In addition, we also plan to increase our presence in new markets with additional sales of fresh produce and processed food products.

**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. During 2007, banana supplies stabilized resulting in an 11% improvement in worldwide per unit sales prices. Also contributing to this increase in banana per unit sales prices was the stronger euro and the British pound as compared to the U.S. dollar. In the processed foods business, we generally realize the largest portion of our net sales and gross profit in the third and fourth quarters of the year. As a result of a short supply of industry volumes of canned pineapples during 2007, we experienced a 9% increase in per unit sales prices.

Since our financial reporting currency is the U.S. 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 weak dollar versus such currencies resulting in increased net sales in dollar terms. Including the effect of our foreign currency hedges, net sales for 2007 were positively impacted by approximately \$69.0 million, as compared to 2006, principally as a result of a stronger euro and the British pound versus the U.S. dollar.

## OPERATING RESULTS

CONTINUED

Our net sales growth in recent years has been achieved primarily through increased sales volume in existing markets of other fresh produce, primarily pineapples, melons and non-tropical fruit, and favorable pricing on our *Del Monte Gold® Extra Sweet* pineapple. Also contributing to our sales growth has been the new products that resulted from prior acquisitions including tomatoes and prepared food combined with expansion of value-added services such as banana ripening. Our net sales growth in recent years is also attributable to a broadening of our product line with the expansion of our fresh-cut produce business and our expansions into new markets. We expect our net sales growth to continue to be driven by increased sales volumes in our banana, other fresh produce and the prepared food segments. In Europe, Africa and the Middle East we expect our net sales to increase due to increased sales of fresh fruit and prepared food product offerings. Specifically, we expect to increase our sales in the Middle East by developing new products in the fresh and prepared food product lines and by expanding our distribution networks and providing value added services in these expanding markets. We also expect our net sales of *Del Monte Gold® Extra Sweet* pineapple in 2008, to approximate last year's levels.

**Cost of Products Sold** Cost of products sold is principally composed of two elements, product and logistics costs. Product cost for our produce is primarily composed of cultivation (the cost of growing crops), harvesting, packaging, labor, depreciation and farm administration. Product cost for produce obtained from independent growers is composed of produce and packaging costs. Logistics costs include 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 vessel operating expenses and chartering refrigerated vessels. Vessel operating expenses for our 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. Fuel prices increased by 41% and containerboard prices increased slightly in 2005 as compared to 2004. During 2006, fuel costs increased an additional 21% and containerboard prices increased by 17% and during 2007 the cost of fuel further increased by 17% and containerboard increased slightly as compared with 2006. This increase in containerboard and fuel prices has added approximately \$17.0 million to our cost of products sold in 2007 as compared to 2006.

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

Since our financial reporting currency is the U.S. dollar, our costs are affected by fluctuations in the value of the currency in which we have significant operations versus the dollar, with a weak dollar versus those currencies resulting in increased costs. During 2007, cost of product sold was negatively impacted by approximately \$19.0 million as a result of a weaker U.S. dollar versus the various currencies in which we have significant operations.

**Asset Impairment and Other Charges** Asset impairment and other charges were \$12.5 million in 2007 as compared with \$105.3 million in 2006, a decrease of \$92.8 million. In 2007, we recorded asset impairment charges totaling \$15.5 million related to exit activities in the prepared food and other fresh produce segments principally in Europe and South America. In addition, as a result of the decision to exit all production activities in Hawaii in 2006, we recorded a net gain of \$4.5 million during 2007 related to the other fresh produce segment. This net gain consists principally of a curtailment gain related to the U.S. based post-retirement health plan partially offset by additional severance and other exit activity charges. Also included in asset impairment and other charges in 2007, were other charges of \$1.5 million principally related to exit activities in the prepared food segment in Europe.

In 2006, we recorded asset impairment charges totaling \$84.0 million consisting of the following: a) \$21.7 million, as a result of continued operating losses due to underutilization of production facilities and machinery in Europe and Africa related to the prepared food segment; b) \$27.6 million, primarily as a result of asset impairment tests for indefinite-lived intangible assets in the United Kingdom due to discontinued unprofitable product lines in the prepared food and other fresh produce segments and in the United States as the result of lower volume expectations in the other fresh produce segment; c) \$17.4 million, as a result of continued operating losses and underutilization of facilities in Africa, Europe and the United States related to the other fresh produce and banana segments; d) \$9.3 million, due to underutilized definite lived intangible assets in the North America transportation business related to the non-produce segment and in Europe related to the other fresh produce segment; and e) \$8.0 million for the write-off of capitalized software costs in Europe and the United States due to discontinued usage. In addition, 2006 asset impairment and other charges include \$11.4 million of net employee termination benefits charges and \$9.9 million of contractual obligations charges related to the other fresh produce and processed food segments as a result of the accelerated closure of our Hawaii operations, the closure of our Italy juice plant and the closure and sale of our U.K. fresh-cut salad operation.

**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, professional fees, general corporate overhead and other related administrative functions. The prepared food business requires a significant marketing effort, which is included in selling, general and administrative expenses.

**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 capital lease obligations. In 2007, our average outstanding debt level decreased slightly, which, combined with higher interest rates, resulted in higher interest expense. In 2008, we expect lower interest expense as a result of repayments of \$117.1 million of long-term debt that occurred during November 2007 due to the issuance of 4,222,000 of our ordinary shares as well as repayments using our cash flow from operations and lower interest rates.

## OPERATING RESULTS

CONTINUED

**Other Income (Expense), Net** Other income (expense), net, primarily consists of equity gains and losses in unconsolidated companies, together with currency exchange gains or losses and other miscellaneous income and expense items such as insurance recoveries and gain and losses from sales of investments and property, plant and equipment. During 2007, principally as a result of our disposal of non-productive assets, we recorded gains of \$17.4 million from sales of property plant and equipment. In addition, during 2007, we recorded currency exchange gains of \$14.9 million that resulted from favorable exchange rate movements in the euro, British pound and other currencies versus the U.S. dollar.

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

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

		Years ended	
		As adjusted (1)	
	December 28, 2007	December 29, 2006	December 30, 2005
<b>Statement of Income Data:</b>			
Net sales .....	100.0%	100.0%	100.0%
Gross profit .....	10.8	5.9	9.7
Selling, general and administrative expenses .....	5.3	6.3	5.9
Operating income (loss) .....	5.2	(3.7)	3.7
Interest expense .....	0.8	0.8	0.5
Net income (loss) .....	5.3	(4.4)	3.4

(1) Reflects retrospective application of FSP AUG AIR-1 to the years ended December 29, 2006 and December 30, 2005.

The following tables present for each of the periods indicated (i) net sales by geographic region, (ii) net sales by product category and (iii) gross profit (loss) by product category, and in each case, the percentage of the total represented thereby:

	Years ended					
	December 28, 2007		December 29, 2006		December 30, 2005	
	(U.S. dollars in millions)					
Net sales by geographic region:						
North America .....	\$1,530.2	45%	\$1,574.1	49%	\$1,579.6	48%
Europe .....	1,113.6	33%	1,051.1	33%	1,143.5	35%
Asia .....	366.9	11%	355.4	11%	346.5	11%
Middle East.....	236.1	7%	133.6	4%	93.3	3%
Other .....	118.7	4%	100.1	3%	96.8	3%
Total .....	<u>\$3,365.5</u>	<u>100%</u>	<u>\$3,214.3</u>	<u>100%</u>	<u>\$3,259.7</u>	<u>100%</u>
	Years ended					
	December 28, 2007		As adjusted (1) December 29, 2006		December 30, 2005	
	(U.S. dollars in millions)					
Net sales by product category:						
Bananas.....	\$1,199.0	35%	\$1,112.5	35%	\$1,079.0	33%
Other fresh produce.....	1,614.9	48%	1,622.2	50%	1,680.9	52%
Prepared food .....	357.0	11%	308.6	10%	329.5	10%
Other products and services .....	194.6	6%	171.0	5%	170.3	5%
Total .....	<u>\$3,365.5</u>	<u>100%</u>	<u>\$3,214.3</u>	<u>100%</u>	<u>\$3,259.7</u>	<u>100%</u>
Gross profit (loss) by product category:						
Bananas.....	\$ 61.0	17%	\$ 18.5	10%	\$ 37.5	12%
Other fresh produce.....	240.5	66%	167.7	89%	220.9	70%
Prepared food .....	47.3	13%	(10.4)	(6)%	45.9	15%
Other products and services .....	16.1	4%	13.6	7%	10.7	3%
Total .....	<u>\$364.9</u>	<u>100%</u>	<u>\$ 189.4</u>	<u>100%</u>	<u>\$ 315.0</u>	<u>100%</u>

(1) Reflects retrospective application of FSP AUG AIR-1 to the years ended December 29, 2006 and December 30, 2005.

### 2007 Compared with 2006

**Net Sales** Net sales in 2007 were \$3,365.5 million compared with \$3,214.3 million in 2006. The increase in sales of \$151.2 million was primarily attributable to higher net sales of bananas, prepared food and other products and services, partially offset by a slight decrease in net sales of other fresh produce. Net sales of bananas increased by \$86.5 million primarily as a result of higher worldwide per unit sales prices, partially offset by lower sales volume principally in Asia. Net sales of prepared food increased \$48.4 million primarily due to increased sales of canned pineapple, which resulted from a short supply of industry volumes. Also contributing to the increase in net sales of prepared food were higher net sales of canned deciduous fruit and industrial products. Net sales of other products and services increased \$23.6 million primarily as a result of increased net sales volumes and per unit sales prices in the grain business and in the poultry business. Net sales of other fresh produce decreased

## OPERATING RESULTS

CONTINUED

\$7.3 million principally due to lower net sales of potatoes, tomatoes and vegetables as a result of the rationalization of these product categories in the North American region initiated during 2006. Also contributing to the decrease in the other fresh produce segment was a reduction in net sales of fresh-cut fruit and vegetables as a result of product line rationalization and temporary labor shortages in the North America operations. Partially offsetting these decreases in net sales in the other fresh produce segment during 2007 were higher net sales of gold pineapples primarily due to favorable exchange rates and slightly higher sales volume in Europe and Asia and higher net sales of melons and avocados principally due to higher per unit sales prices in North America that resulted from favorable market conditions.

Including the effect of our foreign currency hedges, net sales were positively affected by a weaker dollar versus the euro and the British pound. The net effect of foreign exchange in 2007 compared with 2006 was an increase in net sales of approximately \$69.0 million primarily attributed to the euro and to the British pound.

During 2007, one customer, Wal-Mart, Inc., accounted for approximately 15% of our total net sales. These sales are reported in our banana, other fresh produce and prepared food segments. No other customer accounted for 10% or more of our net sales. In 2007, the top ten customers accounted for approximately 36% of our net sales.

**Cost of Products Sold** Cost of products sold was \$3,000.6 million in 2007 compared with \$3,024.9 million in 2006, a decrease of \$24.3 million. This decrease in cost of products sold was primarily attributable to the Hawaii exit charge of \$24.6 million and the charge of \$16.6 million related to the Kenya canned pineapple product withdrawal and disposal program that were recorded during 2006 combined with reduced sales volume in 2007. Partially offsetting these decreases in cost of products sold during 2007 as compared with 2006 were higher fruit cost resulting from increased input prices, a 17% increase in vessel fuel prices combined with the negative impact of a weaker U.S. dollar. Included in cost of products sold in 2007 was \$3.0 million of insurance proceeds related to the Kenya product withdrawal and disposal program that occurred in 2006.

Since our financial reporting currency is the U.S. dollar, our costs are affected by fluctuations in the value of the currency in which we have significant operations versus the dollar, with a weak dollar versus those currencies where we have production operations results in increased costs. During 2007, cost of products sold was negatively impacted by approximately \$19.0 million as a result of a weaker U.S. dollar versus the various currencies in which we have significant production operations.

**Gross Profit** Gross profit was \$364.9 million in 2007 compared with \$189.4 million in 2006, an increase of \$175.5 million. The increase in gross profit was primarily attributable to higher gross profit on other fresh produce of \$72.8 million, higher gross profit on prepared food of \$57.7 million, higher gross profit on bananas of \$42.5 million and higher gross profit on other products and services of \$2.5 million. Gross profit on the other fresh produce segment increased principally due to the increase in gross profit on non-tropical fruit that resulted from improved market conditions combined with higher gross profit on fresh-cut fruit and vegetables and potatoes as a result of the rationalization and restructuring initiatives that were started during 2006 along with higher per unit selling prices. Also contributing to the increase in gross profit in 2007 was higher gross profit on gold pineapples as a result of a 7% increase in sales volume combined with cost savings that were implemented in 2006, primarily the closure of our Hawaii pineapple operations. The increase in gross profit on the other fresh produce segment also reflects the Hawaii exit activity charge of \$24.6 million that was recorded in 2006. Gross profit on the prepared food segment increased principally due to higher per unit selling prices of canned pineapple products due to industry volumes in short supply and operational efficiencies resulting from 2006 restructuring activities combined with the absence of cost related to the Kenya canned pineapple product withdrawal and disposal program that was recorded in 2006. Also contributing to the increase in gross profit on the prepared

food segment was an insurance recovery of \$3.0 million received during 2007 related to the Kenya canned pineapple product withdrawal and disposal program.

Gross profit on bananas increased principally due to higher per unit selling prices in all regions partially offset by higher fruit costs as a result of increased input prices and higher ocean transportation costs that resulted principally from a 17% increase in fuel prices and higher vessel operating costs.

The increase in gross profit in the other products and services segment was primarily attributable to higher gross profit in our Argentina grain business that resulted from improved market conditions.

**Selling, General and Administrative Expenses** Selling, general and administrative expenses decreased \$24.8 million to \$176.8 million in 2007 compared with \$201.6 million in 2006. The decrease is primarily attributable to lower selling and marketing expenses in Europe combined with lower information technology and other administrative expenses. Selling, general and administrative expenses for the comparable prior period reflected a European marketing campaign that was not repeated during 2007. In addition, as a result of our decision to market our prepared food products through independent distributors in the U.K., Belgium and Italy during 2007, we closed our Belgium and Italy sales offices and significantly reduced our sales and marketing staff in our U.K. office which contributed to the reduction in selling, general and administrative expenses.

**Asset Impairment and Other Charges** Asset impairment and other charges were \$12.5 million in 2007 as compared with \$105.3 million in 2006, a decrease of \$92.8 million. In 2007, we recorded asset impairment charges totaling \$15.5 million related to exit activities in the prepared food and other fresh produce segments principally in Europe and South America. In addition, as a result of the decision to exit all production activities in Hawaii in 2006, we recorded a net gain of \$4.5 million during 2007 related to the other fresh produce segment. This net gain consists principally of a curtailment gain related to the U.S. based post-retirement health plan partially offset by additional severance and other exit activity charges. Also included in asset impairment and other charges in 2007, were \$1.5 million principally related to exit activities in the prepared food segment in Europe as a result of our decision to market our prepared food products through independent distributors in certain European markets and to outsource the U.K. beverage production.

In 2006, we recorded asset impairment charges totaling \$84.0 million consisting of the following: a) \$21.7 million, as a result of continued operating losses due to underutilization of production facilities and machinery in Europe and Africa related to the prepared food segment; b) \$27.6 million, primarily as a result of asset impairment tests for indefinite-lived intangible assets in the United Kingdom due to discontinued unprofitable product lines in the prepared food and other fresh produce segments and in the United States as the result of lower volume expectations in the other fresh produce segment; c) \$17.4 million, as a result of continued operating losses and underutilization of facilities in Africa, Europe and the United States related to the other fresh produce and banana segments; d) \$9.3 million, due to underutilized definite lived intangible assets in the North America transportation business related to the non-produce segment and in Europe related to the other fresh produce segment; and e) \$8.0 million for the write-off of capitalized software costs in Europe and the United States due to discontinued usage. In addition, 2006 asset impairment and other charges include \$11.4 million of net employee termination benefits charges and \$9.9 million of contractual obligations charges related to the other fresh produce and processed food segments as a result of the accelerated closure of our Hawaii operations, the closure of our Italy juice plant and the closure and sale of our U.K. fresh-cut salad operation.

## OPERATING RESULTS

CONTINUED

**Operating Income (Loss)** Operating income in 2007 was \$175.6 million compared with an operating loss of \$117.5 million in 2006, an increase of \$293.1 million. The improvement in operating income is attributable to higher gross profit, lower selling, general and administrative expenses and lower asset impairment and other charges.

**Interest Expense** In 2007, our average outstanding debt level decreased slightly however due to higher interest rates, resulted in \$0.8 million higher interest expense during 2007 as compared with 2006.

**Other Income (Expense), Net** Other income (expense), net was \$31.5 million in 2007 compared with \$0.4 million in 2006. The increase of \$31.1 million was principally due to gains on sale of property plant and equipment of \$17.4 million combined with foreign exchange gains of \$14.9 million and partially offset by increased equity losses from unconsolidated subsidiaries. The gain on sale of property plant and equipment is principally due to our disposal of non-performing assets combined with the sale of a refrigerated vessel and the insurance proceeds related to the accidental loss of another vessel. The foreign exchange gain resulted from favorable exchange rate movements in the euro, British pound and other currencies versus the U.S. dollar in locations where we have significant activities.

**Provision for (Benefit from) Income Taxes** Provision for income taxes was \$1.4 million in 2007 compared with a benefit of \$0.5 million in 2006, a difference of \$1.9 million. Provision for income taxes for 2007 includes benefits of \$9.1 million primarily due to the reversal of uncertain tax positions for the settlement of tax audits, partially offset by increased taxable earnings in certain jurisdictions combined with additional accruals for uncertain tax positions. The majority of the losses incurred during 2006 did not result in taxable benefits due to the uncertainty of the utilization of these net operating losses against future taxable income.

### ***2006 Compared with 2005***

**Net Sales** Net sales in 2006 were \$3,214.3 million compared with \$3,259.7 million in 2005. The decrease in net sales of \$45.4 million was principally due to lower net sales of other fresh produce and prepared foods partially offset by higher sales of bananas. Net sales of other fresh produce decreased by \$58.7 million as compared with 2005, principally due to lower net sales of vegetables, tomatoes, non-tropical fruit, fresh-cut fruit and vegetables and potatoes partially offset by higher net sales of melons and grapes. The decrease in net sales of vegetables, tomatoes, potatoes and non-tropical fruit was the result of the rationalization of our North America vegetable program, the planned sales volume reduction in underperforming products and lower supplies of avocados. The decrease in net sales of fresh-cut fruit and vegetables was the result of our decision to discontinue our fresh-cut salad operation in the U.K. during the second quarter of 2006. The increase in net sales of melons was due to higher per unit sales price and sales volumes. The increase in net sales of grapes was the result of increased sales volumes. The decrease in net sales of prepared food of \$20.9 million was principally due to continued competitive pressure combined with lower sales of Kenya canned pineapple during the Christmas holiday due to limited supplies as a result of the product withdrawal program. Banana net sales increased by \$33.5 million primarily due to higher per unit sales prices in Asia and higher sales volumes in Asia and North America, partially offset by lower per unit sales prices and sales volume in Europe.

Including the effect of our foreign currency hedges, net sales were positively affected by a weaker dollar versus the euro, British pound, Japanese yen and Korean won. The net effect of foreign exchange in 2006 compared with 2005 was an increase in net sales of \$80.4 million primarily related to \$22.3 million attributed to the euro, \$24.4 million to the British pound, \$5.4 million to the Japanese yen and \$23.7 million to the Korean won.

During 2006, one customer, Wal-Mart, Inc., accounted for approximately 12% of our total net sales. These sales are reported in our banana, other fresh produce and prepared food segments. No other customer accounted for 10% or more of our net sales. In 2006, the top ten customers accounted for approximately 31% of our net sales.

**Cost of Products Sold** Cost of products sold was \$3,024.9 million in 2006 compared with \$2,944.7 million in 2005, an increase of \$80.2 million. Based on the closing of our Hawaii pineapple operations and as a result of changes in circumstances caused by the inefficiencies from employee turnover, reductions in forecasted production volume and a decline in market prices, an impairment of deferred growing crops of \$24.6 million was recorded in cost of products sold during 2006. Additionally, as a result of low level contamination of the prepared food segment canned pineapple products from our Kenyan operation, a product withdrawal and disposal program was initiated during 2006 resulting in a charge of \$16.6 million that was recorded in cost of products sold. Also recorded in cost of products sold during 2006 were \$1.8 million of inventory write-offs attributed to the closure of our Italian prepared food segment juice plant. The remaining increase in cost of products sold of \$36.6 million was primarily attributed to increased ocean freight and inland transportation which resulted from a 21% increase in fuel costs, increased vessel operating costs and higher fruit procurement and production costs. These higher costs may continue in the near term.

**Gross Profit** Gross profit was \$189.4 million in 2006 compared with \$315.0 million in 2005, a decrease of \$125.6 million. The decrease in gross profit was primarily attributable to lower gross profit on prepared food of \$56.3 million, lower gross profit on other fresh produce of \$53.2 million, and lower gross profit on bananas of \$19.0 million, partially offset by increased gross profit on other products and services of \$2.9 million. Gross profit on the prepared food segment decreased due to higher production costs combined with lower sales due to continued competitive pressure in the U.K. market in the canned fruit and shelf-stable juice product lines. Also contributing to the decrease in gross profit on the prepared food segment in 2006 was \$16.6 million in charges related to the product recall and withdrawal program that resulted from low level contamination of our Kenya canned pineapple products and \$1.8 million of inventory write-downs as a result of the shut-down of our Italy juice plant.

Gross profit on the other fresh produce segment decreased primarily due to lower gross profit on gold pineapples as a result of lower per unit sales price that resulted from increased competition and higher costs, lower gross profit on grapes that resulted from inclement weather conditions in our major sourcing areas, higher costs and by \$24.6 million in deferred crop and other inventory write-downs related to the accelerated closure of our Hawaii pineapple operations. Partially offsetting these decreases in gross profit on the other fresh produce segment in 2006 as compared with 2005, is increased gross profit on tomatoes that resulted from the elimination of less profitable varieties and higher per unit sales prices.

## OPERATING RESULTS

CONTINUED

Gross profit on bananas decreased principally due to lower per unit sales prices in the EU that resulted from increased competition as a direct result of the new tariff-only system partially offset by higher gross profit in Asia and North America. Another contributing factor to the decline in gross profit on bananas was higher ocean freight, inland transportation and raw material costs that resulted from higher fuel costs and vessel operating costs.

The increase in gross profit in the other products and services segment was primarily attributed to higher gross profit in the third-party freight and Jordan poultry businesses.

**Selling, General and Administrative Expenses** Selling, general and administrative expenses increased \$10.7 million to \$201.6 million in 2006 compared with \$190.9 million in 2005. The increase is primarily attributable to expenses associated with our European multi-media brand image campaign and by \$6.6 million of stock-based compensation expense.

