

FRESH DEL MONTE PRODUCE INC

Form 6-K

May 05, 2006

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**

Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

For the quarter ended March 31, 2006

**Fresh Del Monte Produce Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**The Cayman Islands**

(State or Other Jurisdiction of  
Incorporation or Organization)

**Walker House, Mary Street**

**P.O. Box 908GT**

**George Town, Grand Cayman**

(Address of Registrant's Principal Executive Office)

**c/o Del Monte Fresh Produce Company**

**241 Sevilla Avenue**

**Coral Gables, Florida 33134**

(Address of Registrant's U.S. Executive Office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-\_\_\_\_.

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***Forward-Looking Statements***

*This Report, information included in future filings by Fresh Del Monte Produce Inc. ( Fresh Del Monte ) and information contained in written material, press releases and oral statements, issued by or on behalf of Fresh Del Monte contains, or may contain, statements that constitute forward-looking statements. These statements appear in a number of places in this Report and include statements regarding the intent, belief or current expectations of Fresh Del Monte or its officers (including statements preceded by, followed by or that include the words believes, expects, anticipates or similar expressions) with respect to various matters, including without limitation (i) Fresh Del Monte's anticipated needs for, and the availability of, cash, (ii) its liquidity and financing plans, (iii) its ability to successfully integrate acquisitions into our operations, (iv) trends affecting its financial condition or results of operations, including anticipated fresh produce sales price levels and anticipated expense levels, (v) its plans for expansion of its businesses (including through acquisitions) and cost savings, (vi) the impact of competition and (vii) the resolution of certain legal and environmental proceedings. All forward-looking statements in this Report are based on information available to Fresh Del Monte on the date hereof, and Fresh Del Monte assumes no obligation to update any such forward-looking statements.*

*The forward-looking statements are not guarantees of future performance and involve risks and uncertainties. It is important to note that Fresh Del Monte's actual results may differ materially from those in the forward-looking statements as a result of various factors. The accompanying information contained in this Report identifies important factors that could cause Fresh Del Monte's actual results to differ materially from those in the forward-looking statements.*

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**Table of Contents****FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(U.S. dollars in millions, except share and per share data)

	<b>March 31, 2006 (Unaudited)</b>	<b>December 30, 2005</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 33.4	\$ 24.5
Trade accounts receivable, net of allowance of \$21.2 and \$20.1, respectively	309.6	288.9
Advances to growers and other receivables, net of allowance of \$23.7 and \$20.7, respectively	61.1	59.1
Inventories	442.5	388.7
Deferred income taxes	6.7	6.5
Prepaid expenses and other current assets	49.2	56.1
 Total current assets	 902.5	 823.8
 Investments in and advances to unconsolidated companies	 13.8	 13.8
Property, plant and equipment, net	897.0	893.0
Deferred income taxes	38.2	38.0
Other noncurrent assets	106.1	106.9
Goodwill	249.1	249.3
 Total assets	 \$ 2,206.7	 \$ 2,124.8
 <b>Liabilities and shareholders equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 380.2	\$ 371.1
Current portion of long-term debt and capital lease obligations	11.6	11.7
Deferred income taxes	16.2	16.1
Income taxes payable	7.8	8.7
 Total current liabilities	 415.8	 407.6
 Long-term debt and capital lease obligations	 422.0	 349.1
Retirement benefits	95.8	95.7
Other noncurrent liabilities	43.7	43.4
Deferred income taxes	66.6	65.9
 Total liabilities	 1,043.9	 961.7
 Minority interests	 11.3	 10.2

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; 58,038,180 and 58,013,180 issued and outstanding

Paid-in capital

Retained earnings

Accumulated other comprehensive loss

Total shareholders' equity

Total liabilities and shareholders' equity

0.6

382.1

779.5

(10.7)

1,151.5

\$ 2,206.7

0.6

380.5

774.9

(3.1)

1,152.9

\$ 2,124.8

See accompanying notes.