**Asset Impairment and Other Charges** Asset impairment and other charges were \$105.3 million in 2006 as compared with \$3.1 million in 2005, an increase of \$102.2 million. In 2006, we recorded asset impairment charges totaling \$84.0 million consisting of the following: a) \$21.7 million, as a result of continued operating losses due to underutilization of production facilities and machinery in Europe and Africa related to the prepared food segment; b) \$27.6 million, primarily as a result of asset impairment tests for indefinite-lived intangible assets in the United Kingdom due to discontinued unprofitable product lines in the prepared food and other fresh produce segments and in the United States as the result of lower volume expectations in the other fresh produce segment; c) \$17.4 million, as a result of continued operating losses and underutilization of facilities in Africa, Europe and the United States related to the other fresh produce and banana segments; d) \$9.3 million, due to underutilized definite lived intangible assets in the North America transportation business related to the non-produce segment and in Europe related to the other fresh produce segment; and e) \$8.0 million for the write-off of capitalized software costs in Europe and the United States due to discontinued usage. In addition, 2006 asset impairment and other charges include \$11.4 million of net employee termination benefits charges and \$9.9 million of contractual obligations charges related to the other fresh produce and processed food segments as a result of the accelerated closure of our Hawaii operations, the closure of our Italy juice plant and the closure and sale of our U.K. fresh-cut salad operation.

In 2005, based on the underutilization of a facility in North America related to the other fresh produce segment and as a result of damages sustained from Hurricane Katrina at the New Orleans distribution center, an asset impairment charge of \$3.1 million was recorded.

**Operating Income (Loss)** Operating loss in 2006 was \$117.5 million compared with an operating income of \$121.0 million in 2005, a decrease of \$238.5 million. The operating loss is primarily attributable to lower gross profit, increased asset impairment and other charges and higher selling, general and administrative expenses.

**Interest Expense** Interest expense increased \$9.9 million to \$27.0 million in 2006 compared with \$17.1 million in 2005. The increase in interest expense was attributable to higher average debt balances and higher interest rates.

**Other Income (Expense), Net** Other income (expense), net was income of \$0.4 million in 2006 compared with an expense of \$3.1 million in 2005. The increase of \$3.5 million was principally due to insurance recoveries and gains associated from early termination of foreign exchange contracts.

**Benefit from Income Taxes** Benefit from income taxes was \$0.5 million in 2006, compared with \$8.3 million in 2005, a decrease of \$7.8 million. The income tax benefit of \$0.5 million in 2006 is primarily attributable to net operating losses in certain jurisdictions. However, the majority of the losses incurred during 2006 did not result in taxable benefits due to the uncertainty of the utilization of these net operating losses against future taxable income. The benefit from income taxes of \$8.3 million in 2005 includes increases in net deferred tax assets as a result of net operating losses expected to be utilized against future taxable income in certain jurisdictions as well as reversals of certain tax contingency accruals.

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

	Years ended	
	December 28, 2007	As adjusted (1) December 29, 2006
<b>Net sales:</b>		
First quarter .....	\$ 836.0	\$ 840.0
Second quarter .....	924.2	907.1
Third quarter.....	757.1	729.6
Fourth quarter.....	848.2	737.6
Total .....	<u>\$3,365.5</u>	<u>\$3,214.3</u>
<b>Gross profit (loss):</b>		
First quarter .....	\$ 99.1	\$ 68.0
Second quarter .....	119.6	72.1
Third quarter.....	67.8	(8.1)
Fourth quarter.....	78.4	57.4
Total .....	<u>\$ 364.9</u>	<u>\$ 189.4</u>

(1) Reflects retrospective application of FSP AUG AIR-1 to the periods ending December 29, 2006 and December 30, 2005.

## OPERATING RESULTS

CONTINUED

**Liquidity and Capital Resources** Net cash provided by operating activities for 2007 was \$152.5 million, an increase of \$127.2 from 2006. The increase in cash provided by operating activities was primarily attributable to net income in 2007 compared with a net loss in 2006 partially offset by higher levels of trade accounts receivables that resulted principally from new business in the Middle East and increases in balances due to the decision to market our prepared food products through independent distributors in late 2007. Net cash provided by operating activities for 2006 was \$25.3 million, a decrease of \$84.7 million from 2005. The decrease in cash provided by operating activities was principally attributable to the net loss in 2006 combined with changes in other operating assets and liabilities.

Working capital was \$491.2 million at December 28, 2007, compared with \$436.7 million at December 29, 2006, an increase of \$54.5 million. This increase in working capital is principally attributable to higher levels of trade accounts receivable that resulted from new business in the Middle East and increases in balances due from new processed food distributors primarily in the U.K., Belgium and Italy.

Net cash used in investing activities was \$50.8 million for 2007, \$84.3 million for 2006 and \$78.1 million for 2005. Net cash used in investing activities for 2007 consisted primarily of capital expenditures of \$81.4 million and an additional investment of \$2.0 million in an unconsolidated subsidiary in Costa Rica, partially offset by \$32.2 million of proceeds from sale of assets. Capital expenditures for 2007 consisted primarily of expansion of distribution and manufacturing facilities in the Middle East and expansion of production facilities in Kenya, Brazil and the Philippines. Proceeds from sale of assets principally consisted of disposals of non-performing assets in Europe, Africa and North America, combined with the sale of a refrigerated vessel and the insurance proceeds related to the accidental loss of another vessel.

Net cash used in investing activities for 2006 consisted primarily of capital expenditures of \$102.1 million, partially offset by \$17.8 million of proceeds from sale of assets. Capital expenditures for 2006 consisted primarily of new distribution and manufacturing facilities in the Middle East and expansion of production operations in the Philippines, South America and Africa. Proceeds from sale of assets consisted primarily of the sale of the fresh-cut salad operations in the U.K. and a potato repack facility in the U.S.

Net cash provided by investing activities for 2005 consisted principally of capital expenditures of \$81.1 million partially offset by proceeds from sale of assets of \$3.7 million. Capital expenditures in 2005 consisted primarily of expansion of production operations in South America, the Philippines, Africa and the Middle East and for information technology initiatives.

Net cash used in financing activities of \$111.5 million for 2007 was principally attributable to net repayment of long-term debt of \$242.3 million partially offset by \$117.5 million of proceeds from the issuance of our ordinary shares and \$13.3 million from stock options exercised. During November 2007, we sold 4,222,000 of our ordinary shares in a public offering. The net proceeds from the issuance of our ordinary shares were primarily used for repayments of long-term debt.

Net cash provided by financing activities of \$73.9 million for 2006 was principally attributable to net borrowing of long-term debt of \$108.3 million partially offset by \$28.9 million of payments of dividends and \$5.8 million of purchases of treasury shares.

Net cash used in financing activities of \$51.0 million for 2005 was principally attributable to payment of cash dividends of \$46.3 million combined with net repayment of long-term debt of \$8.3 million, partially offset by proceeds from stock options exercised of \$3.6 million.

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 administered by Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., "Rabobank Nederland," New York Branch, which we refer to as Rabobank. Our obligations under the credit facility are guaranteed by certain of our subsidiaries. On March 21, 2003, Fresh Del Monte and certain wholly-owned subsidiaries entered into a \$400.0 million, four-year syndicated revolving credit facility (collectively the "Credit Facility"), with Rabobank Nederland, New York Branch, as administrative agent. On November 9, 2004, the Credit Facility was amended to increase the total revolving commitment to \$600.0 million, to add a term loan commitment of up to \$400.0 million, to extend its maturity to November 10, 2009 and to increase the letter of credit facility to \$100.0 million. On February 14, 2006, the Credit Facility was amended to increase the allowable repurchase by Fresh Del Monte of its ordinary shares in an aggregate amount not to exceed \$300.0 million.

On May 10, 2006, the Credit Facility was modified to amend certain financial covenants, and we borrowed \$150.0 million of the available \$400.0 million term loan commitment (the "Term Loan") and used the proceeds to repay a portion of the revolving facility. The Term Loan is a five-year amortizing loan with quarterly payments of principal and interest. The Term Loan matures on May 10, 2011. The interest rate on the Term Loan (5.88% at December 28, 2007) is based on a spread over the London Interbank Offer Rate ("LIBOR"). On December 27, 2006 the Credit Facility was further amended to modify the applicable ratios used to determine margins for advances and to amend certain financial covenants.

The Credit Facility is collateralized directly or indirectly by substantially all of our assets and is guaranteed by certain of our subsidiaries. The Credit Facility permits borrowings with an interest rate (5.96% at December 28, 2007), depending on our leverage ratio, based on a spread over LIBOR. At December 28, 2007, there was \$208.7 million outstanding under the Credit Facility.

The Credit Facility requires us to be in compliance with various financial and other covenants and limits the amount of future dividends and capital expenditures. As of December 28, 2007, we were in compliance with all of the financial and other covenants contained in the Credit Facility.

At December 28, 2007, we had \$518.7 million available under committed working capital facilities, primarily under the Credit Facility. The Credit Facility also includes a swing line facility and a letter of credit facility. At December 28, 2007, we applied \$18.2 million to the letter of credit facility, comprised primarily of certain contingent obligations and other governmental agencies guarantees.

As of December 28, 2007, we had \$238.6 million of long-term debt and capital lease obligations, including the current portions, consisting of \$208.7 million outstanding under the Credit Facility, \$15.5 million of capital lease obligations and \$14.4 million of other long-term debt and notes payable.

As of December 28, 2007, we had cash and cash equivalents of \$30.2 million.

We expect to pay approximately \$6.4 million during 2008 in termination benefits and contractual obligations primarily related to the closure of our Hawaii pineapple and U.K. beverage production operations and the transition to exclusive distributors for processed food in the U.K., Italy and Belgium. We also expect to pay \$0.6 million in 2009 related to Hawaii exit activities. These cash outlays will be funded from operating cash flows and available borrowings under our Credit Facility.

## OPERATING RESULTS

CONTINUED

Principal capital expenditures planned for 2008 consist of \$120.0 million for the expansion of our distribution and manufacturing facilities in the Middle East and expansion of our production facilities in the Philippines, Central and South America and Kenya. We expect to fund our capital expenditures in 2008 through operating cash flows and borrowings under our credit facility. We generated cash from operations of \$152.5 million in 2007 and had \$518.7 million available under our Credit Facility as of December 28, 2007. Based on our operating plan and borrowing capacity of our Credit Facility, we believe we have sufficient cash to meet our obligations in 2008.

**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.

**Critical Accounting Policies** We believe the following accounting policies used in the preparation of our consolidated financial statements may involve a higher degree of judgment and complexity and could have a material effect on our consolidated financial statements.

**Growing Crops** Expenditures on pineapple, melon and non-tropical fruit, including grapes, growing crops are valued at the lower of cost or market and are deferred and charged to cost of products sold when the related crop is harvested and sold. The deferred growing costs consist primarily of land preparation, cultivation, irrigation and fertilization costs. The deferred growing crop calculation is dependent on an estimate of harvest yields and future crop expenditures. If there is an unexpected decrease in estimated harvest yields, a write-down of deferred growing costs may be required. During 2007, there were no impairment of deferred growing crops. During 2006, based on the closing of our Hawaii pineapple operations and as a result of changes in circumstances caused by the inefficiencies from employee turnover, reductions in forecasted production volume and a decline in market prices, an impairment of deferred growing crops of \$24.6 million was recorded in cost of products sold.

**Stock-Based Compensation** Effective December 31, 2005 (the first day of our 2006 year), we adopted Statement of Financial Accounting Standards No.123 (revised 2004), "Share-Based Payments" ("SFAS 123R"). Our share-based payments are composed entirely of stock-based compensation expense as all equity awards granted to employees and members of our Board of Directors, each of whom meets the definition of an employee under the provisions of SFAS 123R, are stock options. We adopted SFAS 123R using the modified prospective basis. Under this method, compensation costs recognized beginning December 31, 2005 included costs related to 1) all share-based payments granted prior to but not yet vested as of December 31, 2005, based on previously estimated grant-date fair values and 2) all share-based payments granted subsequent to December 30, 2005 based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. We have continued to use the Black-Scholes option pricing model to estimate the fair value of stock options granted subsequent to the date of adoption of SFAS 123R.

Stock-based compensation expense related to stock options for the year ended December 28, 2007, included in the determination of income before provision for income taxes and net income, totaled \$5.6 million on the straight-line, single award basis, or \$0.10 per diluted share, respectively, and are included in the accompanying consolidated statement of operations for the year ended December 28, 2007 in selling, general and administrative expenses. We are in a net operating loss position in the relevant jurisdictions. Therefore, for the year ended 2007, deferred tax assets related to stock-based compensation expense have been fully reserved and there was no reduction in taxes currently payable or related effect on cash flows as the result of

excess tax benefits from stock options exercised in these periods. The amount of cash received from the exercise of stock options was \$13.3 million for the year ended December 28, 2007. As of December 28, 2007, the total remaining unrecognized compensation costs related to non-vested stock options amounted to \$8.7 million, which will be amortized over the weighted-average remaining requisite service period of 2.2 years.

**Goodwill and Indefinite-Lived Intangible Assets** We assess goodwill for impairment with the assistance of an independent valuation firm on an annual basis on the first day of the fourth quarter of each year, or sooner if events indicate such a review is necessary. Based on this valuation, we have determined that there is no impairment of goodwill in 2007. In 2006, we determined that goodwill related to the Standard acquisition we completed in 2003 which products included tomatoes and other vegetables was impaired. Accordingly, a charge to the carrying value of goodwill in the amount of \$12.5 million was recorded during the fourth quarter of 2006. As of December 28, 2007, we are not aware of any items or events that would cause us to further adjust the recorded value of goodwill for impairment. Potential impairment exists if the fair value of a reporting unit to which goodwill has been allocated, is less than the carrying value of the reporting unit. The amount of the impairment to recognize, if any, is calculated as the amount by which the carrying value of goodwill exceeds its implied value. Future changes in the estimates used to conduct the impairment review, including revenue projection, market values and changes in the discount rate used, could cause the analysis to indicate that our goodwill is impaired in subsequent periods and result in a write-off of a portion or all of goodwill. The discount rate used is based on independently calculated risks, our capital mix and an estimated market risk premium. The assumptions used in estimating revenue projections are consistent with those used in internal planning.

As part of the Del Monte Foods acquisition we acquired a perpetual, royalty-free license to use the DEL MONTE® brand for processed and/or canned food in more than 100 countries throughout Europe, Africa and the Middle East. Included in other non-current assets at December 28, 2007 is an indefinite-lived intangible asset of \$74.6 million related to this license. This indefinite-lived intangible asset is not being amortized but is reviewed for impairment consistent with SFAS No. 142. Based on this review it was determined that there is no impairment of this indefinite-lived intangible asset in 2007. In 2006, the carrying value of this indefinitely-lived intangible asset was higher than the fair value and accordingly, an impairment charge of \$8.9 million was recorded. This indefinitely-lived asset is highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of this asset. We estimate that, a 5% decrease in the expected future cash flows of this indefinite-lived intangible asset and a one-percentage point increase in the discount rate used would result in a further impairment loss of approximate \$3.6 million related to this asset.

**Impairment of Long-Lived Assets** We account for the impairment of long-lived assets in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS No. 144"). SFAS No. 144 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. In 2005, based on the underutilization of a facility in North America related to the other fresh produce segment and as a result of damages sustained from Hurricane Katrina at the New Orleans distribution center, asset impairment charges of \$3.1 million were recorded. In 2006, we recorded asset impairment charges of \$56.4 million. These asset impairments consisted of the following: a) \$21.7 million, as a result of continued operating losses due to underutilization of production facilities and machinery in Europe and Africa related to the prepared food segment; b) \$17.4 million, as a result of continued operating losses combined with underutilization of facilities in Africa, Europe and the United States related to the other fresh produce and banana segments; c) \$9.3 million, due to underutilized definite lived intangible assets in the North America transportation business related to the non-

## OPERATING RESULTS

CONTINUED

produce segment and in Europe related to the other fresh produce segment; and d) \$8.0 million for the write-off of capitalized software costs in Europe and the United States due to discontinued usage. In 2007, we recorded asset impairment charges totaling \$15.5 million related to exit activities in the prepared food and other fresh produce segments principally in Europe and South America.

In assessing potential impairment, we consider the operating performance and projected undiscounted cash flows of these assets. If the projected cash flows are estimated to be less than the assets' carrying value, we may have to record additional impairment charges. The fair value of these assets is determined based on discounted future cash flows or independent appraisals from third parties.

**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 some portion or all of the deferred tax assets will not be realized. Our judgments regarding future profitability may change due to future market conditions and other factors. These changes, if any, may require adjustments to our deferred tax assets. We have established tax accruals for uncertain tax positions including those as a result of various tax audits currently in process. The amount of income taxes due as a result of the eventual outcome of these audits could differ from the amount of the estimated tax accruals.

**Contingencies** Estimated losses from contingencies are expensed if it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Gain contingencies are not reflected in the financial statements until realized. We use judgment in assessing whether a loss contingency is probable and estimable. Actual results could differ from these estimates.

**Environmental Remediation Liabilities** Losses associated with environmental remediation obligations are accrued when such losses are probable and can be reasonably estimated. We have recorded provisions for the Kunia Well Site related to the expected environmental remediation. The related liability is based on the Record of Decision, which was issued by the EPA on September 25, 2003. Certain portions of the EPA's estimates have been discounted using a 5% interest rate. Interest expense of \$0.9 million was accrued during 2007. In 2004, we commenced certain remediation and further testing activities. At December 29, 2006 and December 28, 2007, the total liability for the Kunia Well Site was \$22.3 million and \$21.7 million, respectively. We expect to expend approximately \$1.2 million in cash per year for the next five years. The ultimate amount of the cost for the expected environmental remediation of the Kunia Well Site is dependent on the actual cost. Actual remediation costs could significantly differ from our estimates.

**Derivative Financial Instruments** We recognize derivative financial instruments as either assets or liabilities on the accompanying consolidated balance sheets at fair value and account for those derivatives financial instruments designated as hedging instruments 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 financial instrument be offset against the change in the fair value of the underlying asset, liability, or firm commitment being hedged through earnings. A cash flow hedge requires that the effective portion of the change in the fair value of a derivative instrument be recognized in other comprehensive income, a component of shareholders' equity, and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of a derivative financial instrument's change in fair value is immediately recognized in earnings. Terminations of derivative financial instruments designated as hedges are immediately recognized in earnings.

**Research and Development, Patents and Licenses, Etc.** Our research and development programs have led to improvements in agricultural and growing practices and product packaging technology. These programs are directed mainly at reducing the cost and risk of pesticides, using natural biological agents to control pests and diseases, testing new varieties of our principal fruit varieties for improved crop yield and resistance to wind damage and improving post harvest handling. We have also been seeking to increase the productivity of low-grade soils for improved banana growth and experimenting with various other types of fresh produce. Our research and development efforts are conducted by our staff of professionals and include studies conducted in laboratories, as well as on-site field analyses and experiments. Our research and development professionals are located at our production facilities and in the United States, and we provide our growers with access to improved technologies and practices. We operate research and development facilities in the San Francisco Bay area of California and Costa Rica where we conduct various research activities relating to the development of new fruit varieties.

Some of the research and development projects include:

- the development of the *Del Monte Gold® Extra Sweet* pineapple and other pineapple and melon varieties; and
- improved irrigation methods and soil preparation for melon planting.

Our total corporate research and development expenses were \$3.1 million, \$2.9 million and \$2.9 million for 2007, 2006 and 2005, respectively, and are included in selling, general and administrative expenses.

We have the exclusive right to use the DEL MONTE® brand for fresh fruit, fresh vegetables and other fresh and fresh-cut produce on a royalty-free basis under a worldwide, perpetual license from Del Monte Corporation, an unaffiliated company that owns the DEL MONTE® trademark. Del Monte Corporation and several other unaffiliated companies manufacture, distribute and sell under the DEL MONTE® brand canned or processed fruit, vegetables and other produce, as well as dried fruit, snacks and other products. Our licenses allow us to use the trademark "DEL MONTE®" and the words "DEL MONTE®" in association with any design or logotype associated with the brand, conditional upon our compliance with certain quality control standards. The licenses also give us certain other trademarks and trademark rights, on or in connection with the production, manufacture, sale and distribution of fresh fruit, fresh vegetables, other fresh produce and certain other specified products. In addition, the licenses allow us to use certain patents and trade secrets in connection with the production, manufacture, sale and distribution of our fresh fruit, fresh vegetables, other fresh produce and certain other specified products.

## OPERATING RESULTS

CONTINUED

As a result of the Del Monte Foods acquisition, we have a royalty-free perpetual license to use the DEL MONTE® trademark in connection with the production, manufacture, sale and distribution of prepared food and beverages in over 100 countries throughout Western, Eastern and Central Europe, Africa and the Middle East.

We also sell produce under several other brands for which we have obtained registered trademarks, including UTC®, Rosy®, Fruit Express®, Just Juice®, Fruitini® and other regional brands.

**Trend Information** Our net sales growth in recent years has been achieved primarily through increased sales volume in existing markets of other fresh produce, primarily pineapples, melons and non-tropical fruit. Also contributing to our sales growth has been the introduction of new products, including tomatoes and prepared food, combined with expansion of value-added services such as banana ripening and fresh-cut produce. Our net sales growth in recent years is also attributable to a broadening of our product line with the expansion of our fresh-cut produce business and our expansion into new markets. We expect our net sales growth to continue to be driven by increased sales volumes in our other fresh produce segment and the prepared food segment. In Europe, Africa and the Middle East, we expect increased sales of fresh fruit and prepared food product offerings. Specifically, we expect to increase our sales in the Middle East by developing new products in the fresh and prepared food product lines and by expanding our distribution networks and providing value-added services in these expanding markets. We also expect our global net sales of *Del Monte Gold® Extra Sweet* pineapple to approximate last year's levels.

In the pineapple, grape and non-tropical fruit markets, we believe that the high degree of capital investment and cultivation expertise required, as well as the longer length of the growing cycle, makes it relatively difficult to enter the market. However, in recent years we have experienced an increase in competition with respect to our *Del Monte Gold® Extra Sweet* pineapple, which has affected our results. We expect these competitive pressures to continue in 2008.

In the EU, the banana import license system was replaced with a tariff-only banana import system effective January 1, 2006. This new tariff-only banana import regime established a tariff of 176 euros per ton for bananas imported from Latin American countries. The effect of this new tariff-only system on the European banana market initially resulted in increased supply to this market which in turn had the effect of reducing our per unit net sales prices. During 2007, this market stabilized and per unit net sales prices increased. We expect this market to remain stable during 2008.

Our costs are determined in large part by the prices of fuel and packaging materials, including containerboard, plastic, resin and tin plate. Any significant increase in the cost of these items could also materially and adversely affect our operating results. Other than the cost of our products (including packaging), sea and inland transportation costs represent the largest component of cost of products sold. Our average cost of fuel increased by 41% and containerboard increased slightly in 2005 as compared with 2004. During 2006, the cost of fuel increased an additional 21% and containerboard increased by 17%, as compared with 2005 and during 2007, the cost of fuel further increased by 17% and containerboard had a slight increase as compared with 2006. These increases in the cost of fuel and containerboard have negatively impacted our results of operations. In addition, we are subject to the volatility of the short-term charter vessel market because approximately 30% of our refrigerated vessels are chartered rather than owned. These charters are primarily short-term, typically for periods of one to three years. Charter rates have generally increased during 2006 and 2007 as compared with the relevant prior year and are expected to further increase during 2008. These higher operating costs may continue in the near term.

The following details information with respect to our contractual obligations as of December 28, 2007:

	(U.S. dollars in millions)				
	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
<b>Contractual obligations by period</b>					
Fruit purchase agreements .....	\$2,749.3	\$518.6	\$718.9	\$594.7	\$917.1
Purchase obligations .....	285.8	129.4	93.9	31.5	31.0
Operating leases .....	130.1	23.6	40.3	26.3	39.9
Capital lease obligations (including interest) .....	16.9	6.1	8.3	2.5	—
Long-term debt .....	223.1	1.5	108.7	107.3	5.6
Totals .....	<u>\$3,405.2</u>	<u>\$679.2</u>	<u>\$970.1</u>	<u>\$762.3</u>	<u>\$993.6</u>

The above table does not reflect accrued uncertain tax positions of \$8.2 million (including interest and penalties). Of the \$8.2 million, \$5.1 million is expected to reverse within the next 12 months related to completion of foreign income tax audits and lapse of statute of limitations. The timing of the remaining \$3.1 million is uncertain. See Note 12, "Income Taxes" in the Notes to the Consolidated Financial Statements for additional discussion on unrecognized tax benefits.

We have agreements to purchase the entire production of certain products of our independent growers in Costa Rica, Guatemala, Ecuador, Cameroon, Colombia, Chile, Brazil and the Philippines that meet our quality standards. Total purchases under these agreements amounted to \$580.8 million, \$575.3 million and \$585.9 million for 2007, 2006 and 2005, respectively.

## ORDINARY SHARE PRICES AND RELATED MATTERS

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

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

	High	Low
<b>Five most recent financial years</b>		
Year ended December 26, 2003 .....	\$28.35	\$15.12
Year ended December 31, 2004 .....	\$29.63	\$22.62
Year ended December 30, 2005 .....	\$33.94	\$21.90
Year ended December 29, 2006 .....	\$23.04	\$14.81
Year ended December 28, 2007 .....	\$37.55	\$14.51
<b>2006</b>		
First quarter.....	\$23.10	\$17.52
Second quarter.....	\$21.85	\$16.26
Third quarter .....	\$19.18	\$15.50
Fourth quarter .....	\$17.39	\$14.75
<b>2007</b>		
First quarter.....	\$20.05	\$14.51
Second quarter.....	\$25.66	\$19.10
Third quarter .....	\$29.58	\$22.52
Fourth quarter .....	\$37.55	\$27.68
<b>Most recent six months</b>		
August 2007.....	\$27.75	\$22.52
September 2007 .....	\$29.58	\$25.14
October 2007 .....	\$37.55	\$29.77
November 2007 .....	\$36.28	\$27.68
December 2007 .....	\$33.86	\$28.46
January 2008 .....	\$35.78	\$31.78

## CONSOLIDATED BALANCE SHEETS

	December 28, 2007	As adjusted (a) December 29, 2006
	(U.S. dollars in millions, except share and per share data)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents .....	\$ 30.2	\$ 39.8
Trade accounts receivable, net of allowance of \$20.4 and \$25.4, respectively .....	343.3	266.2
Other accounts receivables, net of allowance of \$14.6 and \$23.2, respectively .....	70.6	59.9
Inventories .....	406.9	405.3
Deferred income taxes .....	9.1	8.3
Prepaid expenses and other current assets .....	27.8	54.2
Total current assets .....	<u>887.9</u>	<u>833.7</u>
Investments in and advances to unconsolidated companies .....	10.6	12.2
Property, plant and equipment, net .....	851.8	840.5
Deferred income taxes .....	63.8	47.1
Other noncurrent assets .....	118.4	104.2
Goodwill .....	253.2	251.9
Total assets .....	<u>\$2,185.7</u>	<u>\$2,089.6</u>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Accounts payable and accrued expenses .....	\$ 358.5	\$ 364.0
Current portion of long-term debt and capital lease obligations .....	6.9	7.8
Deferred income taxes .....	20.2	16.1
Income taxes and other taxes payable .....	11.1	9.1
Total current liabilities .....	<u>396.7</u>	<u>397.0</u>
Long-term debt and capital lease obligations .....	231.7	462.1
Retirement benefits .....	57.2	78.4
Other noncurrent liabilities .....	34.9	45.5
Deferred income taxes .....	85.6	68.1
Total liabilities .....	<u>806.1</u>	<u>1,051.1</u>
Minority interests .....	14.8	12.2
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; 62,702,916 issued and outstanding and 58,039,180 issued and 57,697,834 outstanding, respectively .....	0.6	0.6
Paid-in capital .....	518.0	387.4
Retained earnings .....	806.9	627.1
Less: 341,346 treasury shares at cost .....	—	(5.8)
Accumulated other comprehensive income .....	39.3	17.0
Total shareholders' equity .....	<u>1,364.8</u>	<u>1,026.3</u>
Total liabilities and shareholders' equity .....	<u>\$2,185.7</u>	<u>\$2,089.6</u>

(a) See note 3 for additional information.

See accompanying notes.

## CONSOLIDATED STATEMENTS OF INCOME

	Years ended		
	As adjusted (a)		
	December 28, 2007	December 29, 2006	December 30, 2005
(U.S. dollars in millions, except share and per share data)			
Net sales .....	\$3,365.5	\$3,214.3	\$3,259.7
Cost of products sold.....	3,000.6	3,024.9	2,944.7
Gross profit .....	364.9	189.4	315.0
Selling, general and administrative expenses .....	176.8	201.6	190.9
Asset impairment and other charges, net.....	12.5	105.3	3.1
Operating income (loss).....	175.6	(117.5)	121.0
Interest expense.....	27.8	27.0	17.1
Interest income.....	1.9	1.4	1.0
Other income (expense), net.....	31.5	0.4	(3.1)
Income (loss) before income taxes .....	181.2	(142.7)	101.8
Provision for (benefit from) income taxes.....	1.4	(0.5)	(8.3)
Net income (loss).....	\$ 179.8	\$ (142.2)	110.1
Net income (loss) per ordinary share—Basic.....	\$ 3.07	\$ (2.46)	\$ 1.90
Net income (loss) per ordinary share—Diluted .....	\$ 3.06	\$ (2.46)	\$ 1.90
Dividends declared per ordinary share .....	\$ —	\$ 0.50	\$ 0.80
Weighted average number of ordinary shares:			
Basic .....	58,490,281	57,819,416	57,926,466
Diluted.....	58,772,718	57,819,416	58,077,282

(a) See note 3 for additional information.

See accompanying notes.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended		
	As adjusted (a)		
	December 28, 2007	December 29, 2006	December 30, 2005
	(U.S. dollars in millions)		
<b>Operating activities:</b>			
Net income (loss) .....	\$179.8	\$(142.2)	\$ 110.1
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization .....	80.9	83.8	89.0
Gain on pension liability .....	(5.6)	—	—
Asset impairment charges .....	15.5	84.0	3.1
Change in uncertain tax positions .....	(4.5)	—	—
(Gain) loss on sale of assets .....	(17.4)	0.6	(1.2)
Equity in loss of unconsolidated companies .....	3.1	1.6	2.1
Deferred income taxes .....	4.9	(6.1)	(3.7)
Stock-based compensation .....	5.6	6.6	—
Foreign currency translation adjustment .....	7.7	9.6	(13.0)
Other, net .....	—	—	(1.7)
Changes in operating assets and liabilities, net of acquisitions:			
Receivables .....	(78.9)	21.6	(17.5)
Inventories .....	(1.9)	(19.5)	(45.1)
Prepaid expenses and other current assets .....	1.0	3.8	3.0
Accounts payable and accrued expenses .....	(3.8)	(5.8)	(14.5)
Other noncurrent assets and liabilities .....	(33.9)	(12.7)	(0.6)
<b>Net cash provided by operating activities</b>	<b>152.5</b>	<b>25.3</b>	<b>110.0</b>
<b>Investing activities:</b>			
Capital expenditures .....	(81.4)	(102.1)	(81.1)
Proceeds from sale of assets .....	32.2	17.8	3.7
Purchase of subsidiaries, net of cash acquired .....	—	—	(2.0)
Dividends received from unconsolidated subsidiaries .....	—	—	0.4
Investments in unconsolidated companies .....	(2.0)	—	—
Other investing activities, net .....	0.4	—	0.9
<b>Net cash used in investing activities</b>	<b>(50.8)</b>	<b>(84.3)</b>	<b>(78.1)</b>
<b>Financing activities:</b>			
Proceeds from long-term debt .....	527.2	701.7	724.0
Payments on long-term debt .....	(769.5)	(593.4)	(732.3)
Proceeds from the issuance of ordinary shares, net .....	117.5	—	—
Proceeds from stock options exercised .....	13.3	0.3	3.6
Purchase of treasury shares .....	—	(5.8)	—
Payments of dividends .....	—	(28.9)	(46.3)
<b>Net cash (used in) provided by financing activities</b>	<b>(111.5)</b>	<b>73.9</b>	<b>(51.0)</b>
<b>Effect of exchange rate changes on cash</b>	<b>0.2</b>	<b>0.4</b>	<b>1.5</b>
Net (decrease) increase in cash and cash equivalents .....	(9.6)	15.3	(17.6)
Cash and cash equivalents, beginning .....	39.8	24.5	42.1
Cash and cash equivalents, ending .....	<b>\$ 30.2</b>	<b>\$ 39.8</b>	<b>\$ 24.5</b>
<b>Supplemental cash flow information:</b>			
Cash paid for interest .....	\$ 28.1	\$ 24.0	\$ 14.9
Cash paid for income taxes .....	\$ 2.0	\$ 2.3	\$ 3.0
<b>Non-cash financing and investing activities:</b>			
Retirement of treasury stock .....	\$ 5.8	\$ —	\$ —
Purchases of assets under capital lease obligations .....	\$ 10.4	\$ 1.2	\$ 6.1

(a) See note 3 for additional information.

See accompanying notes.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Ordinary Shares Outstanding	Ordinary Shares	Paid-in Capital	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
			(U.S. dollars in millions, except share data)				
Balance at December 31, 2004 .....	57,690,074	\$0.6	\$376.9	\$ 714.6	\$ —	\$(22.9)	\$1,069.2
Cumulative effect of adjustments resulting from the adoption of FSP AUG AIR-1 .....	—	—	—	8.2	—	—	8.2
Adjusted balance at January 1, 2005 .....	57,690,074	\$0.6	\$376.9	\$ 722.8	\$ —	\$(22.9)	\$1,077.4
Exercises of stock options .....	323,106	—	3.6	—	—	—	3.6
Dividends declared .....	—	—	—	(46.3)	—	—	(46.3)
Comprehensive income:							
Net income .....	—	—	—	110.1	—	—	110.1
Unrealized gain on derivatives, net of reclassification for losses of \$3.1 included in net income .....	—	—	—	—	—	61.9	61.9
Net foreign currency translation adjustment .....	—	—	—	—	—	(41.6)	(41.6)
Additional minimum pension liability .....	—	—	—	—	—	(0.5)	(0.5)
Comprehensive income .....	—	—	—	—	—	—	129.9
Balance at December 30, 2005 .....	58,013,180	\$0.6	\$380.5	\$ 786.6	\$ —	\$ (3.1)	\$1,164.6
Cumulative effect of adjustments resulting from the adoption of SAB No. 108 .....	—	—	—	11.6	—	—	11.6
Adjusted balance at December 31, 2005 .....	58,013,180	\$0.6	\$380.5	\$ 798.2	\$ —	\$ (3.1)	\$1,176.2
Exercises of stock options .....	26,000	—	0.3	—	—	—	0.3
Share-based payment expense .....	—	—	6.6	—	—	—	6.6
Dividends declared .....	—	—	—	(28.9)	—	—	(28.9)
Treasury shares purchased .....	(341,346)	—	—	—	(5.8)	—	(5.8)
Comprehensive loss:							
Net loss .....	—	—	—	(142.2)	—	—	(142.2)
Unrealized loss on derivatives, net of reclassification for loss of \$0.6 included in net loss .....	—	—	—	—	—	(34.3)	(34.3)
Net foreign currency translation adjustment .....	—	—	—	—	—	43.9	43.9
Additional minimum pension liability .....	—	—	—	—	—	(1.6)	(1.6)
Comprehensive loss .....	—	—	—	—	—	—	(134.2)
Impact of adoption of SFAS No. 158, net of tax .....	—	—	—	—	—	12.1	12.1
Balance at December 29, 2006 .....	57,697,834	\$0.6	\$387.4	\$ 627.1	\$(5.8)	\$ 17.0	\$1,026.3
Exercises of stock options .....	783,082	—	13.3	—	—	—	13.3
Share-based payment expense .....	—	—	5.6	—	—	—	5.6
Offering of shares .....	4,222,000	—	117.5	—	—	—	117.5
Treasury shares cancelled .....	—	—	(5.8)	—	5.8	—	—
Comprehensive loss:							
Net income .....	—	—	—	179.8	—	—	179.8
Unrealized loss on derivatives .....	—	—	—	—	—	(7.0)	(7.0)
Net foreign currency translation adjustment .....	—	—	—	—	—	17.9	17.9
Retirement benefit adjustment, net of tax .....	—	—	—	—	—	11.4	11.4
Comprehensive income .....	—	—	—	—	—	—	202.1
Balance at December 28, 2007 .....	62,702,916	\$0.6	\$518.0	\$ 806.9	\$ —	\$ 39.3	\$1,364.8

See accompanying notes.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL

Reference in this Report to Fresh Del Monte, “we”, “our” and “us” refers to Fresh Del Monte Produce Inc. and its subsidiaries, unless the context indicates otherwise.

We were incorporated under the laws of the Cayman Islands on August 29, 1996 and we are 27.1% 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 7.8% of our outstanding ordinary shares.

We are engaged primarily in the worldwide production, transportation and marketing of fresh produce. We source our products, which include bananas, pineapples, melons and non-tropical fruit (including grapes, apples, pears, peaches, plums, nectarines, apricots, avocados and kiwi), plantains and tomatoes, primarily from Central America, South America, Africa and the Philippines. We also source products from North America and Europe and distribute our products in North America, Europe, Asia, South America, Africa and the Middle East. Products are sourced from our company-owned farms, through joint venture arrangements and through supply contracts with independent growers.

With the acquisition of Del Monte Foods Europe (“Del Monte Foods”), we became a vertically integrated producer, marketer and distributor of prepared fruit and vegetables, juices and snacks and we hold a perpetual, royalty-free license to use the DEL MONTE® brand for prepared foods throughout Europe, Africa and the Middle East.

### 2. STAFF ACCOUNTING BULLETIN NO. 108

In September 2006, the Securities and Exchange Commission (“SEC”) issued Staff Accounting Bulletin No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements” (“SAB 108”). SAB 108 provides interpretive guidance on the considerations of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment.

Traditionally, there have been two widely-recognized methods for quantifying the effects of financial misstatements: the “roll-over” method and the “iron curtain” method. The roll-over method focuses primarily on the impact of a misstatement on the income statement-including the reversing effect of prior year misstatements-but its use can lead to the accumulation of misstatements in the balance sheet. The iron curtain method, on the other hand, focuses primarily on the effect of correcting the prior year-end balance sheet with less emphasis on the reversing effects of prior year errors on the income statement. We currently and have historically used the roll-over method for quantifying identified financial statement misstatements.

In SAB 108, the SEC staff established an approach that requires quantification of financial statement misstatements based on the effects of the misstatements on each of our financial statements and the related financial statement disclosures. This model is commonly referred to as a “dual approach” because it requires quantification of errors under both the iron curtain and the roll-over methods.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 2. STAFF ACCOUNTING BULLETIN NO. 108 (CONTINUED)

We adopted SAB 108 as of our year ended December 29, 2006. SAB 108 allows the use of a one time special transition provision in which adjustments are made to retained earnings as of the first day of the year of adoption for errors that were not previously deemed material as they were being evaluated under a single method (in our case, the roll-over method), but are material when evaluated under the dual approach prescribed by SAB 108. We have elected to record the effects of applying SAB 108 using the cumulative effect transition method. The following table summarizes the effects (up to December 30, 2005) of applying the guidance in SAB 108 (U.S. dollars in millions):

	Period in which the Misstatement originated (1)			Adjustment Recorded as of December 31, 2005
	Cumulative Prior to December 27, 2003	Year ended December 31, 2004	Year ended December 30, 2005	
Deferred income tax liability (2) .....	\$11.9	\$0.6	\$0.3	\$12.8
Goodwill, net (3) .....	(1.2)	—	—	(1.2)
Impact on net income (4) .....	\$10.7	\$0.6	\$0.3	
Retained earnings (5) .....				\$11.6

- (1) We have quantified these errors under the roll-over method and concluded that they were immaterial both individually and in the aggregate.
- (2) In conjunction with a comprehensive review of our global deferred income tax reporting processes, we determined that we have historically treated the deferred tax liability as a non-monetary liability as opposed to a monetary liability, thus the remeasurement of this liability was being calculated at historical exchange rates rather than at the local current exchange rate as required by Financial Accounting Standards Board ("FASB") Statement No. 52, "Foreign Currency Translation". Resulting translation adjustments should have been accounted for in the consolidated statement of operations. A significant portion of this adjustment relates to the pre-2000 years.
- (3) In conjunction with the comprehensive review noted at (2), we also identified an error in the exchange rate used at the acquisition date in the calculation of the deferred income tax liability. We adjusted our goodwill balance by \$5.7 million in order to properly state the related deferred income tax liability. This resulted in additional amortization expense of \$1.2 million related to pre-2002.
- (4) Represents the net understatement of net income for the indicated periods resulting from these misstatements.
- (5) Represents the net increase to retained earnings recorded as of December 31, 2005, the first day of our 2006 year, to record the initial application of SAB 108.

In addition, our consolidated statement of shareholders' equity was adjusted to reflect the cumulative effect adjustment to the ending retained earnings balance at December 30, 2005 to arrive at the adjusted beginning retained earnings balance at December 31, 2005.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Principles of Consolidation** Our consolidated financial statements include the accounts of our majority owned subsidiaries, which we control, and consolidated variable interest entities ("VIE"). Our 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** The preparation of our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

**Accounting for Planned Major Maintenance Activities** Effective December 30, 2006, the first day of our 2007 year, we adopted Financial Accounting Standards Board ("FASB") Staff Position No. AUG AIR-1, "Accounting for Planned Major Maintenance Activities" ("FSP AUG AIR-1"), which provides guidance on the accounting for planned major maintenance activities such as vessel dry-dock activities. Previously, we accounted for vessel dry-dock activities using the accrue-in-advance method. We have adopted the deferral method of accounting for vessel dry-dock activities whereby actual costs incurred are deferred and amortized on a straight-line basis over the period until the next scheduled dry-dock activity.

We have applied FSP AUG AIR-1 retrospectively, resulting in the adjustment of 2006 and 2005 results presented. The impact of this adjustment on the Consolidated Balance Sheet at December 29, 2006 and the Consolidated Statements of Income for the years ended December 29, 2006 and December 30, 2005 is as follows:

	As previously reported	Adjustment	As adjusted
As of December 29, 2006:			
Prepaid expenses and other current assets .....	\$ 49.9	\$ 4.3	\$ 54.2
Total current assets .....	829.4	4.3	833.7
Other noncurrent assets .....	101.1	3.1	104.2
Total assets .....	\$2,082.2	\$ 7.4	\$2,089.6
Accounts payable and other accrued expenses .....	371.2	(7.2)	364.0
Total current liabilities .....	404.2	(7.2)	397.0
Total liabilities .....	1,058.3	(7.2)	1,051.1
Retained earnings .....	612.5	14.6	627.1
Total shareholders' equity .....	1,011.7	14.6	1,026.3
Total liabilities and shareholders' equity .....	\$2,082.2	\$ 7.4	\$2,089.6

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	As previously reported	Adjustment	As adjusted
For the year ended December 29, 2006:			
Cost of products sold .....	\$3,027.8	\$ (2.9)	\$3,042.9
Net loss .....	\$ (145.1)	\$ 2.9	\$ (142.2)
Net loss per ordinary share—Basic .....	\$ (2.51)	\$ 0.05	\$ (2.46)
Net loss per ordinary share—Diluted .....	\$ (2.51)	\$ 0.05	\$ (2.46)
For the year ended December 30, 2005:			
Cost of products sold .....	\$2,948.2	\$ (3.5)	\$2,944.7
Net income .....	\$ 106.6	\$ 3.5	\$ 110.1
Net income per ordinary share—Basic .....	\$ 1.84	\$ 0.06	\$ 1.90
Net income per ordinary share—Diluted .....	\$ 1.84	\$ 0.06	\$ 1.90

The adjustment to increase retained earnings as of December 29, 2006, includes the adjustment to cost of products sold of \$3.5 million for the year ended December 30, 2005. The effect of the adjustments on years prior to 2005 resulted in an adjustment to increase retained earnings as of January 1, 2005 of \$8.2 million. Our Consolidated Statement of Shareholders' Equity has been adjusted to reflect the cumulative effect adjustment as of January 1, 2005.

**Cash and Cash Equivalents** We classify as cash equivalents all highly liquid investments with a maturity of three months or less at the time of purchase. Also included in cash and cash equivalents are certificates of deposits for which the aggregate amount are foreign deposits.

**Trade Receivables and Concentrations of Credit Risk** Trade receivables are recognized on our accompanying consolidated balance sheets at fair value. We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and customers' credit worthiness, as determined by our review of their current credit information. We continuously monitor collections and payments from our customers and maintain a provision for estimated credit losses based upon our historical experience, specific customer collection issues that we have identified and reviews of agings of trade receivables based on contractual terms. We generally do not require collateral on trade accounts receivable. No single customer's receivable balance is considered to be large enough to pose a significant credit risk to us.

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Investments in Unconsolidated Companies** Investments in unconsolidated companies are accounted for under the equity method of accounting for investments of 20% or more in companies over which we do not have control except for two VIE's. See note 6, "Investments in Unconsolidated Companies" and note 7, "Variable Interest Entities".

**Property, Plant and Equipment and Other Definite-Lived or Long-Lived Assets** Property, plant and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from 10 to 40 years for buildings, 5 to 20 years for ships and containers, 3 to 20 years for machinery and equipment, 3 to 7 years for furniture, fixtures and office equipment and 5 to 10 years for automotive equipment. Leasehold improvements are amortized over the term of the lease, or the estimated useful life of the related asset, whichever is shorter. Definite-lived intangibles are amortized over their useful lives with a weighted average amortization period of 22 years. 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 as incurred. Significant expenditures, which extend the useful lives of assets, are capitalized. Interest is capitalized as part of the cost of construction. Costs related to land improvements for bananas, pineapples and non-tropical fruit and other agricultural projects are deferred during the formative stage and are amortized over the estimated life of the project.

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying amount of an asset exceeds the asset's fair value, we measure and record an impairment loss for the excess. An asset's fair value is assessed by either determining the expected future discounted cash flow of the asset or by independent appraisal. For long-lived assets held for sale, we record impairment losses when the carrying amount is greater than the fair value less the cost to sell. We discontinue depreciation of long-lived assets when these assets are classified as held for sale and include the net book value of these assets in prepaid expenses and other current assets. Our long-lived assets are primarily composed of property, plant and equipment and definite-lived intangible assets. See note 8, "Property, Plant and Equipment" and note 9, "Goodwill and Other Intangible Assets".