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**Table of Contents****FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME (Unaudited)****(U.S. dollars in millions, except share and per share data)**

	<b>Quarter ended</b>	
	<b>March 31, 2006</b>	<b>April 1, 2005</b>
Net sales	\$ 840.0	\$ 838.5
Cost of products sold	772.3	721.5
Gross profit	67.7	117.0
Selling, general and administrative expenses	44.6	44.8
Asset impairment charges		2.1
Operating income	23.1	70.1
Interest expense	5.8	4.4
Interest income	0.4	0.2
Other income (expense), net	(0.2)	(4.5)
Income before income taxes	17.5	61.4
Provision for income taxes	1.3	3.5
Net income	\$ 16.2	\$ 57.9
Net income per ordinary share Basic	\$ 0.28	\$ 1.00
Net income per ordinary share Diluted	\$ 0.28	\$ 1.00
Dividends declared per ordinary share	\$ 0.20	\$ 0.20
Weighted average number of ordinary shares:		
Basic	58,019,609	57,751,716
Diluted	58,069,764	58,012,640

See accompanying notes.

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**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**  
**(U.S. dollars in millions)**

	<b>Quarter ended</b>	
	<b>March 31, 2006</b>	<b>April 1, 2005</b>
<b>Operating activities:</b>		
Net income	\$ 16.2	\$ 57.9
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	21.2	22.5
Stock-based compensation expense	1.3	
Asset impairment charges		2.1
Other, net	1.4	(1.4)
Changes in operating assets and liabilities,		
Receivables	(22.8)	(45.3)
Inventories	(54.6)	(56.4)
Prepaid expenses and other current assets	(6.1)	(8.6)
Accounts payable and accrued expenses	9.5	21.7
Other noncurrent assets and liabilities	2.0	(2.0)
<b>Net cash used in operating activities</b>	<b>(31.9)</b>	<b>(9.5)</b>
<b>Investing activities:</b>		
Capital expenditures	(23.6)	(11.7)
Proceeds from sales of assets	3.4	
Other investing activities, net	0.1	
<b>Net cash used in investing activities</b>	<b>(20.1)</b>	<b>(11.7)</b>
<b>Financing activities:</b>		
Proceeds from long-term debt	236.5	198.4
Payments on long-term debt	(164.2)	(180.3)
Proceeds from stock options exercised	0.3	2.2
Payments of dividends	(11.6)	(11.5)
<b>Net cash provided by financing activities</b>	<b>61.0</b>	<b>8.8</b>
<b>Effect of exchange rate changes on cash</b>	<b>(0.1)</b>	<b>0.5</b>
Net increase (decrease) in cash and cash equivalents	8.9	(11.9)
Cash and cash equivalents, beginning	24.5	42.1
Cash and cash equivalents, ending	\$ 33.4	\$ 30.2



**Supplemental cash flow information:**

Cash paid for interest, net of amounts capitalized	\$ 4.3	\$ 4.1
Cash paid for income taxes	\$ 0.8	\$ 1.0

See accompanying notes.

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**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**1. General**

Fresh Del Monte Produce Inc. ( Fresh Del Monte ) was incorporated under the laws of the Cayman Islands on August 29, 1996 and is 43.4% owned by IAT Group Inc., which is 100% owned by members of the Abu-Ghazaleh family. In addition, members of the Abu-Ghazaleh family directly own 8.5% of the outstanding ordinary shares of Fresh Del Monte.

In the opinion of management, the accompanying unaudited consolidated financial statements of Fresh Del Monte and its subsidiaries include all adjustments, consisting of normal recurring adjustments, necessary to present fairly their financial position as of March 31, 2006 and their operating results and cash flows for the three-month period then ended. Interim results are subject to significant seasonal variations and may not be indicative of the results of operations that may be expected for the entire 2006 year.

For additional information, see Fresh Del Monte's Consolidated Financial Statements included in Fresh Del Monte's Annual Report on Form 20-F for the year ended December 30, 2005.