We recorded charges related to impairment of long-lived assets in 2007, 2006 and 2005 of \$15.5 million, \$56.4 million and \$3.1 million, respectively. Such charges are included under the caption "Asset impairment and other charges" in the accompanying Consolidated Statements of Income for the years ended December 28, 2007, December 29, 2006 and December 30, 2005, respectively, and as described further in note 4, "Asset Impairment and Other Charges".

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

There are numerous uncertainties and inherent risks in conducting business, such as but not limited to general economic conditions, actions of competitors, ability to manage growth, actions of regulatory authorities, pending investigations and/or litigation, customer demand and risk relating to international operations. Adverse effects from these risks may result in adjustments to the carrying value of our assets and liabilities in the future including, but not necessarily limited to, long-lived assets.

**Goodwill and Indefinite-Lived Intangible Assets** Our goodwill represents the excess of the purchase price of business combinations over the fair value of the net assets acquired. We assess goodwill and indefinite-lived intangible assets for impairment with the assistance of an independent valuation firm on an annual basis as of October 1, or sooner if events indicate such a review is necessary. Potential impairment exists if the fair value of a reporting unit to which goodwill has been allocated or the fair value of indefinite-lived intangible assets, is less than their respective carrying values. The amount of the impairment to recognize, if any, is calculated as the amount by which the carrying value of goodwill exceeds its implied value or the amount of the carrying value of the intangible asset exceeds its fair value. Future changes in the estimates used to conduct the impairment review, including revenue projections, market values and changes in the discount rate used could cause the analysis to indicate that our goodwill or indefinite-lived intangible assets are impaired in subsequent periods and result in a write-off of a portion or all of goodwill. The discount rate used is based on independently calculated risks, our capital mix and an estimated market premium. The assumptions used in estimating revenue projections are consistent with those used for internal planning.

There are numerous uncertainties and inherent risks in conducting business, such as but not limited to general economic conditions, actions of competitors, ability to manage growth, actions of regulatory authorities, pending investigations and/or litigation, customer demand and risk relating to international operations. Adverse effects from these risks may result in adjustments to the carrying value of our assets and liabilities in the future including, but not necessarily limited to, goodwill and indefinite-lived intangible assets.

We recorded an impairment charge to the carrying value of goodwill which resulted from the acquisition of Standard Fruit and Vegetable Co., Inc. ("Standard") based on the valuation performed on October 1, 2006. Accordingly, a charge to the carrying value of goodwill in the amount of \$12.5 million was recorded and included in "Asset impairment and other charges" in 2006 related to the other fresh produce segment. As of December 28, 2007, we are not aware of any items or events that would cause further adjustment to the carrying value of goodwill. See note 4, "Asset Impairment and Other Charges" and note 9, "Goodwill and Other Intangible Assets".

Based on the valuation performed as of October 1, 2006 and concluded during the fourth quarter of 2006, we recorded an impairment charge related to the perpetual, royalty-free license to use the Del Monte® brand for processed and/or canned foods acquired as a result of the acquisition of Del Monte Foods, an indefinite-lived intangible asset (the "trademarks"). Accordingly, an impairment charge of \$8.9 million was recorded during 2006. See note 4, "Asset Impairment and Other Charges" and note 9, "Goodwill and Other Intangible Assets". As of December 28, 2007, we are not aware of any items or events that would cause further adjustment to the carrying value of the trademarks.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The trademarks are highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of this asset. We estimate that a 5% decrease in the expected future cash flows from the products that utilize the trademarks and a one-percentage point increase in the discount rate used would result in a further impairment loss of approximately \$3.6 million related to this asset.

**Revenue Recognition** Revenue is recognized on sales of products when the customer agrees to the terms of the sale and receives title to the goods, generally upon delivery and when collectability is reasonably assured.

**Cost of Products Sold** Cost of products sold includes the cost of produce, packaging materials, labor, depreciation, overhead, transportation and other distribution costs, including handling costs incurred to deliver fresh produce or prepared products to customers.

As a result of the decision to exit all production activities in Hawaii in 2006, we evaluated the need for a lower of cost or market adjustment to the deferred growing crops inventory in light of changes in circumstances resulting from inefficiencies associated with employee turnover, reductions in forecasted production volume and a decline in pineapple market prices and recorded \$24.6 million in cost of products sold. In addition in 2006, we incurred \$1.8 million in inventory write-offs recorded in cost of products sold as a result of the closure of the Italian production facility.

During 2006, an investigation of a low level contamination of our canned pineapple product from our Kenya operation was concluded, in which low levels of contamination were confirmed. In connection with that matter, we launched a product withdrawal and disposal program with respect to our Kenya canned pineapple prepared food products which resulted in charges of \$16.6 million included in cost of products sold related to contaminated inventory on hand and destruction costs. In addition, we recorded \$2.2 million in sales claims related to product returns from customers as a result of the Kenya product withdrawal and disposal program. During 2007, we incurred an additional \$1.1 million in sales claims related to product returns and \$0.2 million in additional restructuring costs. Based on information currently available, we believe that no additional reserves with respect to this matter are currently required. We maintain product contamination insurance for these purposes and during the fourth quarter of 2007 we recorded a credit of \$3.0 million included in cost of products sold related to insurance proceeds received.

**Advertising and Promotional Costs** We expense advertising and promotional costs as incurred. Advertising and promotional costs, which are included in selling, general and administrative expenses, were \$23.7 million, \$38.4 million, and \$27.5 million for 2007, 2006 and 2005, respectively.

**Debt Issuance Costs** Debt issuance costs relating to long-term debt are amortized over the term of the related debt instrument using the straight-line method as the costs are primarily related to the revolving credit facility and are included in other noncurrent assets. Debt issuance cost amortization, which is included in interest expense, was \$1.2 million, \$1.0 million and \$0.9 million, for 2007, 2006 and 2005, respectively. These amounts are included in the depreciation and amortization caption in the Consolidated Statements of Cash Flows for the years ended 2007, 2006 and 2005.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 some portion or all of the deferred tax assets will not be realized. See note 2, "Staff Accounting Bulletin No. 108" and note 12, "Income Taxes".

We adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") effective December 30, 2006, the first day of our 2007 year, which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS 109, "Accounting for Income Taxes" ("SFAS 109") and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of the date of adoption, we had \$11.1 million of uncertain tax positions. At December 28, 2007, we had \$10.8 million of uncertain tax positions. See note 12, "Income Taxes".

**Environmental Remediation Liabilities** Losses associated with environmental remediation obligations are accrued when such losses are probable and can be reasonably estimated. See note 18, "Litigation".

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

For our operations where the functional currency is the U.S. dollar or where the operations are located in highly inflationary countries, non-monetary balance sheet amounts are translated at historical exchange rates. Other balance sheet amounts are translated at the exchange rates in effect at the balance sheet date. Income statement accounts, excluding those items of income and expenses that relate to non-monetary assets and liabilities, are translated at the average exchange rate for the month. These remeasurement adjustments are included in the determination of net income (loss) under the caption "Other income (expense), net."

Other income (expense), net, in the accompanying Consolidated Statements of Income includes \$14.9 million net gain and \$3.5 million and \$2.6 million net losses on foreign exchange for 2007, 2006 and 2005, respectively. These amounts include the effect of foreign currency remeasurement, realized foreign currency transaction gains and losses and changes in the value of foreign currency denominated accounts receivable and accounts payable.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Other Income (Expense), Net** In addition to foreign currency gains and losses, other income (expense), net, also consists of equity losses of unconsolidated companies, gains and losses from sales of investments and property, plant and equipment, gains from recoveries under insurance policies and other items of non-operating income and expenses.

During 2006, we wrote-down our investment in Harvest Produce Holdings, LLC, Texas by \$0.7 million to its fair value of \$0.4 million, as a result of exit activities in North America. This charge was included in the other income (expense), net caption in the Consolidated Statements of Income. See note 6, "Investment in Unconsolidated Companies".

**Stock-Based Compensation** Effective December 31, 2005 (the first day of our 2006 year), we adopted Statement of Financial Accounting Standards No.123 (revised 2004), "Share-Based Payments" ("SFAS 123R"). Our share-based payments are composed entirely of stock-based compensation expense as all equity awards granted to employees and members of our Board of Directors, each of whom meets the definition of an employee under the provisions of SFAS 123R, are stock options. We adopted SFAS 123R using the modified prospective basis. Under this method, compensation costs recognized beginning December 31, 2005 included costs related to 1) all share-based payments granted prior to but not yet vested as of December 31, 2005, based on previously estimated grant-date fair values and 2) all share-based payments granted subsequent to December 30, 2005 based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. We have continued to use the Black-Scholes option pricing model to estimate the fair value of stock options granted subsequent to the date of adoption of SFAS 123R.

Stock-based compensation expense related to stock options for the years ended December 28, 2007 and December 29, 2006, included in the determination of income before income taxes and net income, totaled \$5.6 million and \$6.6 million on the straight-line, single award basis, or \$0.10 and \$0.11 per diluted share, respectively, and are included in the Consolidated Statements of Income for the year ended December 28, 2007 in selling, general and administrative expenses. We are in a net operating loss position in the relevant jurisdictions for the years ended 2006 and 2007. Therefore deferred tax assets related to stock-based compensation expense have been fully reserved and there was no reduction in taxes currently payable or related effect on cash flows as the result of excess tax benefits from stock options exercised in these periods. The amount of cash received from the exercise of stock options was \$13.3 million and \$0.3 million for the years ended December 28, 2007 and December 29, 2006, respectively.

Prior to December 31, 2005, the first day of our 2006 year, we measured stock-based compensation expense using the intrinsic value method of accounting as prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations, but disclosed the pro forma effects on net earnings and earnings per share as if stock-based compensation expense had been recognized based upon the fair value-based method at the date of grant for stock options awarded consistent with the provisions of Statement of Financial Accounting Standards No.123 "Accounting for Stock-Based Compensation Expense" ("SFAS 123").

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

We reported pro forma information for the year ended December 30, 2005 as follows (U.S. dollars in millions, except per share data):

	Year ended December 30, 2005
Reported net income as adjusted (1) .....	\$110.1
Deduct: Stock-based compensation expense under fair value method, net of related tax effects .....	(5.6)
Net income, pro forma .....	\$104.5
Net income per ordinary share, as adjusted (1):	
Basic .....	\$ 1.90
Diluted .....	\$ 1.90
Net income per ordinary share, pro forma:	
Basic .....	\$ 1.80
Diluted .....	\$ 1.80

(1) See note 3 related to "Accounting for Planned Major Maintenance Activities" for additional information.

Because the exercise price of our employee stock options equaled the market price of the underlying stock on the date of grant, no compensation expense was recorded for stock options issued to employees during 2005.

See note 16, "Stock-Based Compensation" for more information.

**Derivative Financial Instruments** We recognize derivative financial instruments as either assets or liabilities on the accompanying consolidated balance sheets at fair value and account for those derivative financial instruments designated as hedging instruments 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 financial instrument be offset against the change in the fair value of the underlying asset, liability, or firm commitment being hedged through earnings. A cash flow hedge requires that the effective portion of the change in the fair value of a derivative instrument be recognized in other comprehensive income, a component of shareholders' equity, and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of a derivative financial instrument's change in fair value is immediately recognized in earnings. Terminations of derivative financial instruments designated as hedges are immediately recognized in earnings.

**Retirement and Other Employee Benefits** Using appropriate actuarial methods and assumptions, we account for defined benefit pension plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions" ("SFAS 87") and for our other post-retirement benefit plans in accordance with SFAS No. 106, "Employers' Accounting for Post-retirement Benefits Other Than Pensions" ("SFAS 106") as amended by SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Post-retirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS 158").

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effective December 29, 2006 we adopted the provisions of SFAS 158 which requires that previously unrecognized actuarial gains or losses, prior service costs or credits and transition obligations or assets be recognized generally through adjustments to accumulated other comprehensive income and credits to prepaid benefit cost or accrued benefit liability. As a result of these adjustments, the current funded status of defined benefit pension plans and other post-retirement benefit plans is reflected in our Consolidated Balance Sheets as of December 28, 2007 and December 29, 2006. See note 15, "Retirement and Other Employee Benefits".

The following table reflects the effects of the adoption of SFAS 158 on our consolidated balance sheet (U.S. dollars in millions):

	December 29, 2006 (1)		
	Before application of SFAS 158	Adjustments	After application of SFAS 158
Deferred income tax assets, noncurrent .....	\$ 45.4	\$ 1.7	\$ 47.1
Total assets .....	<u>\$2,087.9</u>	<u>\$ 1.7</u>	<u>\$2,089.6</u>
Accounts payable and accrued expenses .....	\$ 360.7	\$ 3.3	\$ 364.0
Total current liabilities .....	<u>\$ 393.7</u>	<u>\$ 3.3</u>	<u>\$ 397.0</u>
Retirement benefits .....	\$ 92.1	\$ (13.7)	\$ 78.4
Total liabilities .....	<u>\$1,061.5</u>	<u>\$ (10.4)</u>	<u>\$1,051.1</u>
Accumulated other comprehensive income .....	\$ 4.9	\$ 12.1	\$ 17.0
Total shareholders' equity .....	<u>\$1,014.2</u>	<u>\$ 12.1</u>	<u>\$1,026.3</u>
Total liabilities and shareholders' equity .....	<u>\$2,087.9</u>	<u>\$ 1.7</u>	<u>\$2,089.6</u>

(1) See note 3 related to "Accounting for Planned Major Maintenance Activities" for additional information.

**Reclassifications** Certain amounts from 2006 and 2005 have been reclassified to conform to the 2007 presentation.

**New Accounting Pronouncements** In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measures required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. SFAS No. 157 is effective for years beginning after November 15, 2007 ("Phase 1"). Additionally on February 6, 2008, the FASB finalized FASB Staff Position 157-b, "Fair Value Measurements" and agreed to defer the effective date of Statement 157 until years beginning after November 15, 2008 for certain nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The deferral applies to the annual assessment of fair value performed for goodwill and indefinite-lived intangible assets, long-lived assets measured at fair value for an impairment assessment under SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", asset retirement obligations accounted for under SFAS No. 143, "Accounting for Asset Retirement Obligations" and liabilities for exit or disposal activities initially measured at fair value under SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities".

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The FASB also agreed to exclude certain leasing transactions accounted for under SFAS 13, "Accounting for Leases" from the scope of SFAS 157. The deferral does not apply to derivatives within the scope of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" among others. We are currently evaluating the impact of adopting SFAS No. 157 to our consolidated financial statements, however the impact to phase 1 of SFAS 157 is expected to be immaterial.

In September 2006, FASB issued SFAS 158. Effective December 29, 2006, we adopted the provisions of SFAS 158 and the resulting adjustments are reflected in our consolidated balance sheet as of December 29, 2006. SFAS 158's provisions regarding the change in measurement date are effective for year ending December 26, 2008. We have determined that the change in measurement date from November 30<sup>th</sup> to the year end balance sheet date will have an immaterial impact on our consolidated financial statements. See note 15, "Retirement and Other Employee Benefits".

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. SFAS 159 is effective for us on December 29, 2007, the first day our 2008 year. We have not elected to apply the provisions of SFAS No. 159 as of December 29, 2007 and thus there is no impact of applying SFAS 159 on our consolidated financial statements.

On December 4, 2007, the FASB issued Statement No. 141(R), "Business Combinations" ("SFAS 141(R)") and Statement No. 160, "*Accounting and Reporting of Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51*" (SFAS "160"). These new standards will significantly change the accounting for and reporting of business combination transactions and noncontrolling (minority) interests in consolidated financial statements. SFAS 160 requires classification of noncontrolling interests as a component of consolidated shareholder's equity and the elimination of "minority interest" accounting in results of operations. Earnings attributable to noncontrolling interests are required to be reported as part of consolidated earnings and not as a separate component of income or expense. However, earnings attributable to the noncontrolling interests are required to be disclosed on the face of the income statement. SFAS 141(R) and SFAS 160 are required to be adopted simultaneously and are effective for the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. We are currently evaluating the impact of adopting SFAS 141(R) and SFAS 160 to our consolidated financial statements.

#### 4. ASSET IMPAIRMENT AND OTHER CHARGES

We recorded asset impairment and other charges totaling \$12.5 million, \$105.3 million and \$3.1 million for the years ended 2007, 2006 and 2005, respectively, which were the result of exit activities and asset impairments.

The following represents a summary of asset impairment and other charges for the years ended 2007, 2006 and 2005 (U.S. dollars in millions):

	Years ended		
	December 28, 2007	December 29, 2006	December 30, 2005
Charges related to asset impairments .....	\$ 0.2	\$ 50.1	\$ —
Asset impairment and other charges related to exit activities, net.....	12.3	55.2	3.1
Total asset impairment and other charges .....	<u>\$12.5</u>	<u>\$105.3</u>	<u>\$3.1</u>

The following represents the detail of asset impairment and exit activity charges for the year ended December 28, 2007 by reporting segment and geographic region (U.S. dollars in millions):

	Other Fresh Produce Segment			Prepared Foods Segment	
	North America	South America	Middle East	Europe	Totals
Impairment of long-lived and other assets .....	\$ 0.4	\$1.6	\$0.2	\$13.3	\$15.5
Total asset impairment charges .....	0.4	1.6	0.2	13.3	15.5
One-time termination benefits, contract termination costs and other exit activity charges (credits) .....	(4.4)	—	—	1.4	(3.0)
Total asset impairment and other charges (credits) .....	<u>\$(4.0)</u>	<u>\$1.6</u>	<u>\$0.2</u>	<u>\$14.7</u>	<u>\$12.5</u>

Included in the \$12.5 million for the year ended 2007 are \$15.5 million of asset impairment charges primarily related to exit activities in Europe, North and South America and net credit of \$3.0 million related to exit activities. Included in the \$3.0 million net credit are \$2.5 million in one-time termination benefits and contract termination charges resulting from exit activities in Europe and North America and a net gain of \$5.5 million primarily related to the U.S. based post-retirement healthcare plan. Included in the \$5.5 million net gain is a curtailment gain of \$3.4 million and amortization of deferred pension gains of \$2.1 million as a result of the previously announced decision to exit all production activities in Hawaii in 2006.

A significant portion of the 2007 impairment of the long-lived assets relates to (1) charges as a result of the closure of the Italian production facility in the prepared food segment and (2) the anticipated closure of one of our production facilities in the United Kingdom for which we will outsource production in the prepared food segment starting in the first quarter of 2008.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 4. ASSET IMPAIRMENT AND OTHER CHARGES (CONTINUED)

Included in the 2007 one-time termination benefits, contract termination costs and other exit activity charges are credits related primarily to (1) the previously announced decision to exit the Hawaiian production operations included in the other fresh produce segment and charges related primarily to (2) a move in our production and distribution strategy in the United Kingdom and our distribution strategy in Belgium to exclusively outsource these functions in the prepared foods segment.

The following represents the detail of asset impairment and exit activity charges for the year ended December 29, 2006 by reporting segment and geographic region (U.S. dollars in millions):

	Banana and Other Fresh Produce Segments			Prepared Foods Segment		Other Products and Services Segment	
	North America	Europe	Africa	Europe	Africa	North America	Totals
Impairment of long-lived assets including definite-lived intangible assets .....	\$ 7.7	\$ 9.5	\$10.3	\$14.2	\$7.5	\$7.2	\$ 56.4
Impairment of goodwill and indefinite-lived intangible assets .....	12.5	6.2	—	8.9	—	—	27.6
Total asset impairment charges .....	20.2	15.7	10.3	23.1	7.5	7.2	84.0
One-time termination benefits, contract termination costs and other exit activity charges .....	12.7	2.7	—	5.9	—	—	21.3
Total asset impairment and other charges .....	\$32.9	\$18.4	\$10.3	\$29.0	\$7.5	\$7.2	\$105.3

Included in the \$105.3 million for the year ended 2006 are \$84.0 million in asset impairment charges which include \$50.1 million of asset impairments related to underutilized facilities and other assets in Europe, Africa and North America and \$33.9 million of asset impairments related to exit activities in Europe, Africa and North America. Additionally, there are \$21.3 million of one-time termination benefits and contract termination charges resulting from exit activities in Europe, Africa and North America.

A significant portion of the 2006 impairment of the long-lived assets including definite-lived intangible assets relates to (1) underutilized facilities and equipment in South Africa in the other fresh produce segment, (2) the closure of the Italian production facility in the prepared food segment and (3) the rationalization of the South African canning operation in the prepared foods segment.

#### 4. ASSET IMPAIRMENT AND OTHER CHARGES (CONTINUED)

The 2006 impairment of goodwill and indefinite-lived intangible assets resulted primarily from (1) the impairment of the goodwill related to the North America Standard acquisition which experienced lower than expected volumes related to the other fresh produce segment and (2) the impairment of the Del Monte Foods indefinite-life intangible of a perpetual, royalty-free brand name license due to a discontinued product line and the highly competitive market in the United Kingdom in the prepared foods segment.

Included in the 2006 one-time termination benefits, contract termination costs and other exit activity charges are charges related primarily to (1) the previously announced decision to exit the Hawaiian production operations included in the other fresh produce segment and (2) the closure of the Italian production facility included in the prepared foods segment.

Asset impairment charges of \$3.1 million were recorded in 2005 primarily based on the underutilization of a facility in North America related to the other fresh produce segment and as a result of damages sustained from Hurricane Katrina at the New Orleans distribution center.

The following represents the roll forward of exit activity reserves for the year ended December 28, 2007 (U.S. dollars in millions):

	Exit activity reserve balance at December 29, 2006	Impact to Earnings	Cash Paid	Exit activity reserve balance at December 28, 2007
One-time termination benefits .....	\$13.3	\$2.2	\$(11.1)	\$4.4
Contract termination and other exit activity charges....	9.0	0.3	(6.7)	2.6
	<u>\$22.3</u>	<u>\$2.5</u>	<u>\$(17.8)</u>	<u>\$7.0</u>

#### 5. INVENTORIES

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

	December 28, 2007	December 29, 2006
Finished goods.....	\$170.7	\$187.4
Raw materials and packaging supplies.....	126.2	117.5
Growing crops.....	110.0	100.4
Total inventories.....	<u>\$406.9</u>	<u>\$405.3</u>

#### 6. INVESTMENTS IN UNCONSOLIDATED COMPANIES

We utilize the equity method of accounting for investments in 20% to 50%-owned companies. Investments in unconsolidated companies accounted for under the equity method amounted to \$10.3 million and \$11.8 million at December 28, 2007 and December 29, 2006, respectively. At December 28, 2007 and December 29, 2006, net amounts receivable from unconsolidated companies amounted to \$0.2 million and \$0.7 million, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 6. INVESTMENTS IN UNCONSOLIDATED COMPANIES (CONTINUED)

Investments in unconsolidated companies consisted of the following at December 28, 2007:

Company	Business	Ownership Interest
Melones De Costa Rica, S.A.	Melon production	50%
Hacienda Filadelfia, S.A.	Melon production	50%
Frutas de Parrita, S.A.	Melon production	50%
Texas Specialty Produce Investors, LLC, Texas	Supplier of specialty produce and herbs	50%
Cartorama S.A.	Carton box corrugators	10%

We are fully consolidating the financial position and results of operations of Davao Agricultural Ventures Corporation ("Davco") and Southern Fresh Products, Inc ("Southern"), 40%-owned investments, as both were determined to be VIE's. See Note 7, "Variable Interest Entities".