**2. Recent Developments**

**Exit Activity**

On February 1, 2006, Fresh Del Monte announced its decision to cease pineapple planting operations at its Kunia, Hawaii location effective February 19, 2006. This decision is a result of increased planting of pineapple at lower costs in other parts of the world and Fresh Del Monte's belief that it will not be economically feasible to continue to produce pineapple in Hawaii. Fresh Del Monte expects to continue to operate the Kunia, Hawaii location through mid-2008, the end of its current three-year growing cycle. Fresh Del Monte previously indicated that it expected to record a restructuring charge during the first quarter of 2006. As a result of ongoing negotiations with the union covering substantially all of the estimated 700 employees at this location regarding termination benefits and other matters, Fresh Del Monte will finalize its calculations of estimated one-time termination benefits related to the shut-down of the Kunia, Hawaii location during the second quarter of 2006. Fresh Del Monte estimates the undiscounted amount of one-time termination benefits to be \$8.1 million, having a discounted fair value of \$7.1 million, which will be recognized ratably and adjusted for actual termination experience during the period of exit activity. Fresh Del Monte accounts for exit costs pursuant to Statement of Financial Accounting Standards No. (SFAS) 146, Accounting for Costs Associated with Exit or Disposal Activities.

**Stock Repurchase Program**

On March 3, 2006, Fresh Del Monte's Board of Directors authorized an initial stock repurchase program of up to \$300 million of the common stock of Fresh Del Monte. On February 14, 2006, Fresh Del Monte amended its credit agreement to increase the allowable repurchase of its stock in an aggregate amount not to exceed \$300 million. During the first quarter of 2006, no shares were repurchased under this program.

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**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)**

**3. Stock-Based Compensation**

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

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

Under the plans, 20% of the options usually vest immediately, and the remaining options vest in equal installments over the next four years and may be exercised over a period not in excess of ten years.

Effective December 31, 2005 (the first day of its 2006 fiscal year), Fresh Del Monte adopted Statement of Financial Accounting Standards No.123 (revised 2004), Share-Based Payments ( SFAS 123R ). Fresh Del Monte's share-based payments are composed entirely of stock-based compensation expense as all equity awards granted to employees and members of its Board of Directors, each of whom meets the definition of an employee under the provisions of SFAS 123R, are stock options. Fresh Del Monte adopted SFAS 123R using the modified prospective basis. Under this method, compensation cost 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. Fresh Del Monte has 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 quarter ended March 31, 2006 included in the determination of income before taxes and net income totaled \$1.3 million on the straight-line, single award basis, or \$0.02 per diluted share, and is included in the accompanying consolidated statement of income for the quarter ended March 31, 2006 in selling, general and administrative expenses. Fresh Del Monte is in a net operating loss position in the relevant jurisdictions. Therefore, for the first quarter of 2006, 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 the first quarter of 2006. The amount of cash received from the exercise of stock options was \$0.3 million and \$2.2 million for the three months ended March 31, 2006 and April 1, 2005, respectively.

Prior to December 31, 2005, Fresh Del Monte 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

Table of Contents**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)****3. Stock-Based Compensation (continued)**

consistent with the provisions of Statement of Financial Accounting Standards No.123 Accounting for Stock-Based Compensation Expense ( SFAS 123 ). Fresh Del Monte s reported and pro forma information for the first quarter of 2005 follows (U.S. dollars in millions, except per share data):

	<b>Quarter ended April 1, 2005</b>
Reported net income	\$ 57.9
Deduct: Stock-based compensation expense under fair value method	(0.6)
Net income, pro forma	\$ 57.3
Net income per ordinary share, reported:	
Basic	\$ 1.00
Diluted	\$ 1.00
Net income per ordinary share, pro forma:	
Basic	\$ 0.99
Diluted	\$ 0.99

The fair value for stock options was estimated at the date of grant using the Black-Scholes option pricing model, which requires management to make certain assumptions. Volatility is estimated based on the historical volatility of Fresh Del Monte s 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:

	<b>Quarter ended</b>	
	<b>March 31, 2006</b>	<b>April 1, 2005</b>
Dividend yield	4.05%	2.48%
Volatility	38.29%	50.03%
Risk-free rate	4.61%	3.79%
Expected term of grant	5 years	5 years

**Table of Contents****FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)****3. Stock-Based Compensation (continued)**

Information about stock options outstanding and exercisable at March 31, 2006 is as follows (intrinsic values in millions):