Purchases from unconsolidated companies were \$60.3 million, \$60.8 million and \$55.4 million for 2007, 2006 and 2005, respectively.

Combined financial data of unconsolidated companies accounted for under the equity method is summarized as follows (U.S. dollars in millions) (unaudited):

	December 28, 2007	December 29, 2006
Current assets .....	\$ 6.3	\$10.5
Noncurrent assets .....	18.2	21.5
Current liabilities .....	(8.5)	(6.1)
Noncurrent liabilities .....	(0.7)	(2.1)
Net worth .....	<u>\$15.3</u>	<u>\$23.8</u>

	Years ended		
	December 28, 2007	December 29, 2006	December 30, 2005
Net sales .....	<u>\$50.6</u>	<u>\$73.2</u>	<u>\$61.5</u>
Gross (loss) profit .....	<u>\$ (5.8)</u>	<u>\$ 3.0</u>	<u>\$ 1.3</u>
Net loss .....	<u>\$ (6.0)</u>	<u>\$ (1.5)</u>	<u>\$ (3.9)</u>

Our portion of losses in unconsolidated companies amounted to \$3.2 million, \$1.6 million and \$2.1 million in 2007, 2006 and 2005, respectively, and is included in other income (expense), net. The portion of losses in unconsolidated companies for the year ended December 29, 2006 includes a write-down of the investment in Harvest Produce Holdings, LLC, Texas of \$0.7 million, as a result of exit activities in North America. This charge was included in the "Other income (expense), net" caption in the Consolidated Statements of Income for the year ended December 29, 2006. See note 3, "Summary of Significant Accounting Policies". Dividends received from unconsolidated subsidiaries amounted to \$0.4 million in 2005. There were no dividends received from unconsolidated subsidiaries in 2007 and 2006.

## 7. VARIABLE INTEREST ENTITIES

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities (revised December 2003)" ("FIN 46R"), which requires VIEs to be consolidated by their primary beneficiaries. A primary beneficiary is the party that absorbs a majority of the entity's expected losses or receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity.

Upon adopting FIN 46R in 2004, we concluded that our investment in Davco fit the definition of a VIE pursuant to FIN 46R and began fully consolidating Davco. In 2005, we acquired a 40% equity investment in Southern, which began to show activity during 2006. Davco and Southern are Del Monte gold pineapple producers in the Philippines that sell all of their pineapple to us and in which we have a 40% equity investment. At December 28, 2007 and December 29, 2006, Davco had approximately \$2.5 million and \$0.6 million, respectively, in long-term debt that is collateralized by its property, plant and equipment, primarily composed of buildings and machinery, various properties of the 60% majority equity investor and further guaranteed by a \$1.0 million standby letter of credit issued by us.

At December 28, 2007 and December 29, 2006, Southern had approximately \$6.9 million and \$6.0 million, respectively, in long-term debt that is collateralized by its property, plant and equipment, primarily composed of buildings and machinery and various properties of the 60% majority equity investor and further guaranteed by a \$2.8 million standby letter of credit issued by us.

Although we are the minority owner of Davco and Southern, we have profit-sharing arrangements with Davco and Southern that result in us realizing 70% of Davco's and Southern's profits. Based on the criteria of FIN 46R, Davco and Southern are both considered to be VIE's as we are the primary beneficiary of Davco's and Southern's expected residual returns or losses. Although we are the primary beneficiary, the creditors of Davco or Southern do not have recourse against our general credit.

Financial highlights for Davco and Southern are as follows: (U.S. dollars in millions):

	December 28, 2007		December 29, 2006	
	Davco	Southern	Davco	Southern
Inventory .....	\$7.1	\$ 4.0	\$5.7	\$3.5
Current assets .....	8.8	6.0	7.0	4.4
Other assets .....	5.7	10.8	5.0	7.6
Accounts payable and other accruals .....	1.9	1.3	2.4	0.6
Current portion of long-term debt .....	—	—	0.5	—
Long-term debt .....	2.5	6.9	0.1	6.0
Minority interest, currency translation losses and other equity .....	9.9	9.3	8.4	6.3

	Years ended					
	December 28, 2007		December 29, 2006		December 30, 2005	
	Davco	Southern	Davco	Southern	Davco	Southern
Net sales .....	\$ 9.6	\$ 6.7	\$ 8.0	\$2.0	\$8.4	\$ —
Gross profit (loss) .....	(0.6)	(0.5)	(0.6)	0.1	1.0	(0.2)
Net income (loss) .....	(0.2)	—	(0.1)	0.1	0.3	(0.1)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 8. PROPERTY, PLANT AND EQUIPMENT

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

	December 28, 2007	December 29, 2006
Land and land improvements .....	\$ 349.4	\$ 327.4
Buildings and leasehold improvements .....	311.7	281.9
Machinery and equipment .....	317.2	294.1
Maritime equipment (including containers) .....	252.8	251.4
Furniture, fixtures and office equipment .....	91.5	89.3
Automotive equipment .....	40.1	35.4
Construction-in-progress .....	37.8	60.5
	<u>1,400.5</u>	<u>1,340.0</u>
Less: accumulated depreciation and amortization .....	<u>(548.7)</u>	<u>(499.5)</u>
Property, plant and equipment, net .....	<u>\$ 851.8</u>	<u>\$ 840.5</u>

Depreciation and amortization expense on property, plant and equipment including assets under capital leases, amounted to \$78.6 million, \$81.6 million and \$81.5 million for 2007, 2006 and 2005, respectively.

Containers, machinery and equipment and automotive equipment under capital leases totaled \$33.4 million and \$33.5 million at December 28, 2007 and December 29, 2006, respectively. Accumulated amortization for assets under capital leases was \$10.5 million and \$11.6 million at December 28, 2007 and December 29, 2006, respectively.

### 9. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table reflects our indefinite-lived intangible assets including goodwill and our definite-lived intangible assets along with related accumulated amortization by major category (U.S. dollars in millions):

	December 28, 2007	December 29, 2006
Goodwill .....	\$253.2	\$251.9
Indefinite-lived intangible assets		
Trademarks .....	74.6	74.4
Definite-lived intangible assets		
Definite-lived intangible assets .....	13.5	10.9
Accumulated amortization .....	<u>(8.2)</u>	<u>(7.3)</u>
Definite-lived intangible assets, net .....	<u>5.3</u>	<u>3.6</u>
Goodwill and other intangible assets, net .....	<u>\$333.1</u>	<u>\$329.9</u>

Indefinite-lived and definite-lived intangible assets are included in the "Other noncurrent assets" caption in the Consolidated Balance Sheets.

## 9. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

The following table reflects the changes in the carrying amount of goodwill by operating segment (U.S. dollars in millions):

Year ended December 28, 2007					
	Beginning	Acquisitions	Foreign Exchange and Other	Charges	Ending
Bananas .....	\$ 43.9	\$ —	\$0.7	\$ —	\$ 44.6
Other fresh produce .....	121.4	—	0.3	—	121.7
Other products and services.....	2.3	—	—	—	2.3
Prepared food .....	84.3	—	0.3	—	84.6
Totals.....	<u>\$251.9</u>	<u>\$ —</u>	<u>\$1.3</u>	<u>\$ —</u>	<u>\$253.2</u>
Year ended December 29, 2006					
	Beginning	Acquisitions	Foreign Exchange and Other	Charges	Ending
Bananas .....	\$ 38.9	\$ —	\$ 5.0	\$ —	\$ 43.9
Other fresh produce .....	138.3	0.4	(4.8)	(12.5)	121.4
Other products and services.....	2.5	—	(0.2)	—	2.3
Prepared food .....	69.6	—	14.7	—	84.3
Totals.....	<u>\$249.3</u>	<u>\$0.4</u>	<u>\$14.7</u>	<u>\$(12.5)</u>	<u>\$251.9</u>

In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, we review goodwill for impairment on an annual basis or sooner if indicators of impairment arise. Based on the valuation of goodwill performed as of October 1, 2007, the fair value of goodwill exceeded its carrying value and thus there was no impairment to be recorded. Based on the valuation performed as of October 1, 2006 and concluded during the fourth quarter of 2006, we determined that goodwill which resulted from the acquisition of Standard on January 27, 2003 was impaired as a result of less than expected volumes. Accordingly, a charge to the carrying value of goodwill in the amount of \$12.5 million was recorded in 2006 related to the other fresh produce segment. As of December 28, 2007, we are not aware of any items or events that would cause a further adjustment to the carrying value of goodwill. See note 3, "Summary of Significant Accounting Policies".

Based on the valuation of the trademarks performed as of October 1, 2007, the fair value of the trademarks exceeded their carrying value and thus there was no impairment to be recorded. Based on the valuation performed as of October 1, 2006 on the trademarks and concluded during the fourth quarter of 2006, it was determined that their carrying value was higher than the fair value of this indefinite-lived intangible asset as a result of a discontinued product line. Accordingly, an impairment charge of \$8.9 million was recorded during 2006. As of December 28, 2007, we are not aware of any items or events that would cause a further adjustment to the carrying value of the trademarks.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 9. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Included in the valuation of the net assets acquired related to the Can-Am Express, Inc. ("Can-Am") acquisition on August 11, 2004, was a lease franchise agreement that entitled us to substantial discounts and rebates on future purchases of trucks, trailers and other trucking-related equipment. As a result of the valuation of Can-Am's assets, performed by an independent valuation firm, \$8.4 million of the purchase price was allocated to the value of this agreement and was reclassified from the goodwill of other products and services to amortizable intangible assets. During 2006, we wrote-off the remaining unamortized value of the lease franchise agreement of \$7.2 million due to underutilization of this long-lived intangible asset related to the other products and services reporting segment, see note 4, "Asset Impairment and Other Charges".

We also wrote-off the remaining unamortized value of a customer list intangible of \$2.1 million related to the banana and other fresh produce segments due to underutilization. Trademarks and definite-lived intangible assets are included in the accompanying Consolidated Balance Sheet in other noncurrent assets as of December 28, 2007.

On June 28, 2007, we acquired certain assets of Ahmed Abu-Ghazaleh & Sons Company ("AAG") for a purchase price of \$3.1 million, of which \$3.0 million related to definite-lived intangible assets which will be amortized over 4 years. For the year ended December 28, 2007, we recorded \$0.4 million in amortization expense related to these assets. See note 20, "Related Party Transactions".

Amortization expense related to definite-lived intangible assets totaled \$0.9 million, \$1.1 million and \$6.4 million for 2007, 2006 and 2005, respectively.

The estimated amortization expense related to definite-lived intangible assets for the five succeeding years is as follows (U.S. dollars in millions):

2008 .....	\$0.9
2009 .....	0.9
2010 .....	0.9
2011 .....	0.3
2012 .....	0.1

# **10. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

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

	Unrealized Gain (Loss) On Derivatives	Currency Translation Adjustment	Additional Minimum Pension Liability	Retirement Benefit Adjustment, Net of Tax	Total
Balance at December 31, 2004 .....	\$(26.9)	\$ 6.5	\$(2.5)	\$ —	\$(22.9)
Current year net change in other comprehensive income (loss).....	61.9	(41.6)	(0.5)	—	19.8
Balance at December 30, 2005 .....	35.0	(35.1)	(3.0)	—	(3.1)
Current year net change in other comprehensive income (loss).....	(34.3)	43.9	(1.6)	—	8.0
Impact of adoption of SFAS No. 158 .....	—	—	—	12.1	12.1
Balance at December 29, 2006 .....	0.7	8.8	(4.6)	12.1	17.0
Current year net change in other comprehensive income (loss).....	(7.0)	17.9	—	11.4	22.3
Balance at December 28, 2007 .....	<u>\$ (6.3)</u>	<u>\$ 26.7</u>	<u>\$(4.6)</u>	<u>\$23.5</u>	<u>\$ 39.3</u>

Effective December 29, 2006, we adopted SFAS 158 which requires the recognition of the funded status of defined benefit pension plans and other postretirement plans (collectively, "the plans") on the consolidated balance sheets and the corresponding offset to accumulated other comprehensive income (loss). As a result of adopting SFAS 158, we recorded \$12.1 million to accumulated other comprehensive income (loss). As of December 28, 2007, the funded status of the plans reflected in accumulated other comprehensive income (loss) is classified as "Retirement Benefit Adjustment, Net of Tax". As a result of the adoption of SFAS 158, there is no impact in other comprehensive income (loss) related to the additional minimum pension liability for the year ended December 28, 2007.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	December 28, 2007	As adjusted (a) December 29, 2006
Trade and other payables.....	\$151.1	\$146.7
Accrued fruit purchases.....	19.1	21.5
Vessel and port operating expenses.....	19.2	16.0
Payroll and employee benefits.....	26.1	32.1
Accrued promotions.....	10.1	9.8
Other accrued expenses.....	132.9	137.9
Accounts payable and accrued expenses.....	<u>\$358.5</u>	<u>\$364.0</u>

(a) See note 3 for additional information.

Other accrued expenses is primarily composed of accruals for inland freight costs incurred, purchases received but not invoiced and other accruals, none of which individually exceeds 5% of current liabilities.

### 12. INCOME TAXES

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

	Years ended		
	December 28, 2007	December 29, 2006	December 30, 2005
Current:			
U.S. federal income tax.....	\$(0.3)	\$ —	\$(0.5)
State.....	—	0.4	0.2
Non-U.S. ....	(0.6)	6.1	(0.8)
	<u>\$(0.9)</u>	<u>\$ 6.5</u>	<u>\$(1.1)</u>
Deferred:			
U.S. federal income tax.....	\$ 0.9	\$(1.4)	\$(6.3)
State.....	0.1	(0.2)	(0.7)
Non-U.S. ....	1.3	(5.4)	(0.2)
	<u>\$ 2.3</u>	<u>\$(7.0)</u>	<u>\$(7.2)</u>
	<u>\$ 1.4</u>	<u>\$(0.5)</u>	<u>\$(8.3)</u>

## 12. INCOME TAXES (CONTINUED)

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

	Years ended		
	As adjusted (a)		
	December 28, 2007	December 29, 2006	December 30, 2005
U.S. ....	\$ 14.2	\$ (88.4)	\$(35.2)
Non-U.S. ....	167.0	(54.3)	137.0
	<b>\$181.2</b>	<b>\$(142.7)</b>	<b>\$101.8</b>

(a) See note 3 for additional information.

The differences between the reported provision for (benefit from) 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):

	Years ended		
	As adjusted (a)		
	December 28, 2007	December 29, 2006	December 30, 2005
Income tax provision (benefit) computed at the			
U.S. statutory federal rate. ....	\$ 63.4	\$(50.0)	\$ 35.6
Effect of tax rates on non-U.S. operations .....	21.9	(34.7)	(103.8)
Provision for (reversal of) tax contingencies/uncertain tax positions .....	(3.6)	1.5	(3.1)
Non-deductible differences .....	0.3	4.7	(6.2)
Other .....	1.6	(4.7)	(3.0)
(Decrease)/increase in valuation allowance .....	(82.2)	82.7	72.2
Reported provision for (benefit from) income taxes .....	<b>\$ 1.4</b>	<b>\$ (0.5)</b>	<b>\$ (8.3)</b>

(a) See note 3 for additional information.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 12. INCOME TAXES (CONTINUED)

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

	December 28, 2007	December 29, 2006
<b>Deferred tax liabilities</b>		
<b>Current:</b>		
Allowances and other accrued liabilities .....	\$ (2.4)	\$ —
Inventories .....	(17.8)	(16.1)
Total current tax liabilities .....	(20.2)	(16.1)
<b>Noncurrent:</b>		
Property, plant and equipment .....	(73.6)	(65.3)
Equity in earnings of unconsolidated companies .....	(1.6)	(2.8)
Pension .....	(7.5)	—
Other noncurrent liabilities .....	(2.9)	—
Total noncurrent deferred tax liabilities .....	(85.6)	(68.1)
Total deferred tax liabilities .....	<u>\$ (105.8)</u>	<u>\$ (84.2)</u>
<b>Deferred tax assets:</b>		
<b>Current:</b>		
Allowances and other accrued liabilities .....	\$ 16.0	\$ 8.3
Inventories .....	3.7	—
Total current deferred tax assets .....	19.7	8.3
Valuation allowance .....	(10.6)	—
Total net current deferred tax assets .....	9.1	8.3
<b>Noncurrent:</b>		
Pension liability .....	17.8	18.3
Property, plant and equipment .....	6.8	—
Post-retirement benefits other than pension .....	3.4	2.9
Net operating loss carryforwards .....	174.3	240.1
Capital loss carryover .....	10.1	33.7
Other noncurrent assets .....	35.7	28.1
Total noncurrent deferred tax assets .....	248.1	323.1
Valuation allowance .....	(184.3)	(276.0)
Total net noncurrent deferred tax assets .....	63.8	47.1
Total deferred tax assets, net .....	72.9	55.4
<b>Net deferred tax liabilities</b> .....	<u>\$ (32.9)</u>	<u>\$ (28.8)</u>

## 12. INCOME TAXES (CONTINUED)

The valuation allowance established with respect to the deferred tax assets relates primarily to the Kunia Well Site contingency accounted for under SFAS No. 5, "Accounting for Commitments and Contingencies" ("SFAS 5") and net operating loss carryforwards in tax jurisdictions where, due to our current and foreseeable operations, it is deemed more likely than not, future taxable income will not be sufficient to realize the related income tax benefits. See note 18, "Litigation" for further information on the Kunia Well Site contingency. During 2007 and 2006, the valuation allowance decreased by \$81.1 million and increased by \$78.1 million, respectively. The decrease in the valuation allowance in 2007 relates primarily to valuation allowances on reductions in net operating loss carryforwards. As of December 28, 2007 and December 29, 2006, \$12.8 million and \$39.2 million, respectively, of the valuation allowance for deferred tax assets relates to acquired net operating loss carryforwards of Del Monte Foods. The majority of benefits from net operating losses carried forward, from Del Monte Foods, may be impacted and/or limited in certain circumstances. Future reduction of this valuation allowance as the result of the recognition of these acquired income tax benefits, if any, would be allocated to reduce the related goodwill created in the acquisition of Del Monte Foods.

Except for earnings that are currently distributed, no additional provision has been made for U.S. or non-U.S. income taxes on the undistributed earnings of subsidiaries, as such earnings are expected to be permanently reinvested. A liability could arise if amounts are distributed by such subsidiaries or if such subsidiaries are ultimately disposed. It is not practicable to estimate the additional income taxes related to permanently reinvested earnings or the basis differences related to investments in subsidiaries.

At December 28, 2007, we had approximately \$648.6 million of federal and foreign tax operating loss carryforwards expiring as follows (U.S. dollars in millions):

2008.....	\$ 1.6
2009.....	0.7
2010.....	9.3
2011 and beyond.....	138.5
No expiration.....	<u>498.5</u>
Total.....	<u>\$648.6</u>

Included in the total tax operating loss carryforwards at December 28, 2007, we had \$20.9 million of loss carryforwards for U.S. tax purposes resulting from stock option exercises from 2004 to 2007, which have expiration dates beginning in 2023.

At December 28, 2007, we had state tax operating loss carryforwards ranging up to \$21.9 million, which have various expiration dates within the years 2008-2026.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 12. INCOME TAXES (CONTINUED)

A reconciliation of the beginning and ending amount of uncertain tax positions excluding interest and penalties is as follows (U.S. dollars in millions):

Uncertain tax positions at December 30, 2006 (a) .....	\$11.1
Gross decreases—tax positions in prior period .....	(8.3)
Gross increases—current-period tax positions .....	8.5
Settlements .....	(0.8)
Foreign exchange .....	0.3
Uncertain tax positions at December 28, 2007 .....	<u>\$10.8</u>

(a) December 30, 2006 is the first day of our 2007 year.

For the year ended December 28, 2007, \$8.3 million of uncertain tax positions were reversed primarily as a result of the resolution of a tax audit and \$.8 million was reversed primarily as a result of a settlement of a tax audit.

As of December 28, 2007, we had \$5.9 million of uncertain tax positions, that, if recognized would affect the effective income tax rate.

Included in the \$10.8 million uncertain tax positions as of December 28, 2007 is \$3.1 million expected to reverse within the next 12 months related to completion of foreign income tax audits and lapse of statute of limitations. The tax years 1988-2006 remain subject to examination by taxing authorities throughout the world in major jurisdictions, such as Brazil, Chile, Costa Rica, Italy, Germany, Greece, Guatemala, Japan, Kenya, South Korea, South Africa, the United Kingdom and the United States.

Effective December 30, 2006, the first day of our 2007 year, we changed our accounting policy and began to classify interest and penalties on uncertain tax positions as a component of income tax expense in the Consolidated Statements of Income. Prior to December 29, 2006 interest on tax liabilities was classified as interest expense. We recognized a net benefit related to interest and penalties of \$0.4 million for the year ended December 28, 2007. Accrued interest and penalties related to uncertain tax positions as of December 28, 2007 is \$2.2 million and is included in accounts payable and accrued expenses and other noncurrent liabilities.

### 13. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

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

	December 28, 2007	December 29, 2006
\$600.0 million five-year syndicated bank loan (see Revolving Credit Facility below) due November 2009 .....	\$ 65.3	\$297.1
\$150.0 million Tranche No. 1 incremental term loan amortizing quarterly and maturing on May 10, 2011 .....	143.4	147.2
Various other notes payable .....	14.4	12.6
Capital lease obligations .....	15.5	13.0
Total long-term debt and capital lease obligations .....	238.6	469.9
Less: Current portion .....	(6.9)	(7.8)
Long-term debt and capital lease obligations .....	\$231.7	\$462.1

**Revolving Credit Facility** On March 21, 2003, we and certain of our wholly-owned subsidiaries entered into a \$400.0 million, four-year syndicated revolving credit facility ("Credit Facility"), with Rabobank Nederland, New York Branch, as administrative agent. On November 9, 2004, the Credit Facility was amended to increase the total revolving commitment to \$600.0 million, to add a term loan commitment (the "Term Loan") of up to \$400.0 million, to extend its maturity to November 10, 2009 and to increase the letter of credit facility to \$100.0 million. On February 14, 2006, the Credit Facility was amended to increase the allowable repurchase of our ordinary shares in an aggregate amount not to exceed \$300.0 million.

On May 10, 2006, the Credit Facility was modified to amend certain financial covenants. On May 10, 2006, we borrowed \$150.0 million of the available \$400.0 Term Loan commitment and used the proceeds to repay a portion of the revolving facility. The term loan is a five-year amortizing loan with quarterly payments of principal and interest. The Term Loan matures on May 10, 2011. The interest rate on the Term Loan (5.88% at December 28, 2007) is based on a spread over London Interbank Offer Rate ("LIBOR").

On December 27, 2006, the Credit Facility was further amended to modify the applicable ratios used to determine margins for advances and to amend certain financial covenants.