Exercise Price	Remaining Contractual Life	Outstanding	Outstanding		Exercisable
			Intrinsic Value	Intrinsic Value	
\$5.95	5.1 Years	35,750	\$ 0.5	35,750	\$ 0.5
\$8.38	3.6 Years	12,000	0.2	12,000	0.2
\$9.28	3.6 Years	6,000	0.1	6,000	0.1
\$14.22	2.8 Years	20,000	0.1	20,000	0.1
\$19.76	6.9 Years	195,700	0.3	127,700	0.2
\$19.76	9.9 Years	37,500	0.1	37,500	0.1
\$22.01	6.7 Years	60,000		48,000	
\$23.82	8.1 Years	161,000		64,400	
\$25.83	7.9 Years	20,000		12,000	
\$29.84	9.1 Years	1,391,000		282,200	
\$32.28	8.9 Years	37,500		37,500	
		1,976,450	\$ 1.3	683,050	\$ 1.2

The total intrinsic value of options exercised during the three months ended March 31, 2006 and April 1, 2005 was \$0.2 million and \$2.0 million, respectively. The fair value of options granted during the three months ended March 31, 2006 and April 1, 2005 was \$5.51 and \$12.63 per option. The total fair value of options vesting during the three-month periods ended March 31, 2006 and April 1, 2005 was \$0.8 million, with a weighted-average fair value of \$7.11 per option and \$1.1 million, with a weighted-average fair value of \$9.20 per option, respectively. As of March 31, 2006, the total remaining unrecognized compensation cost related to non-vested stock options amounted to \$10.3 million, which will be amortized over the weighted-average remaining requisite service period of 2.9 years. The following table summarizes stock option activity for the three-month period ended March 31, 2006:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value
Options outstanding at December 30, 2005	1,979,950	\$ 27.12	\$ 10.35
Granted	37,500	\$ 19.76	\$ 5.51
Exercised	(25,000)	\$ 13.16	\$ 5.92
Forfeited/Expired	(16,000)	\$ 29.21	\$ 10.99
Options outstanding at March 31, 2006	1,976,450	\$ 27.14	\$ 10.30
Exercisable at March 31, 2006	683,050	\$ 24.08	\$ 9.25



**Table of Contents****FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)****3. Stock-Based Compensation (continued)**

On March 1, 2006, Fresh Del Monte granted, in equal amounts, stock options from its 1999 Share Incentive Program totaling 37,500 to six non-management members of its Board of Directors. These options vested 100% on the grant date. Based on their grant date fair value of \$5.51 per option, Fresh Del Monte recognized \$0.2 million of stock-based compensation expense related to this grant which is included in the \$1.3 million of total stock-based compensation expense for the first quarter of 2006.

**4. Inventories**

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

	<b>March 31, 2006</b>	<b>December 30, 2005</b>
Finished goods	\$ 223.3	\$ 177.5
Raw materials and packaging supplies	105.2	101.4
Growing crops	114.0	109.8
Total inventories	\$ 442.5	\$ 388.7

**5. Long-Term Debt**

On March 21, 2003, Fresh Del Monte, and certain wholly-owned subsidiaries entered into a \$400.0 million, four-year syndicated revolving credit facility ( Revolving Credit Facility ), with Rabobank Nederland, New York Branch, as administrative agent. On November 9, 2004, the Revolving Credit Facility was amended to increase the total 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 Revolving Credit Facility was amended to increase the allowable repurchase by Fresh Del Monte of its stock in an aggregate amount not to exceed \$300.0 million. On March 24, 2006, the Revolving Credit Facility was amended to change one of the financial covenants for the 2006 first quarter.

The Revolving Credit Facility is collateralized directly or indirectly by substantially all of Fresh Del Monte's assets and is guaranteed by certain of Fresh Del Monte's subsidiaries. The Revolving Credit Facility permits borrowings with an interest rate, determined by Fresh Del Monte's leverage ratio, based on a spread over London Interbank Offer Rate ( LIBOR ) (5.80% at March 31, 2006). At March 31, 2006, \$405.0 million was outstanding under the Revolving Credit Facility.

The Revolving Credit Facility requires Fresh Del Monte to be in compliance with various financial and other covenants and limits the amount of future dividends. As of March 31, 2006, Fresh Del Monte was in compliance with all of the financial and other covenants contained in the Revolving Credit Facility.

At March 31, 2006, Fresh Del Monte had \$159.8 million available under committed working capital facilities, primarily all of which is represented by the Revolving Credit Facility. The Revolving Credit Facility also includes a swing line facility and a letter of credit facility. At March 31, 2006, Fresh Del Monte applied \$37.1 million to the letter of credit facility, primarily related to the Del Monte Foods Europe

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acquisition, which requires Fresh Del Monte to guarantee certain contingent obligations under the purchase agreement and other governmental agencies guarantees for customs clearance in the U.K. and Japan.

As of March 31, 2006, Fresh Del Monte had \$433.6 million of long-term debt and capital lease obligations, including the current portions, consisting of \$405.0 million outstanding under the Revolving Credit Facility, \$20.8 million of capital lease obligations and \$7.8 million of other long-term debt and notes payable.

**6. Comprehensive Income**

The following table sets forth comprehensive income of Fresh Del Monte for the three months ended March 31, 2006 and April 1, 2005 (U.S. dollars in millions):

	<b>Quarter ended</b>	
	<b>March</b>	
	<b>31,</b>	<b>April 1,</b>
	<b>2006</b>	<b>2005</b>
Comprehensive income:		
Net income	\$ 16.2	\$ 57.9
Net unrealized gains (losses) on derivatives	(13.2)	21.2
Net unrealized foreign currency translation gains (losses)	5.6	(12.5)
Reduction in additional minimum pension liability		1.0
Comprehensive income	\$ 8.6	\$ 67.6

**7. Contingencies*****DBCP Litigation***

Beginning in December 1993, certain of Fresh Del Monte's 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 foreign plaintiffs that they were injured as a result of exposure to a nematocide containing the chemical dibromochloropropane ( DBCP ) during the period from 1965 to 1990.

On February 16, 1999, two of Fresh Del Monte's U.S. subsidiaries were served in the Philippines in an action entitled *Davao Banana Plantation Workers Association of Tiburcia, Inc. v. Shell Oil Co., et al.* The action was brought by the Banana Workers Association (the Association ) on behalf of its 34,852 members for injuries they allege to have incurred as a result of DBCP exposure. Approximately 13,000 members of the Association claim employment on a farm that was under contract to one of Fresh Del Monte's subsidiaries at the time of the alleged DBCP use. Fresh Del Monte's subsidiaries filed motions to dismiss and for reconsideration on jurisdictional grounds, which were denied. Accordingly, Fresh Del Monte's subsidiaries answered the complaint denying all of the plaintiff's allegations. Fresh Del Monte's



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**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)**

**7. Contingencies (continued)**

subsidiaries believe substantial defenses exist to the claims asserted by the Association. On October 3, 2002, the Philippine Court of Appeals ruled that the method of service used by the Association to serve the defendants was improper and dismissed the Association's complaint. As a result of this decision, the trial court suspended the proceedings indefinitely. In 2002, the Association filed a motion for reconsideration of the dismissal of its complaint, which remains pending.

In 1997, plaintiffs from Costa Rica and Guatemala named certain of Fresh Del Monte's U.S. subsidiaries in a 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. As a result of the dismissal of the Hawaiian action, several Costa Rican and Guatemalan individuals filed the same type of actions in those countries. The Guatemalan action was dismissed for plaintiff's failure to prosecute the action. On April 22, 2003, the plaintiffs' appeal of the dismissal was affirmed by the Supreme Court of the United States, thereby remanding the action to the Hawaiian State Court. At the plaintiffs' request, the Hawaiian State Court set a status conference for June 2, 2006.

On June 19, 1995, a group of several thousand plaintiffs in an action entitled *Lucas Pastor Canales Martinez, et al. v. Dow Chemical Co. et al.* sued one of Fresh Del Monte's U.S. subsidiaries along with several other defendants in the District Court for the Parish of St. Charles, Louisiana, asserting injuries due to the alleged exposure to DBCP. The Fresh Del Monte subsidiary answered the complaint and asserted substantial defenses, eventually settling with all but 13 of the *Canales Martinez* plaintiffs in federal court. On October 25, 2001, defendants filed a motion to dismiss the action on grounds of *forum non conveniens* in favor of plaintiffs' home countries. On July 16, 2002, the district court denied that motion and the defendants filed a motion requesting immediate review by the Court of Appeals, which was denied by the district court on August 21, 2002. On August 28, 2002, defendants filed a petition for a *writ of mandamus* before the Court of Appeals with respect to the district court's denial of defendants' motion to dismiss the action on grounds of *forum non conveniens*. As a result of the Supreme Court's decision in the Hawaiian action, the district court remanded these actions to state court in Louisiana. The plaintiffs have taken no further action.