The Credit Facility is collateralized directly or indirectly by substantially all of our assets and is guaranteed by certain of our subsidiaries. The Credit Facility permits borrowings with an interest rate, determined by our leverage ratio, based on a spread over LIBOR (5.96% at December 28, 2007). At December 28, 2007 and December 29, 2006, \$208.7 million (including the term loan) and \$444.3 million, respectively, was outstanding under the Credit Facility.

The Credit Facility requires us to be in compliance with various financial and other covenants and limits the amount of future dividends. As of December 28, 2007, we were in compliance with all of the financial and other covenants contained in the Credit Facility.

At December 28, 2007 and December 29, 2006, we had \$518.7 million and \$287.0 million, respectively, available under committed working capital facilities, primarily under the Credit Facility. The Credit Facility also includes a swing line facility and a letter of credit facility. At December 28, 2007 and December 29, 2006, we applied \$18.2 million to the letter of credit facility, comprised primarily of certain contingent obligations and other governmental agencies guarantees combined with guarantees for purchases of raw materials and equipment.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 13. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

During November 2007, we sold 4,222,000 of our ordinary shares. Of the net proceeds of \$117.5 million, we used \$117.1 million to repay indebtedness outstanding under the Credit Facility.

At December 28, 2007, we had \$238.6 million of long-term debt and capital lease obligations, including the current portion, consisting of \$208.7 million outstanding under the Credit Facility (including the Term Loan), \$15.5 million of capital lease obligations and \$14.4 million of other long-term debt and notes payable.

Maturities of long-term debt and capital lease obligations during the next five years are (U.S. dollars in millions):

	Long-Term Debt	Capital Leases	Totals
2008.....	\$ 1.5	\$ 6.1	\$ 7.6
2009.....	103.2	5.3	108.5
2010.....	5.5	3.0	8.5
2011.....	105.8	2.2	108.0
2012.....	1.5	0.3	1.8
Thereafter.....	5.6	—	5.6
	223.1	16.9	240.0
Less: Amounts representing interest.....	—	(1.4)	(1.4)
	223.1	15.5	238.6
Less: Current portion.....	(1.5)	(5.4)	(6.9)
Totals, net of current portion of long-term debt and capital lease obligations.....	\$221.6	\$10.1	\$231.7

Cash payments of interest on long-term debt, net of amounts capitalized, were \$30.6 million, \$24.0 million, and \$14.9 million for 2007, 2006 and 2005, respectively.

### 14. NET INCOME (LOSS) PER ORDINARY SHARE

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

	Years ended		
	As adjusted (a)		
	December 28, 2007	December 29, 2006	December 30, 2005
<b>Numerator:</b>			
Net income (loss).....	\$ 179.8	\$ (142.2)	\$ 110.1
<b>Denominator:</b>			
Weighted average number of ordinary shares—Basic.....	58,490,281	57,819,416	57,926,466
Effect of dilutive securities—employee stock options.....	282,437	—	150,816
Weighted average number of ordinary shares—Diluted.....	58,772,718	57,819,416	58,077,282
<b>Net income (loss) per ordinary share:</b>			
Basic.....	\$ 3.07	\$ (2.46)	\$ 1.90
Diluted.....	\$ 3.06	\$ (2.46)	\$ 1.90

(a) See note 3 for additional information.

#### 14. NET INCOME (LOSS) PER ORDINARY SHARE (CONTINUED)

There were no anti-dilutive options for any part of 2007. As a result of the net loss in 2006 and in the fourth quarter of 2005, the calculation of diluted earnings per share is anti-dilutive and, therefore, in 2006 and in the fourth quarter of 2005, basic and diluted net loss per share are equal.

#### 15. RETIREMENT AND OTHER EMPLOYEE BENEFITS

**U.S.-Based Defined Benefit Pension Plans** We sponsor two non-contributory defined benefit pension plans, which cover a portion of our U.S.-based employees. These plans provide benefits based on the employees' years of service and qualifying compensation. Our 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.

On November 21, 2006, we announced the accelerated closing of the Hawaii production facility. All active participants ceased accruing benefits and all participants were deemed to be 100% vested under the plan. This change which affected both non-contributory defined benefit plans, resulted in an immaterial impact to our net loss for the year ended December 29, 2006 and shareholders' equity at December 29, 2006.

During 2007, a settlement of \$0.7 million was paid from one of our U.S.-based defined benefit pension plans for Hawaii employees. For the year ended December 28, 2007, pension cost of \$0.3 million was included in the "Asset impairment and other charges" caption in the Consolidated Statements of Income as a result of Hawaii exit activities.

Our pension plan weighted average asset allocation ranges by asset category based on fair value, is as follows:

	December 28, 2007	December 29, 2006	Target Asset Allocation
Equity securities .....	63%	62%	40%-65%
Debt securities.....	37%	38%	20%-55%
Total.....	100%	100%	

Asset allocation targets promote optimal expected return and volatility characteristics given the long-term time horizon for fulfilling the obligations of the pension plans. Selection of the targeted asset allocation for U.S. plan assets was based upon a review of the expected return and risk characteristics of each asset class, as well as the correlation of returns among asset classes.

Investment guidelines are established with each investment manager. These guidelines provide the parameters within which the investment managers agree to operate, including criteria that determine eligible and ineligible securities, diversification requirements and credit quality standards, where applicable. Unless exceptions have been approved, investment managers are prohibited from buying or selling commodities, futures or option contracts, as well as from short selling of securities. Furthermore, investment managers agree to obtain written approval for deviations from stated investment style or guidelines.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 15. RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

The expected long-term rate of return assumption for U.S. plan assets is based upon the target asset allocation and is determined using forward-looking assumptions in the context of historical returns and volatilities for each asset class, as well as correlations among asset classes. We evaluate the rate of return assumption on an annual basis. The actual returns on plan assets for 2007 and 2006 were 8.5% and 14.6%, respectively.

#### **Assumptions**

The assumptions used in the calculation of the actuarial present value of the projected benefit obligation, the net periodic pension cost and expected long-term rate of return on plan assets for our defined benefit pension plans consisted of the following:

	December 28, 2007	December 29, 2006	December 30, 2005
Weighted average discount rate .....	5.75% - 6.47%	5.50% - 5.75%	5.50% - 5.75%
Rate of increase in compensation levels .....	3.50%	3.50%	3.50%
Expected long-term rate of return on assets .....	7.50%	7.50%	7.50%

#### **Cash Flows**

We fund all pension plans in amounts consistent with applicable laws and regulations. We expect to contribute approximately \$0.6 million to our U.S.-based defined benefit pension plans in 2008. Benefit payments under the pension plans over the next 10 years are expected to total \$11.4 million and average approximately \$1.1 million per year.

The accumulated benefit obligation for the U.S. based defined benefit pension plans is \$18.0 million and \$19.9 million at December 28, 2007 and December 29, 2006, respectively. We recorded, in accordance with SFAS 87, an additional minimum pension liability of \$1.6 million as "Retirement benefits" in the accompanying Consolidated Balance Sheet at December 29, 2006, which resulted in an increase directly to shareholders' equity of \$1.9 million in 2006.

With the adoption of FAS 158 effective December 29, 2006, we recorded an adjustment to accumulated other comprehensive income, which resulted in an increase in shareholder's equity of \$12.1 million. Based on the provisions of FAS 158, we recognize the funded status of the U.S. based pension plans and as such, the additional minimum pension liability is no longer required.

**U.S. Based Post-Retirement Healthcare Plans** We provide contributory healthcare benefits to our U.S. retirees and their dependents. We have recorded a liability equal to the unfunded projected benefit obligation as required by the provisions of SFAS 106 as amended by FAS 158. SFAS 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. We fund claims under the plan as they are incurred, and accordingly, the plan has no assets.

## 15. RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

Effective June 1, 2006, we amended our retiree medical and life insurance plans to eliminate coverage for its non-union retirees. This resulted in a prior service credit and a reduction of the accumulated post-retirement benefit obligation ("APBO") of \$10.4 million accounted for as a plan amendment as of June 1, 2006. We recognized \$0.8 million of the prior service credit resulting from the June 1<sup>st</sup> plan amendment as net periodic post-retirement benefit cost during 2006.

On November 21, 2006, we announced the accelerated closing of the Hawaii production facility to active union employees. The affected union employees were covered by the ILWU Local 42 collective bargaining agreement ("CBA"). Due to the accelerated closing, participants in the retiree medical and life insurance plans will not accrue benefits or eligibility. In addition, the CBA will not be re-negotiated and will expire in April 2009 along with any benefits provided to retirees by retiree medical and life insurance plans. In accordance with Statement of Financial Accounting Standards No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" ("SFAS 88") and SFAS 106, a prior service credit of \$7.5 million arising due to the June 1, 2006 plan amendment was recognized as a curtailment gain in proportion to the active union employees who terminated as of December 29, 2006 and is included as a reduction to "Asset impairment and other charges" in the Consolidated Statements of Income. The majority of the remaining \$2.1 million prior service credit occurring as a result of the June 1, 2006 plan amendment will be recognized in 2007 based on employee turnover. The expiration of the CBA in April 2009 resulted in a reduction of the APBO of \$5.4 million accounted for an additional prior service credit. As of December 29, 2006 there was a prior service credit of \$7.5 million of which \$2.1 million related to the June 1, 2006 plan amendment and \$5.4 million related to the reduction of the APBO.

On February 28, 2007, the turnover of the remaining eligible active employees triggered a curtailment gain of \$3.4 million which reduced the prior service credit and was recognized in earnings. Additionally, amortization of prior service credits of \$2.0 million was recognized ratably throughout 2007. As of December 28, 2007, the recognition of prior service credits of \$5.4 million is included as a reduction to "Asset impairment and other charges" in the Consolidated Statements of Income. The remaining balance of prior service credit of \$2.1 million will be recognized in the results of operations ratably based on employee turnover through April 2009. Additionally, \$0.4 million of amortization of actuarial pension gains net of pension costs were also included under the caption "Asset impairment and other charges" in the Consolidated Statements of Income. For the year ended December 28, 2007, a total of \$5.8 million was recognized in earnings primarily as a result of the previously announced decision to exit all production activities in Hawaii in 2006 related to the retiree medical and life insurance plans. A gain of \$3.0 million is expected to be recognized in the Consolidated Statements of Income during 2008 related to unamortized pension gains of which \$1.5 million relates to prior service credits and actuarial pension gains, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 15. RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

#### **Assumptions**

The assumptions used in determining the APBO are the same as the expected post-retirement benefit obligation due to the accelerated closing of Hawaii. Since only eligible employees are accounted for in determining the APBO as of December 28, 2007 for our U.S. based post-retirement healthcare plans the assumptions used consisted of the following:

	December 28, 2007	December 29, 2006
Weighted average discount rate.....	6.47%	5.75%
Health care cost trend rate assumed for next year.....	8.75%	9.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) .....	5%	5%
Year that the rate reaches the ultimate trend rate.....	2013	2013

Assumed health care cost trends have a significant effect on the amounts reported for the post-retirement healthcare plans. A one-percentage point change in the assumed healthcare cost trend rate would have the following effects on the accumulated post-retirement benefit obligation and no effect on total service and interest cost (U.S. dollars in millions):

	December 28, 2007	
	One Percentage Point Increase	One Percentage Point Decrease
Effect on accumulated post-retirement benefit obligation .....	\$0.2	\$(0.1)

#### **Cash Flows**

Benefit payments under the post-retirement healthcare plans over the next 3 years are expected to total \$0.9 million and average approximately \$0.3 million per year.

#### **Benefit Obligations, Plan Assets and Funded Status**

The benefit obligation is the projected benefit obligation for defined benefit pension plans and the accumulated post-retirement benefit obligation for post-retirement benefit plans other than pensions.

## 15. RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

The following table sets forth a reconciliation of benefit obligations, plan assets and funded status for our U.S. based defined benefit pension plans and post retirement healthcare plans as of November 30, 2007 and November 30, 2006, which are also their measurement dates (U.S. dollars in millions):

	Pension Plans		Post-retirement Plan	
	November 30, 2007	November 30, 2006	November 30, 2007	November 30, 2006
<b>Change in Benefit Obligation:</b>				
Beginning benefit obligation .....	\$19.8	\$20.2	\$ 3.5	\$ 20.3
Service cost .....	—	0.5	—	0.1
Interest cost .....	1.0	1.0	0.2	0.8
Actuarial gain .....	(1.0)	(0.6)	(0.7)	(1.6)
Benefits paid .....	(1.4)	(0.9)	(0.2)	(0.3)
Curtailments .....	—	(0.3)	—	(7.5)
Settlements .....	(0.7)	—	—	—
Amendments and other .....	0.3	(0.1)	—	(8.3)
Ending benefit obligation .....	<u>18.0</u>	<u>19.8</u>	<u>2.8</u>	<u>3.5</u>
<b>Change in Plan Assets:</b>				
Beginning fair value .....	14.9	12.0	—	—
Actual return on plan assets .....	1.2	1.9	—	—
Company and employee contributions .....	1.6	1.9	0.2	0.3
Settlements .....	(0.7)	—	—	—
Benefits paid .....	(1.2)	(0.9)	(0.2)	(0.3)
Ending fair value .....	<u>15.8</u>	<u>14.9</u>	<u>—</u>	<u>—</u>
<b>Reconciliation of Accruals:</b>				
Funded status .....	(2.2)	(4.9)	(2.8)	(3.5)
Prior service benefit .....	—	—	2.1	7.5
Net actuarial (loss) gain .....	(0.3)	—	1.9	1.8
Additional minimum liability .....	—	(1.6)	—	—
Accrued benefit costs .....	<u>\$(1.9)</u>	<u>\$(3.3)</u>	<u>\$(6.8)</u>	<u>\$(12.8)</u>
<b>Amounts recognized in the Consolidated Balance Sheets (1):</b>				
Other noncurrent assets .....	0.2	—	—	—
Accounts payable and accrued expenses .....	—	0.1	0.5	0.6
Retirement benefits .....	<u>2.4</u>	<u>4.8</u>	<u>2.3</u>	<u>2.9</u>
Net amount recognized in the Consolidated Balance Sheets .....	<u>\$ 2.2</u>	<u>\$ 4.9</u>	<u>\$ 2.8</u>	<u>\$ 3.5</u>
<b>Amounts recognized in Accumulated other comprehensive income (loss) (1):</b>				
Additional minimum liability .....	—	(1.6)	—	—
Prior service benefit .....	—	—	2.1	7.5
Net actuarial (loss) gain .....	<u>(0.3)</u>	<u>—</u>	<u>1.9</u>	<u>1.8</u>
Net amount recognized in the Consolidated Statements of Shareholders' Equity .....	<u>\$(0.3)</u>	<u>\$(1.6)</u>	<u>\$ 4.0</u>	<u>\$ 9.3</u>

(1) Effective December 29, 2006, we adopted SFAS 158.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 15. RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

The following table sets forth the net periodic pension cost of our defined benefit pension and post-retirement benefit plans (U.S. dollars in millions):

	Pension Plans			Post-retirement Plans		
	Years ended			Years ended		
	December 28, 2007	December 29, 2006	December 30, 2005	December 28, 2007	December 29, 2006	December 30, 2005
Service cost .....	\$ —	\$ 0.5	\$0.5	\$ —	\$ 0.1	\$0.1
Interest cost .....	1.0	1.0	1.1	0.2	0.8	1.1
Curtailment gain .....	—	—	—	(3.4)	(7.5)	—
Expected return on assets .....	(1.1)	(0.9)	(0.9)	—	—	—
Settlements .....	0.3	—	—	—	—	—
Net amortization .....	—	0.9	0.1	(2.6)	(0.9)	—
Net periodic costs .....	<u>\$ 0.2</u>	<u>\$ 1.5</u>	<u>\$0.8</u>	<u>\$(5.8)</u>	<u>\$(7.5)</u>	<u>\$1.2</u>

**United Kingdom Defined Benefit Pension Plan** We sponsor a contributory defined benefit pension plan, which covers a portion of our employees in the United Kingdom (“UK plan”). The UK plan provides benefits based on the employees’ years of service and qualifying compensation. Our funding policy for the UK plan is to contribute amounts sufficient to meet the minimum funding requirements of occupational trust-based arrangements of the United Kingdom or such additional amounts as determined appropriate to assure that assets of the UK plan would be adequate to provide benefits. Substantially all of the UK plan’s assets are primarily invested in fixed income and equity funds. The UK plan is accounted for pursuant to SFAS 87 and SFAS 158.

The weighted average asset allocation of the UK plan by asset category based on fair value is as follows:

	December 28, 2007	December 29, 2006
Equity securities .....	79%	80%
Fixed income securities .....	20%	20%
Cash and cash equivalents .....	1%	—
Total .....	<u>100%</u>	<u>100%</u>

## 15. RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

The above allocation is consistent with the target allocation of the UK plan, according to the plan's investment policy. Approximately 40% of the UK plan's assets are invested in equity securities of companies of the United Kingdom and 39% are invested in other international equities. Approximately 20% of the UK plan's assets are invested in high-grade, fixed-income securities with maturities of up to 15 years. Fund managers have no discretion to make asset allocation decisions, but are required to rebalance the portfolios back to the above benchmarks. Performance benchmarks for each asset class are based on various Financial Times Stock Exchange indices. Investment performance is evaluated annually. The actual return on plan assets for the UK plan years ended December 28, 2007 and December 29, 2006 was 9.3% and 8.7%, respectively.

### **Assumptions**

The assumptions used in the calculation of the actuarial present value of the projected benefit obligation, the net periodic pension cost and expected long-term rate of return on plan assets for the UK plan consisted of the following:

	December 28, 2007	December 29, 2006	December 30, 2005
Weighted average discount rate.....	5.10% - 6.00%	5.00% - 5.10%	5.00% - 5.60%
Rate of increase in compensation levels .....	2.90%	2.75% - 2.90%	2.75% - 4.00%
Expected long-term rate of return on assets .....	7.00%	6.75%	7.50%

### **Cash Flows**

We expect to contribute approximately \$3.4 million to the UK plan in 2008, estimated using the British pound sterling to U.S. dollar exchange rate as of December 28, 2007. Benefit payments under the UK plan over the next 10 years are expected to total \$24.0 million and range ratably between \$1.7 million in 2008 and \$2.9 million in 2017.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 15. RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

#### ***Benefit Obligations, Plan Assets and Funded Status***

The following table sets forth a reconciliation of benefit obligation, plan assets and funded status for the UK plan as of November 30, 2007 and November 30, 2006, which are also the plan's measurement dates (U.S. dollars in millions):

	November 30, 2007	November 30, 2006
<b>Change in Benefit Obligation:</b>		
Beginning benefit obligation .....	\$ 70.2	\$ 59.9
Service cost .....	0.3	—
Interest cost .....	3.7	3.4
Actuarial (gain) loss .....	(14.1)	0.1
Benefits paid .....	(1.7)	(1.5)
Exchange rate changes .....	1.4	8.3
Ending benefit obligation .....	<u>59.8</u>	<u>70.2</u>
<b>Change in Plan Assets:</b>		
Beginning fair value .....	39.6	31.8
Actual return on plan assets .....	4.1	3.3
Company and employee contributions .....	3.1	1.5
Benefits paid .....	(1.7)	(1.5)
Exchange rate changes .....	0.7	4.5
Ending fair value .....	<u>45.8</u>	<u>39.6</u>
<b>Reconciliation of Accruals:</b>		
Funded status .....	(14.0)	(30.6)
Net actuarial gain .....	21.1	5.9
Accrued benefit costs .....	<u>\$(35.1)</u>	<u>\$(36.5)</u>
<b>Amounts recognized in the Consolidated Balance Sheets (1):</b>		
Retirement benefits .....	14.0	30.6
Net amount recognized in the Consolidated Balance Sheets	<u>\$ 14.0</u>	<u>\$ 30.6</u>
<b>Amounts recognized in Accumulated other comprehensive income (loss) (1):</b>		
Net actuarial gain .....	21.1	5.9
Net amount recognized in the Consolidated Statements of Shareholders' Equity .....	<u>\$ 21.1</u>	<u>\$ 5.9</u>

(1) Effective December 29, 2006, we adopted SFAS 158.

## 15. RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

The following table sets forth the net periodic pension cost of the UK plan (U.S. dollars in millions):

	Years ended		
	December 28, 2007	December 29, 2006	December 30, 2005
Service cost .....	\$ 0.3	\$ —	\$ 1.9
Interest cost .....	3.7	3.4	3.3
Expected return on assets .....	(2.9)	(2.4)	(2.1)
Net periodic costs .....	<u>\$ 1.1</u>	<u>\$ 1.0</u>	<u>\$ 3.1</u>

A gain of \$0.5 million is expected to be recognized in the Consolidated Statements of Income during 2008 related to unamortized actuarial pension gains.

**Central American Plans** We provide retirement benefits to employees of certain Costa Rican and Guatemalan subsidiaries ("Central American plans"). Generally, benefits under these programs are based on an employee's length of service and level of compensation. These programs are commonly referred to as termination indemnities, which provide retirement benefits in accordance with programs mandated by the Costa Rican and Guatemalan governments. Funding generally occurs when employees cease active service. The Central American plans are accounted for pursuant to SFAS 87 and SFAS 158.

### **Assumptions**

The assumptions used in the calculation of the actuarial present value of the projected benefit obligation and the net periodic pension cost for the Central American plans consisted of the following:

	December 28, 2007	December 29, 2006	December 30, 2005
Weighted average discount rate .....	6.47%	5.75%	5.50%
Rate of increase in compensation levels .....	3.50%	3.50%	3.50%

### **Cash Flows**

We expect to contribute approximately \$2.7 million to the Central American plans in 2008. Benefit payments under the Central American plans over the next 10 years are expected to total \$25.9 million and average \$2.6 million per year.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 15. RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

#### ***Benefit Obligations, Plan Assets and Funded Status***

The following table sets forth a reconciliation of benefit obligation, plan assets and funded status for the Central American plans as of November 30, 2007 and November 30, 2006, which are also the plan measurement dates (U.S. dollars in millions):

	November 30, 2007	November 30, 2006
<b>Change in Benefit Obligation:</b>		
Beginning benefit obligation .....	\$ 23.8	\$ 16.1
Service cost.....	1.2	1.3
Interest cost.....	1.3	0.8
Actuarial loss.....	0.8	7.3
Benefits paid .....	(2.1)	(1.7)
Ending benefit obligation.....	25.0	23.8
<b>Change in Plan Assets:</b>		
Beginning fair value .....	—	—
Company and employee contributions.....	2.1	1.7
Benefits paid .....	(2.1)	(1.7)
Ending fair value .....	—	—
<b>Reconciliation of Accruals:</b>		
Funded status .....	(25.0)	(23.8)
Benefit payments between November 30, 2007 and December 28, 2007 .....	0.1	—
Unrecognized loss.....	(9.9)	(10.2)
Accrued benefit costs .....	<u>\$(15.0)</u>	<u>\$(13.6)</u>
<b>Amounts recognized in the Consolidated Balance Sheets (1):</b>		
Accounts payable and accrued expenses.....	2.7	2.4
Retirement benefits .....	22.2	21.4
Net amount recognized in the Consolidated Balance Sheets .....	<u>\$ 24.9</u>	<u>\$ 23.8</u>
<b>Amounts recognized in Accumulated other comprehensive income (loss) (1):</b>		
Additional minimum liability .....	—	(4.4)
Net actuarial loss .....	(9.9)	(5.8)
Net amount recognized in the Consolidated Statements of Shareholders' Equity .....	<u>\$ (9.9)</u>	<u>\$(10.2)</u>

(1) Effective December 29, 2006, we adopted SFAS 158.