On November 15, 1999, one of Fresh Del Monte's subsidiaries was served in two actions entitled, *Godoy Rodriguez, et al. v. AMVAC Chemical Corp., et al.* and *Martinez Puerto, et al. v. AMVAC Chemical Corp., et al.*, in the 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 2,962 *Godoy Rodriguez* and *Martinez Puerto* plaintiffs are making claims against the Fresh Del Monte subsidiary.

On October 14, 2004, two of Fresh Del Monte's 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. On October 8, 2004 (prior to service on Fresh Del Monte's subsidiaries), a co-defendant removed the action to the United States District Court for the Central District of California. An initial review of the plaintiffs in the *Abarca* action denotes 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 December 9, 2004, plaintiffs' counsel served notices of voluntary dismissal pursuant

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**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)**

**7. Contingencies (continued)**

to Federal Rule 41(a)(1) to all defendants except for The Dow Chemical Co. ( Dow ). The same day, the District Court granted plaintiffs motion to remand. Fresh Del Monte, its subsidiaries and the other defendants apart from Dow, jointly moved to quash service before the state court on the grounds that they have been dismissed from the action. The state court denied the motion on September 2, 2005, and the California Court of Appeals subsequently rejected defendants petition for a *writ of mandate*.

On April 25, 2005, two of Fresh Del Monte s 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 *Abrego* action denotes that a substantial number of the plaintiffs released their claims with prejudice as part of the December 1998 settlement with Fresh Del Monte s subsidiaries as well as in prior settlement with other defendants. On May 13, 2005, co-defendant Dow removed the action to the United States District Court for the Central District of California. Plaintiffs filed a motion to remand on June 15, 2005, which Dow opposed. On October 6, 2005, the District Court remanded the action to the state court of California. Dow has appealed the remand order to the U.S. Court of Appeals for the Ninth Circuit, which remains pending.

On April 25, 2005, two of Fresh Del Monte s subsidiaries were served in a complaint styled *Antonio Abrego, et al. v. Dole Food Company, et al.* filed in the Superior Court of California for the County of Los Angeles on behalf of 612 Panamanian residents who claim injury from exposure to DBCP. On May 6, 2005, plaintiffs amended the complaint to add an additional 548 plaintiffs, for a total of 1,160. Fresh Del Monte and its subsidiaries have never owned, managed or otherwise been involved with any banana growing operations in Panama. On May 13, 2005, co-defendant Dow removed the action to the United States District Court for the Central District of California. On June 10, 2005, the Court directed Dow to show cause in writing as to why the amount in controversy requirement had been sufficiently met to invoke federal jurisdiction, which Dow subsequently filed on June 17, 2005. On October 11, 2005, the District Court remanded the action to the state court of California. The action will now proceed in California state court.

On April 25, 2005, two of Fresh Del Monte s subsidiaries were served with a complaint styled *Miguel Jose Acosta 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 633 Honduran residents who claim exposure to DBCP. Fresh Del Monte and its subsidiaries have never owned, managed or otherwise been involved with any banana growing operations in Honduras. The complaint was subsequently amended to add an additional 469 plaintiffs (for a total of 1,102), and re-styled *Prospero Aceituno Linares, et al. v. Dole Food Company, et al.* On May 13, 2005, co-defendant Dow removed the action to the United States District Court for the Central District of California. The District Court *sua sponte* remanded the action on May 16, 2005. The action will now proceed in California state court.

The state court in the *Abarca* action has found all four of the above California actions to be related and has transferred all four actions to the California state court department normally responsible for hearing complex litigations, where the assignment of a judge remains pending.

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**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)**

**7. Contingencies (continued)**

***Former Shareholders Litigation***

On December 30, 2002, Fresh Del Monte was 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 Fresh Del Monte's predecessor, against Fresh Del Monte, and certain current and former directors, officers and shareholders of Fresh Del Monte and its predecessor (the Florida Complaint).