## 15. RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

The following table sets forth the net periodic pension cost of the Central American plans for 2007 and 2006 (U.S. dollars in millions):

	Years ended		
	December 28, 2007	December 29, 2006	December 30, 2005
Service cost.....	\$1.2	\$1.3	\$ 1.1
Interest cost.....	1.3	0.8	0.7
Net amortization.....	0.8	0.1	(0.1)
Net periodic costs .....	<b>\$3.3</b>	<b>\$2.2</b>	<b>\$ 1.7</b>

A loss of \$0.7 million is expected to be recognized in the Consolidated Statements of Income during 2008 related to unamortized actuarial pension gains.

**Other Employee Benefits** We also sponsor 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 we 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 for 2007, 2006 and 2005, respectively.

As of August 31, 1997, one of our subsidiaries ceased accruing benefits under our salary continuation plan covering Central American management personnel. At December 28, 2007 and December 29, 2006, we had \$6.8 million and \$7.1 million, respectively, accrued for this plan. At December 28, 2007 and December 29, 2006, we recorded \$1.4 million and \$1.2 million, respectively, in accumulated other comprehensive income (loss) related to unamortized pension gains. A gain of \$0.1 million is expected to be recognized in the Consolidated Statements of Income during 2008 related to unamortized actuarial pension gains related to this plan.

We provide 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 and are insignificant. We recorded \$0.5 million of unamortized pension losses included in accumulated other comprehensive income (loss), a component of shareholder's equity as of December 28, 2007 and December 29, 2006, respectively related to other non-U.S. based plans.

As of December 28, 2007 and December 29, 2006, we had accumulated other comprehensive income of \$3.1 million, related to tax effect of unamortized pension gains. We recorded the tax effect of the adoption of SFAS 158 of \$1.7 million as an increase in accumulated other comprehensive income (loss) as of December 29, 2006.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 16. STOCK-BASED COMPENSATION

Effective upon the completion of our initial public offering in October 1997, we established a share option plan pursuant to which options to purchase ordinary shares may be granted to certain directors, officers and key employees 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 our ordinary shares at the fair market value of the ordinary shares at the date of grant.

On May 11, 1999, our shareholders approved and ratified the 1999 Share Incentive Plan (the "1999 Plan"). Under the 1999 Plan, as amended on May 1, 2002, the Board of Directors is authorized to grant options to purchase an aggregate of 4,000,000 ordinary shares. Under this plan, options have been granted to directors, officers and other key employees to purchase our ordinary shares at the fair market value of the ordinary shares at the date of grant.

On February 16, 2005, the Board of Directors approved an amendment to the 1999 Plan, which authorized an additional 2,000,000 shares increasing the aggregate ordinary shares to 6,000,000. In addition the aggregate number of options which may be granted to a single participant under the 1999 Plan increased by 1,000,000 to 2,000,000.

Under both the 1997 and the 1999 Plan, 20% of the options usually vest immediately, and the remaining options vest in equal installments over the next four years. Options under the 1997 and 1999 Plan may be exercised over a period not in excess of ten years, respectively.

The following table summarizes stock option activity for the years ended December 28, 2007, December 29, 2006 and December 30, 2005:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value
Options outstanding at December 31, 2004 .....	890,556	\$16.55	\$ 6.78
Granted .....	1,573,500	29.90	11.26
Exercised .....	(323,106)	11.18	4.68
Canceled .....	(161,000)	27.73	10.45
Options outstanding at December 30, 2005 .....	1,979,950	27.12	10.34
Granted .....	1,518,500	16.19	5.68
Exercised .....	(26,000)	13.42	5.98
Canceled .....	(137,500)	26.17	9.69
Options outstanding at December 29, 2006 .....	3,334,950	22.29	8.27
Granted .....	228,500	23.75	8.34
Exercised .....	(783,082)	16.97	6.27
Canceled .....	(110,000)	23.65	8.72
Options outstanding at December 28, 2007 .....	2,670,368	23.92	8.85
Exercisable at December 30, 2005 .....	594,550	\$24.39	\$ 9.54
Exercisable at December 29, 2006 .....	1,235,150	\$23.42	\$ 8.83
Exercisable at December 28, 2007 .....	1,159,368	\$26.86	\$10.03

## 16. STOCK-BASED COMPENSATION (CONTINUED)

On February 28, 2007, we granted, in equal amounts, stock options from our 1997 Plan totaling 37,500 to six non-management members of our Board of Directors with a grant date fair value of \$3.94 per option and an exercise price of \$17.35 per option. These options vested 100% on the grant date.

On May 2, 2007, we granted 161,000 stock options from our 1999 Plan to our Chairman and Chief Executive Officer with a grant date fair value of \$8.90 per option and an exercise price of \$23.97 per option. These options vested 20% on the grant date and then will vest 20% on each of the next four anniversary dates. These options may be exercised over a period not in excess of ten years.

On November 30, 2007, we granted 30,000 stock options from our 1999 Plan to a non-management member of our Board of Directors with a grant date fair value of \$10.87 per option and an exercise price of \$30.59 per option. These options vested 20% on the grant date and then will vest 20% on each of the next four anniversary dates. These options may be exercised over a period not in excess of ten years.

On March 1, 2006, we granted, in equal amounts, stock options from our 1999 Plan totaling 37,500 to six non-management members of our Board of Directors at an exercise price of \$19.76 per option. These options vested 100% on the grant date. Based on their grant date fair value of \$5.51 per option, we recognized \$0.2 million of stock-based compensation expense related to this grant which is included in total stock-based compensation expense for the year ended December 29, 2006. These options may be exercised over a period not to exceed ten years.

On May 3, 2006, we granted 191,000 stock options with a grant date fair value of \$6.75 per option from our 1999 Plan with an exercise price of \$18.31 per option, of which 161,000 were granted to our Chairman and Chief Executive Officer and 30,000 were granted to one non-management member of our Board of Directors. These options vested 20% on the grant date and then 20% on each of the next four anniversary dates. These options may be exercised over a period not to exceed ten years.

On August 14, 2006, we granted 1,290,000 stock options from our 1999 Plan with a grant date fair value of \$5.53 per option and an exercise price of \$15.78 per option. There were no stock option grants to our Chairman and Chief Executive Officer in the August 14, 2006 stock option grant. These options vested 20% on the grant date and then 20% on each of the next four anniversary dates. These options may be exercised over a period not to exceed ten years.

The fair value for stock options was estimated at the date of grant using the Black-Scholes option pricing model, which requires us to make certain assumptions. Volatility is estimated based on the historical volatility of our stock over the past five years. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected term of grant. The expected term of grant was based on the contractual term of the stock option and expected employee exercise and post-vesting employment termination trends. Forfeitures are estimated based on historical experience. Prior to the adoption of SFAS 123R, forfeitures were recognized as they occurred for purposes of estimating pro forma compensation expense under SFAS 123. The following are the weighted average assumptions used in the Black-Scholes option pricing model for the periods indicated:

	Years ended		
	December 28, 2007	December 29, 2006	December 30, 2005
Dividend yield.....	—	1.31%	2.68%
Volatility.....	32.41%	36.22%	48.54%
Risk-free rate .....	4.17%	4.84%	3.87%
Expected term of grant .....	4.7 years	5 years	5 years

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 16. STOCK-BASED COMPENSATION (CONTINUED)

Exercise Price	Remaining Contractual Life	Outstanding	Outstanding Intrinsic Value	Exercisable	Exercisable Intrinsic Value
\$5.95.....	3.3 Years	10,000	\$ 0.3	10,000	\$0.3
\$9.28.....	1.8 Years	2,000	—	2,000	—
\$15.78 .....	8.6 Years	764,672	13.8	47,672	0.9
\$17.35 .....	9.2 Years	37,500	0.6	37,500	0.6
\$18.31 .....	8.4 Years	126,600	2.0	12,000	0.2
\$19.76 .....	5.1 Years	41,500	0.6	41,500	0.6
\$19.76 .....	8.2 Years	31,250	0.4	31,250	0.4
\$22.01 .....	4.9 Years	30,000	0.4	30,000	0.4
\$23.82 .....	6.3 Years	161,000	1.6	128,800	1.3
\$23.97 .....	9.4 Years	161,000	1.6	32,200	0.3
\$25.83 .....	6.1 Years	14,000	0.1	10,000	0.1
\$29.84 .....	7.3 Years	1,229,596	4.9	739,196	3.0
\$30.59 .....	9.9 Years	30,000	0.1	6,000	—
\$32.28 .....	7.1 Years	31,250	—	31,250	—
		<u>2,670,368</u>	<u>\$ 26.4</u>	<u>1,159,368</u>	<u>\$8.1</u>

The total intrinsic value of options exercised during the years ended December 28, 2007 and December 29, 2006 was \$8.0 million and \$0.2 million, respectively. The total fair value of options granted for years ended December 28, 2007 and December 29, 2006 was \$1.9 million and \$8.6 million, respectively. The total fair value of options vesting during the years ended December 28, 2007 and December 29, 2006 was \$6.0 million and \$6.2 million, respectively, with a weighted-average fair value of \$8.10 per option and \$8.28 per option, respectively. As of December 28, 2007 the total remaining unrecognized compensation cost related to non-vested stock options amounted to \$8.7 million, which will be amortized over the weighted-average remaining requisite service period of 2.2 years.

### 17. COMMITMENTS AND CONTINGENCIES

We lease 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, 2007 are as follows (U.S. dollars in millions):

2008 .....	\$ 23.6
2009 .....	22.9
2010 .....	17.4
2011 .....	13.8
2012 .....	12.5
Thereafter .....	39.9
	<u>\$130.1</u>

## 17. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Total rent expense for all operating leases, including leases with initial terms of less than one year, amounted to \$36.9 million, \$42.2 million and \$41.2 million for 2007, 2006 and 2005, respectively.

We also have agreements to purchase substantially all of the production of certain independent growers in Costa Rica, Guatemala, Ecuador, Cameroon, Colombia, Chile, Brazil, South Africa and the Philippines. Total purchases under these agreements amounted to \$580.8 million, \$575.3 million and \$585.9 million for 2007, 2006 and 2005, respectively.

At year-end 2007, we employed a total of approximately 35,000 persons worldwide, substantially all of whom are year-round employees. Approximately 84% of these persons are employed in production locations, of which the majority, are unionized.

## 18. LITIGATION

**DBCP Litigation** Beginning in December 1993, certain of our U.S. subsidiaries were named among the defendants in a number of actions in courts in Texas, Louisiana, Hawaii, California and the Philippines involving allegations by numerous non-U.S. plaintiffs that they were injured as a result of exposure to a nematocide containing the chemical dibromochloropropane ("DBCP") during the period 1965 to 1990. As a result of a settlement entered into in December 1998, the remaining unresolved DBCP claims against our U.S. subsidiaries are pending in Hawaii, Louisiana and California.

In 1997, plaintiffs from Costa Rica and Guatemala named certain of our U.S. subsidiaries in a purported class action in Hawaii. The action was dismissed by a federal district court on grounds of *forum non conveniens* in favor of the courts of the plaintiffs' home countries and the plaintiffs appealed this decision. On April 22, 2003, the U.S. Supreme Court affirmed the plaintiffs' appeal of the dismissal, thereby remanding the action to the Hawaiian state court. On April 27, 2007, our U.S. subsidiaries named in the action which do not have ties to Hawaii filed a motion to dismiss for lack of personal jurisdiction, and plaintiffs voluntarily dismissed these subsidiaries from the action on June 28, 2007. Although the Hawaii state court has set a trial date of February 2009, the plaintiffs have not conducted any discovery to date and have not moved to certify the case as a class action.

On November 15, 1999, one of our 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 29<sup>th</sup> Judicial District Court for the Parish of St. Charles, Louisiana. These actions were removed to federal court, where they have been consolidated. As a result of the Supreme Court's decision in the Hawaiian action, the district court remanded these actions to state court in Louisiana. At this time, it is not known how many of the approximately 315 remaining *Godoy Rodriguez and Martinez Puerto* plaintiffs are making claims against the Fresh Del Monte subsidiary.

On October 14, 2004, two of our subsidiaries were served with a complaint in an action styled *Angel Abarca, et al. v. Dole Food Co., et al.* filed in the Superior Court of the State of California for the County of Los Angeles on behalf of more than 2,600 Costa Rican banana workers who claim injury from exposure to DBCP. An initial review of the plaintiffs in the *Abarca* action found that a substantial number of the plaintiffs were claimants in prior DBCP actions in Texas and may have participated in the settlement of those actions. On January 11, 2008, defendants moved for summary judgment with respect to 1,329 plaintiffs who were parties to prior DBCP actions. Defendants intend to move to dismiss the claims of the remaining *Abarca* plaintiffs on grounds of *forum non conveniens*.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 18. LITIGATION (CONTINUED)

On April 25, 2005, two of our subsidiaries were served with a complaint styled *Juan Jose Abrego, et. al. v. Dole Food Company, et al.* filed in the Superior Court of the State of California for the County of Los Angeles on behalf of 955 Guatemalan residents who claim injury from exposure to DBCP. An initial review of the plaintiffs in the *Abarca* action found that a substantial number of the plaintiffs were claimants in prior DBCP actions and may have participated in the settlement of those actions. On January 14, 2008, defendants moved for summary judgment with respect to 206 plaintiffs who were parties to prior DBCP actions.

**Former Shareholders Litigation** On December 30, 2002, we were served with a complaint filed on December 18, 2002 in the Circuit Court of the 11<sup>th</sup> Judicial Circuit in and for Miami-Dade County, Florida by seven Mexican individuals and corporations, who claim to have been former indirect shareholders of our predecessor. In addition to the complaint being filed against us, the complaint was also filed against certain of our current and former directors, officers and shareholders and that of our predecessor.

The complaint alleges that instead of proceeding with a prospective buyer who offered superior terms, the former chairman of our predecessor and majority shareholder, agreed to sell our predecessor to its current majority shareholder at a below market price as the result of commercial bribes allegedly paid by our current majority shareholder and Chief Executive Officer to our predecessor's former chairman. The trial in the case commenced on October 30, 2006, and the jury rendered a verdict in our favor on November 17, 2006. The court followed with a final judgment in our favor on December 20, 2006. Plaintiffs filed a notice of appeal on January 19, 2007. The appeal remains pending.

### Class Action Litigation

#### **a. Pineapple Class Actions**

On August 2, 2004, a consolidated complaint was filed against two of our subsidiaries in the United States District Court for the Southern District of New York. This consolidated action is brought as a putative class action on behalf of all direct and indirect purchasers of Del Monte Gold® pineapples from March 1, 1996 through the present and merges four actions brought by fruit wholesalers and two actions brought by individual consumers. The consolidated complaint alleges claims for: (i) monopolization and attempted monopolization; (ii) restraint of trade; (iii) unfair and deceptive trade practices; and (iv) unjust enrichment. On May 27, 2005, our subsidiaries filed a motion to dismiss the indirect and direct purchasers' claims for unjust enrichment. On June 29, 2005, plaintiffs filed a joint motion for class certification. On February 20, 2008, the Court denied plaintiffs' motion for class certification of the indirect purchasers and only granted class certification of the direct purchasers' claims for monopolization and attempted monopolization which was uncontested by our subsidiaries. Also on February 20, 2008, the Court granted the motion of our subsidiaries to dismiss the direct purchasers' claims for unjust enrichment and denied as moot the motion to dismiss the indirect purchasers' state law claims on the basis of the Court's denial of plaintiffs' motion for class certification of the indirect purchasers.

## 18. LITIGATION (CONTINUED)

On March 5, 2004, an alleged individual consumer filed a putative class action complaint against our subsidiaries in the state court of Tennessee on behalf of consumers who purchased (other than for resale) Del Monte Gold® pineapples in Tennessee from March 1, 1996 to May 6, 2003. The complaint alleges violations of the Tennessee Trade Practices Act and the Tennessee Consumer Protection Act. On February 18, 2005, our subsidiaries filed a motion to dismiss the complaint. On May 25, 2006, the court granted the motion in part, dismissing plaintiffs' claim under the Tennessee Consumer Protection Act.

Between March 17, 2004 and March 18, 2004, three alleged individual consumers separately filed putative class action complaints against us and our subsidiaries in the state court of California on behalf of residents of California who purchased (other than for re-sale) Del Monte Gold® pineapples between March 1, 1996 and May 6, 2003. On November 9, 2005, the three actions were consolidated under one amended complaint with a single claim for unfair competition in violation of the California Business and Professional Code.

On April 19, 2004, an alleged individual consumer filed a putative class action complaint against our subsidiaries in the state court of Florida on behalf of Florida residents who purchased (other than for re-sale) Del Monte Gold® pineapples between March 1, 1996 and May 6, 2003. The only surviving claim under the amended complaint alleges violations of the Florida Deceptive and Unfair Trade Practices Act relating only to pineapples purchased since April 19, 2000. Our subsidiaries filed an answer to the remaining claim of the amended complaint on October 12, 2006.

On April 29, 2004, an alleged individual consumer filed a putative class action complaint against our subsidiaries in the state court of Arizona on behalf of residents of Arizona who purchased (other than for re-sale) Del Monte Gold® pineapples between November 1997 and January 2003. The complaint alleges monopolization and attempted monopolization in violation of the Arizona Consumer Fraud Act, and unjust enrichment in violation of common law.

On July 25, 2005, our subsidiaries filed a motion to dismiss the claim for violation of the Arizona Consumer Fraud Act which was granted by the state court on February 18, 2006. Our subsidiaries filed an answer to the remaining claims of the complaint on October 12, 2006.

On July 2, 2004, an alleged individual consumer filed a putative class action which was served on August 24, 2004 against our subsidiaries in the state court of Nevada on behalf of residents of Nevada who purchased (other than for re-sale) Del Monte Gold® pineapples between November 1997 and January 2003. The complaint alleges restraint of trade in violation of Nevada statutes, common law monopolization and unjust enrichment. On April 11, 2006, the court granted in part the motion of our subsidiaries to dismiss the complaint dismissing the claims for common law monopolization, unjust enrichment and violation of Nevada's Unfair Trade Practices Act in its application prior to July 1, 2001. Our subsidiaries filed an answer to the remaining claims of the amended complaint on June 30, 2006.

### ***b. Banana Class Actions***

Between July 25, 2005 and August 22, 2005, several plaintiffs served putative class action complaints against us, one of our subsidiaries and several other corporations all in the United States District Court for the Southern District of Florida on behalf of all direct purchasers of bananas. On November 30, 2005, the plaintiffs filed a consolidated complaint alleging that the defendants engaged in a continuing agreement, understanding and conspiracy to restrain trade by artificially raising, fixing and maintaining the prices of, and otherwise restricting the sale of, bananas in the United States in violation of Section 1 of the Sherman Act beginning May 1, 1999.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 18. LITIGATION (CONTINUED)

Additionally, between August 8, 2005 and November 10, 2005, Arizona, California, Minnesota, New York, Tennessee and Kansas residents filed two putative class action complaints against us, one of our subsidiaries and several other corporations in the United States District Court for the Southern District of Florida on behalf of all indirect purchasers of bananas in their respective states. On March 3, 2006, the plaintiffs filed a consolidated complaint alleging violations of numerous state antitrust, competition, and unjust enrichment statutes beginning May 1, 1999.

The cases on behalf of the direct purchasers have been consolidated in the U.S. District Court for the Southern District of Florida. The cases on behalf of the indirect purchasers were assigned to the same judge in the U.S. District Court for the Southern District of Florida.

On May 15, 2007, we reached an agreement with plaintiffs to settle the consolidated direct purchaser cases for a total aggregate payment to plaintiffs of \$2.5 million (including attorney's fees), which was paid during June 2007 and included in the "Costs of products sold" caption in the Consolidated Statements of Income. On November 26, 2007, the Court entered an order and final judgment approving the settlement.

On June 26, 2007, we reached an agreement with plaintiffs to settle the indirect purchaser action by agreeing to make a donation to America's Second Harvest (also known as The Nation's Food Bank Network), or a comparable charity, of fruit and/or vegetables with a retail value of \$0.8 million within a year from final approval of the settlement agreement and agreeing to pay up to \$0.1 million of the plaintiffs attorneys' fees and costs to be incurred by plaintiffs' in providing notice to class members of the proposed settlement. On November 21, 2007, the Court entered an order and final judgment approving the settlement. One individual has filed a *pro se* notice of appeal of the Court's order and final judgment, which appeal is currently pending. We recorded a liability of \$0.4 million included in accounts payable and accrued expenses in the accompanying consolidated balance sheet as of December 28, 2007 and expect to expend \$0.1 million in cash and provide \$0.3 million in donations to charity within the next year. These amounts were included in the "Costs of products sold" caption in the Consolidated Statements of Income.

**European Union Antitrust Investigation** On June 2, 2005, one of our German subsidiaries was visited by the antitrust authority of the European Union ("EU") which is investigating our subsidiary as well as other produce companies for possible violations of the EU's competition laws. Our subsidiary received several requests for additional information from the EU antitrust authority from February 17, 2006 to May 22, 2007 and has responded fully to the requests. Our subsidiary will continue to cooperate fully with the investigation. On July 23, 2007, our subsidiary received a Statement of Objections from the European Commission regarding the investigation. Statements of Objections were also sent to the other produce companies under investigation. The document concerns banana pricing during the period from 2000 until 2005. From February 4, 2008 to February 6, 2008, the European Commission held an oral hearing on the Statements of Objections. At the hearing, with one exception, all the produce companies under investigation including our subsidiary rejected the findings of the European Commission in the Statements of Objections.

## 18. LITIGATION (CONTINUED)

**Freight Broker Litigation** In September 1997, a freight broker formerly engaged by one of our non-U.S. subsidiaries filed suit against the subsidiary in Guatemala claiming \$1.9 million in damages and in Costa Rica claiming \$1.3 million in damages as indemnification for constructive wrongful termination of the general agency agreement between the broker and the subsidiary. Under the agreement, the broker arranged third-party cargo to be booked for carriage on ships owned or chartered by our subsidiary. The Guatemala action has been dismissed for being time barred by the statute of limitations. In the Costa Rica action, the trial court has entered judgment against us in the amount of \$0.8 million plus interest and costs. Our subsidiary is appealing this decision. The costs of defense in this action are covered by insurance.

**Kunia Well Site** In 1980, elevated levels of certain chemicals were detected in the soil and ground-water at a plantation leased by one of our U.S. subsidiaries in Honolulu, Hawaii (the "Kunia Well Site"). Shortly thereafter, our 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, our subsidiary entered into an order (the "Order") with the EPA to conduct the remedial investigation and the feasibility study of the Kunia Well Site. Under the terms of the Order, our subsidiary submitted a remedial investigation report in November 1998 and a final draft feasibility study in December 1999 (which was updated from time to time) for review by the EPA. The EPA approved the remedial investigation report in February 1999 and the feasibility study on April 22, 2003.

As a result of communications with the EPA in 2001, we recorded a charge of \$15.0 million in the third quarter of 2001 to increase the recorded liability to the estimated expected future cleanup cost for the Kunia Well Site to \$19.1 million. Based on conversations with the EPA in the third quarter of 2002 and consultation with our legal counsel and other experts, we recorded a charge of \$7.0 million during the third quarter of 2002 to increase the accrual for the expected future clean-up costs for the Kunia Well Site to \$26.1 million.

On September 25, 2003, the EPA issued the Record of Decision ("ROD"). The EPA estimates in the ROD that the remediation costs associated with the clean up of the Kunia Well Site will range from \$12.9 million to \$25.4 million and will last approximately 10 years. The undiscounted estimates are between \$14.8 million and \$28.7 million. The undiscounted estimate on which our accrual is based totals \$25.8 million and is discounted using a 5.0% rate. As of December 28, 2007, there is \$20.5 million included in other noncurrent liabilities and \$1.2 million included in accounts payable and accrued expenses for the Kunia well site clean-up. We expect to expend approximately \$1.2 million in cash per year for the next five years. Certain portions of the EPA's estimates have been discounted using a 5% interest rate.

On January 13, 2004, the EPA deleted a portion of the Kunia Well Site (Northeast section) from the NPL. On May 2, 2005, our subsidiary signed a Consent Decree with the EPA for the performance of the clean up work for the Kunia Well Site. On September 27, 2005, the U.S. District Court for Hawaii approved and entered the Consent Decree. Based on findings from remedial investigations at the Kunia Well Site, our subsidiary continues to evaluate with the EPA the clean up work currently in progress in accordance with the Consent Decree.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 18. LITIGATION (CONTINUED)

**Other** In addition to the foregoing, we are involved from time to time in various claims and legal actions incident to our operations, both as plaintiff and defendant. In the opinion of management, after consulting with legal counsel, none of these other claims are currently expected to have a material adverse effect on the results of operations, financial position or our cash flows. We intend to vigorously defend ourselves in all of the above 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, from any of the above-described matters and no accruals or expenses have been recorded as of December 28, 2007, except as related to the Kunia Well Site and Banana Class Actions.

### 19. FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

**Derivative Financial Instruments** We account for derivative financial instruments in accordance with SFAS No. 133, as amended. We use derivative financial instruments primarily to reduce our exposure to adverse fluctuations in interest rates and foreign exchange rates. When entered into, we formally designate and document 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 sheets 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. Derivatives are recorded in the consolidated cash flows in net cash provided by operating activities in either "prepaid expenses and other current assets" or "accounts payable and accrued expenses", depending whether the amount is classified as an asset or liability in the consolidated balance sheets. The fair values of derivatives used to hedge or modify our 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 our risk relating to adverse fluctuations in foreign exchange rates and interest rates. In addition, the earnings impact resulting from our derivative instruments is recorded in the same line item within the Consolidated Statement of Income as the underlying exposure being hedged.

We also formally assess, 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 2007, 2006 and 2005.

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

## 19. FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK (CONTINUED)

**Foreign Currency Management** To protect against changes in the value of forecasted foreign currency cash flows resulting from a portion of net sales or cost of sales, certain of our subsidiaries periodically enter into foreign currency cash flow hedges (principally Euro, British pound and Japanese yen). These subsidiaries hedge portions of forecasted sales denominated in foreign currencies with forward contracts and options, which generally expire within one year. The forward contracts are designated as single-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 or cost of sales are recognized in earnings. Any ineffective portion of a financial instrument's change in fair value is immediately recognized in earnings.

We account for the fair value of the related forward contracts as either an asset in other current assets or a liability in accrued expenses. As of December 28, 2007, and December 29, 2006, we had several foreign currency cash flow hedges outstanding. The fair value of these hedges as of December 28, 2007 is a net liability of \$6.2 million, all of which is expected to be transferred to earnings in 2008 along with the earnings effect of the related forecasted transaction. The fair value of these hedges as of December 29, 2006 was a net liability of \$1.6 million, substantially all of which was transferred to earnings during 2007.

**Fair Value of Financial Instruments** In estimating our fair value disclosures for financial instruments, we use the following methods and assumptions:

*Cash and cash equivalents, accounts receivable, advances to growers, and accounts payable:* The carrying value reported in the consolidated balance sheets for these items approximate their fair value due to their classification as current assets and liabilities.

*Capital lease obligations:* The carrying value of our capital lease obligations approximate their fair value based on current interest rates for similar instruments.

*Long-term debt:* The carrying value of our long-term debt approximate their fair value since they bear interest at variable rates or fixed rates which approximate market.

## 20. RELATED PARTY TRANSACTIONS

We purchase goods and services from unconsolidated subsidiaries in the ordinary course of business. See note 6, "Investments in Unconsolidated Companies".

At December 28, 2007 and December 29, 2006 there were \$0.1 million and \$9.8 million, respectively, of receivables from related parties, which are included in trade accounts receivable.

Sales to AAG, a related party through common ownership, were \$8.0 million, \$62.0 million and \$37.9 million in 2007, 2006 and 2005, respectively. On February 1, 2007, we ceased using AAG as distributors in Abu Dhabi and other locations in the U.A.E. and began direct distribution. Based on a fairness opinion from an independent valuation firm, on June 28, 2007, we acquired certain assets of AAG for a purchase price of \$3.1 million. See note 9, "Goodwill and Other Intangible Assets".

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 20. RELATED PARTY TRANSACTIONS (CONTINUED)

During 2005, we incurred expenses of \$1.5 million for air transportation services for chartering of an aircraft that was indirectly owned by our Chief Executive Officer. The rates charged for these transportation services were comparable to the market rates charged to other unrelated companies for the use of a similar aircraft. There were no expenses incurred during 2007 and 2006 for air transportation services for chartering this aircraft.

### 21. UNAUDITED QUARTERLY FINANCIAL INFORMATION

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

	Quarters ended			
	March 30, 2007	June 29, 2007	September 28, 2007	December 28, 2007
Net sales .....	\$836.0	\$924.2	\$757.1	\$848.2
Gross profit.....	99.1	119.6	67.8	78.4
Net income .....	51.6	63.9	29.9	34.4
Net income per share—basic (b).....	\$ 0.89	\$ 1.11	\$ 0.52	\$ 0.57
Net income per share—diluted (b) .....	\$ 0.89	\$ 1.10	\$ 0.51	\$ 0.56

	As adjusted (a)			
	March 31, 2006	June 30, 2006	September 29, 2006	December 29, 2006
Net sales .....	\$840.0	\$ 907.1	\$729.6	\$737.6
Gross profit (loss) .....	68.0	72.1	(8.1) (c)	57.4
Net income (loss).....	16.5	(17.0)	(82.9)	(58.8) (d)
Net income (loss) per share—basic (b) .....	\$ 0.28	\$ (0.29)	\$(1.44)	\$(1.02)
Net income (loss) per share—diluted (b) .....	\$ 0.28	\$ (0.29)	\$(1.44)	\$(1.02)

(a) See note 3 for additional information.

(b) Basic and diluted earnings per share for each of the quarters presented above is based on the respective weighted average number of shares for the quarters. The sum of the quarters may not necessarily be equal to the full year basic and diluted earnings per share amounts due to the effects of rounding. Because the calculation of diluted earnings per share is anti-dilutive in the second through fourth quarters of 2006, basic and diluted net loss per share are equal. There were no anti-dilutive options during the first quarter of 2006.

(c) The change in gross profit (loss) from \$72.1 million for the 2nd quarter ended June 30, 2006 to a gross loss of \$8.1 for the third quarter ended September 29, 2006 is due primarily to \$40.8 million in charges associated with the Hawaiian pineapple operations in 2006, and the Kenya product withdrawal and disposal program. The additional decrease in gross profit is attributable to a reduction in Banana selling prices in the EU, primarily due to increased competition that was a direct result of the new tariff-only system, and higher ocean freight and inland transportation costs and higher fruit and production costs.

(d) During the fourth quarter of 2006 we recorded \$53.7 million in asset impairment and other charges, a component of operating loss, primarily related to the previously announced closing of Hawaii, the closing of a production facility in Italy, the impairment of underutilized facilities and equipment in South Africa, the impairment of the United Kingdom indefinite-lived intangible asset and the impairment of goodwill resulting from the Standard acquisition and other charges related to the rationalization of our North American potato repack business.

## 22. BUSINESS SEGMENT DATA

We are principally engaged in one major line of business, the production, distribution and marketing of bananas, other fresh produce and prepared food. Our products are sold in markets throughout the world, with our major producing operations located in North, Central and South America, Asia and Africa.

Our operations are aggregated on the basis of our products; bananas, other fresh produce, other products and services and prepared food. Other fresh produce includes pineapples, melons, tomatoes, strawberries, non-tropical fruit (including grapes, apples, pears, peaches, plums, nectarines, apricots, avocados and kiwis), fresh-cut produce and other fruit and vegetables.

Prepared food includes prepared fruit and vegetables, juices, beverages and snacks. Other products and services includes a third-party ocean freight business, a plastic product and box manufacturing business, a poultry business and a grain business.

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

	Years ended					
	December 28, 2007		As adjusted (a)			
			December 29, 2006		December 30, 2005	
	Gross		Gross		Gross	
	Net Sales	Profit	Net Sales	(Loss)	Net Sales	Profit
Bananas.....	\$1,199.0	\$ 61.0	\$1,112.5	\$ 18.5	\$1,079.0	\$ 37.5
Other fresh produce.....	1,614.9	240.5	1,622.2	167.7	1,680.9	220.9
Prepared food .....	357.0	47.3	308.6	(10.4)	329.5	45.9
Other products and services .....	194.6	16.1	171.0	13.6	170.3	10.7
Totals .....	\$3,365.5	\$364.9	\$3,214.3	\$189.4	\$3,259.7	\$315.0

(a) See note 3 for additional information.

	Years ended		
	As adjusted (a)		
	December 28, 2007	December 29, 2006	December 30, 2005
<b>Net sales by geographic region:</b>			
North America.....	\$1,530.2	\$1,574.1	\$1,579.6
Europe.....	1,113.6	1,051.1	1,143.5
Asia .....	366.9	355.4	346.5
Middle East .....	236.1	133.6	93.3
Other .....	118.7	100.1	96.8
Total net sales .....	<u>\$3,365.5</u>	<u>\$3,214.3</u>	<u>\$3,259.7</u>

(a) See note 3 for additional information.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

### 22. BUSINESS SEGMENT DATA (CONTINUED)

	December 28, 2007	December 29, 2006
Property, plant and equipment, net:		
North America.....	\$100.3	\$101.5
Europe.....	122.9	121.6
Middle East.....	96.0	75.5
Africa.....	39.8	35.5
Asia.....	43.1	32.3
Central and South America.....	384.2	393.5
Maritime equipment (including containers).....	43.9	55.6
Corporate.....	21.6	25.0
Total property, plant and equipment, net.....	<u>\$851.8</u>	<u>\$840.5</u>
Identifiable assets:		As adjusted (a)
	December 28, 2007	December 29, 2006
North America.....	\$ 334.6	\$ 342.6
Europe.....	575.3	577.4
Middle East.....	187.9	104.0
Africa.....	118.3	133.6
Asia.....	128.4	111.7
Central and South America.....	645.9	611.7
Maritime equipment (including containers).....	99.7	112.2
Corporate.....	95.6	96.4
Total identifiable assets.....	<u>\$2,185.7</u>	<u>\$2,089.6</u>

(a) See note 3 for additional information.

Our earnings are heavily dependent on operations located worldwide. These operations are a significant factor in the economies of some of the countries in which we operate 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.

One customer accounted for approximately 15%, 12% and 11% of net sales in 2007, 2006 and 2005, respectively. These sales are reported in the banana and other fresh produce segments. No other customer accounted for 10% or more of our net sales. In 2007, the top ten customers accounted for approximately 36% of net sales as compared with 31% and 32% of our net sales during 2006 and 2005, respectively. Identifiable assets by geographic area represent those assets used in the operations of each geographic area. Corporate assets consist of goodwill, building, leasehold improvements and furniture and fixtures.

### **23. SHAREHOLDERS' EQUITY**

Our shareholders have authorized 50,000,000 preferred shares at \$0.01 par value of which none have been issued and are outstanding. Our shareholders have authorized 200,000,000 ordinary shares of common stock of which 62,702,916 have been issued and are outstanding.

During November 2007, we sold 4,222,000 of our ordinary shares. We used \$117.1 million of the total net proceeds of \$117.5 million to repay indebtedness outstanding under the Credit Facility.

On February 14, 2006, we amended our Credit Facility to increase the allowable repurchase of our stock in an aggregate amount not to exceed \$300 million. On March 3, 2006, our Board of Directors authorized an initial stock repurchase program of up to \$300 million of our ordinary shares. During 2006, we purchased 341,346 of our ordinary shares in open market transactions at an average purchase price of \$16.99 per share under this program. We account for treasury stock using the cost method. On May 10, 2007, we cancelled the 341,346 ordinary shares held in treasury. During 2007, no ordinary shares were repurchased under this program.

In 2006, we paid regular quarterly cash dividends of \$0.20 per ordinary share in the first and second quarters and \$0.05 per ordinary share in the third and fourth quarters for a total of \$0.50 per share for the year. On October 31, 2006, we announced that the regular cash dividend of \$0.05 per share will be suspended.

## MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed under the supervision of our Chairman and Chief Executive Officer and Executive Vice President and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- (i) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- (iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, including our Chairman and Chief Executive Officer and Executive Vice President and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our evaluation under the framework in Internal Control-Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 28, 2007.

The effectiveness of our internal control over financial reporting as of December 28, 2007 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included elsewhere herein. That report expresses an unqualified opinion on the effectiveness of our internal control over financial reporting.

Fresh Del Monte Produce Inc.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Shareholders of  
Fresh Del Monte Produce Inc.

We have audited Fresh Del Monte Produce Inc. and subsidiaries' internal control over financial reporting as of December 28, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Fresh Del Monte Produce Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

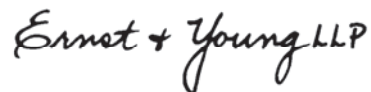
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Fresh Del Monte Produce Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 28, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Fresh Del Monte Produce Inc. and subsidiaries as of December 28, 2007 and December 29, 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years ended December 28, 2007, December 29, 2006 and December 30, 2005 of Fresh Del Monte Produce Inc. and subsidiaries, and our report dated February 26, 2008 expressed an unqualified opinion thereon.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style script.

Certified Public Accountants

Miami, Florida  
February 26, 2008

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of  
Fresh Del Monte Produce Inc.

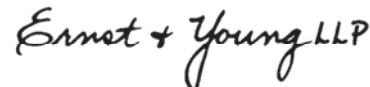
We have audited the accompanying consolidated balance sheets of Fresh Del Monte Produce Inc. and subsidiaries as of December 28, 2007 and December 29, 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years ended December 28, 2007, December 29, 2006 and December 30, 2005. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fresh Del Monte Produce Inc. and subsidiaries at December 28, 2007 and December 29, 2006, and the consolidated results of their operations and their cash flows for each of the years ended December 28, 2007, December 29, 2006 and December 30, 2005, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 3 to the consolidated financial statements, the Company adopted Financial Accounting Standards Board (FASB) Staff Position No. AUG AIR-1, *Accounting for Planned Major Maintenance Activities* effective December 30, 2006. Additionally, as discussed in Notes 3 and 12 to the consolidated financial statements, the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, effective December 30, 2006. Lastly, as discussed in Notes 3 and 15 to the consolidated financial statements, the Company adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Post-retirement Plans* effective December 29, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Fresh Del Monte Produce Inc.'s internal control over financial reporting as of December 28, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2008 expressed an unqualified opinion thereon.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style script.

Certified Public Accountants

Miami, Florida  
February 26, 2008

## Corporate Information

### Stock Information

New York Stock Exchange  
Symbol: FDP



### Annual Meeting

April 30, 2008, at 11:30 a.m.  
Hyatt Regency Coral Gables  
50 Alhambra Plaza  
Coral Gables, FL 33134  
Telephone 305-441-1234  
Fax 305-441-0520

### Shareholders of Record

As of December 28, 2007, there were 62,702,916 ordinary shares outstanding.

### Forward-Looking Information

Our Annual Report may discuss future performance of the Company. Comments concerning 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, 2007 Annual Report on Form 20-F and other reports that the Company files with the Securities and Exchange Commission.

### Corporate and Shareholder Information

Corporate and shareholder information and a copy of the Company's Annual Report on Form 20-F (which includes the officer certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 and description of significant corporate governance differences required by Section 303A.11 of the NYSE Listed Company Manual), as filed with the Securities and Exchange Commission, may be obtained free of charge by contacting Christine Cannella, Assistant Vice President, Investor Relations at Fresh Del Monte Produce Inc., U.S. Executive Offices, C/O Del Monte Fresh Produce Company, PO Box 149222, Coral Gables, FL 33114, 305-520-8400 or by visiting the Company's Web site at [www.freshdelmonte.com](http://www.freshdelmonte.com)

### Transfer Agent and Registrar

BNY Mellon Shareowner Services  
480 Washington Boulevard  
Jersey City, NJ 07310-1900  
Customer service toll free 866-245-9962  
TDD for hearing impaired 800-231-5469  
Foreign shareowners 201-680-6578  
TDD foreign shareowners 201-680-6610  
[www.bnymellon.com/shareowner/ids](http://www.bnymellon.com/shareowner/ids)

### Independent Registered Public Accounting Firm

Ernst & Young LLP  
201 South Biscayne Boulevard  
Suite 3000  
Miami, FL 33131

### 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

**Bruce A. Jordan**  
Senior Vice President, General Counsel and Secretary

**Jean-Pierre Bartoli**  
Senior Vice President—Europe, Africa and the Middle East

**Emanuel Lazopoulos**  
Senior Vice President—North America Sales, Marketing and Product Management

**Paul Rice**  
Senior Vice President—North America Operations

**Jimenez Tenazas**  
Senior Vice President—Asia Pacific

**José Antonio Yock**  
Senior Vice President—Central America

**José Luis Bendicho**  
Vice President—South America

### Directors

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

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

**Amir Abu-Ghazaleh**  
General Manager  
Abu-Ghazaleh International Company

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

**Salvatore H. Alfiero**<sup>(2)(3)</sup>  
Founder, Chairman and Chief Executive Officer  
Protective Industries, LLC  
Also serves on the Boards of Directors of The Phoenix Companies, HSBC Bank USA, HSBC North America Holdings, and Southwire Company

**Michael J. Berthelot**<sup>(1)(2)</sup>  
Chief Executive Officer  
Cito Capital Corporation

**Edward L. Boykin**<sup>(1)(3)</sup>  
Consultant and Former Partner  
Deloitte & Touche LLP  
Also serves on the Board of Directors of Blue Cross and Blue Shield of Florida, Inc.

**John H. Dalton**<sup>(1)(2)</sup>  
President  
The Housing Policy Council of the Financial Services Roundtable  
Also serves on the Boards of Directors of eSpeed, Inc.; IPG Photonics Corporation; Northstar Financial Services, Limited; and Washington First Bank

**Dr. Elias K. Hebek**<sup>(1)</sup>  
Business and Organizational Consultant  
Also serves as Vice Chairman of the Board of Trustees of The American University in Cairo

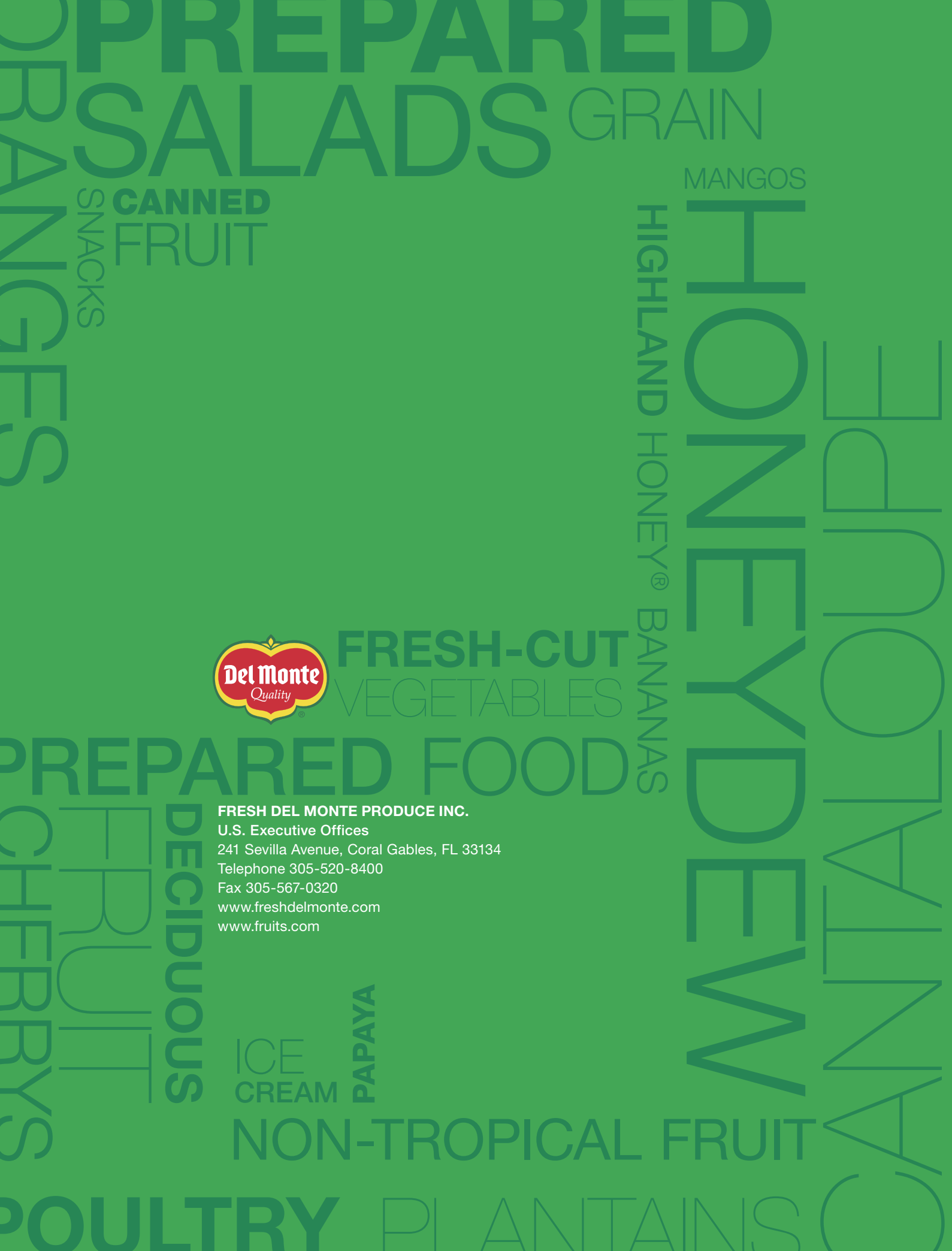
(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Committee Chairman



JUICES



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U.S. Executive Offices

241 Sevilla Avenue, Coral Gables, FL 33134

Telephone 305-520-8400

Fax 305-567-0320

[www.freshdelmonte.com](http://www.freshdelmonte.com)

[www.fruits.com](http://www.fruits.com)

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