The Florida Complaint alleges that instead of proceeding with a prospective buyer who offered superior terms, the former chairman of Fresh Del Monte's predecessor and majority shareholder, agreed to sell Fresh Del Monte's predecessor to its current majority shareholder at a below market price as the result of commercial bribes allegedly paid by Fresh Del Monte's current majority shareholder and chief executive officer to Fresh Del Monte's predecessor's former chairman. On February 20, 2003, Fresh Del Monte filed a motion to dismiss the Florida Complaint and the oral argument was heard on June 19, 2003. On July 22, 2003, the court granted in part and denied in part Fresh Del Monte's motion to dismiss the Florida Complaint, dismissing two of the 11 counts. Mediation of the Florida Complaint occurred on September 9, 2005, but was unsuccessful. The case is set for trial starting on October 30, 2006. Fresh Del Monte believes that the allegations of the remaining Florida Complaint are entirely without merit.

***Class Action Litigation***

***a. Pineapple Class Actions***

On April 16, 2004, four fruit wholesalers filed a consolidated complaint against two of Fresh Del Monte's subsidiaries in the United States District Court for the Southern District of New York. The plaintiffs claim to have purchased Del Monte Gold® pineapples from Fresh Del Monte's subsidiaries. This consolidated action is brought as a putative class action on behalf of all direct purchasers of Del Monte Gold® pineapples from March 1, 1996 through the present. The court directed the plaintiffs to file a new consolidated complaint, which was filed on August 2, 2004 and consists of the four fruit wholesalers and two individual consumers who had filed their complaints in the federal court for the Southern District of New York. In addition to these six actions, other class actions against Fresh Del Monte were transferred to the United States District Court for the Southern District of New York by the Judicial Panel on Multidistrict Litigation (JPML) and then remanded as described below. The new consolidated complaint alleges claims for: (1) monopolization and attempted monopolization; (2) restraint of trade; (3) unfair and deceptive trade practices; and (4) unjust enrichment. On May 27, 2005, Fresh Del Monte filed a motion to dismiss the indirect and direct purchasers' claims for unjust enrichment which remains pending.

On March 5, 2004, an alleged individual consumer filed a putative class action complaint against Fresh Del Monte's 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 April 14, 2004, Fresh Del Monte's subsidiaries removed this action to federal court. The plaintiffs filed a motion for remand to state court which was granted by the court on July 7, 2004. This action will now proceed in the state court of Tennessee. On February 18, 2005, Fresh Del Monte's subsidiaries filed a motion to dismiss the complaint which remains pending.

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**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)**

**7. Contingencies (continued)**

Between March 17, 2004 and March 18, 2004, three alleged individual consumers filed putative class action complaints against Fresh Del Monte and its 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. The complaints allege violations of the Cartwright Act, common law monopolization, unfair competition in violation of the California Business and Professional Code, unjust enrichment and violations of the Consumer Legal Remedies Act. On April 19, 2004, Fresh Del Monte removed these actions to federal court. The plaintiffs filed a motion for remand to the state court of California which was granted by the court on July 8, 2004 in one of the actions and on July 12, 2004 in the other two actions. These actions will now proceed in the state court of California. In one of the three actions, Fresh Del Monte filed a motion to dismiss the plaintiff's complaint which was granted in part and denied in part. 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. Fresh Del Monte filed a motion to dismiss this one remaining claim, which was denied on January 6, 2006. On January 23, 2006, the court granted Fresh Del Monte's petition for leave to file an interlocutory appeal of the denial. The request for an interlocutory appeal was denied by the court of appeals on March 2, 2006.

On April 19, 2004, an alleged individual consumer filed a putative class action complaint against Fresh Del Monte's 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 complaint alleges fraudulent concealment/tolling of statute of limitations, violations of the Florida Deceptive and Unfair Trade Practices Act and unjust enrichment. On May 11, 2004, Fresh Del Monte's subsidiaries removed this action to federal court. The plaintiff filed a motion for remand to state court and Fresh Del Monte's subsidiaries opposed that motion. The court granted plaintiff's motion to remand. The case will now proceed in the state court of Florida. On October 27, 2004, Fresh Del Monte filed a motion to dismiss the plaintiff's complaint, which motion was granted on January 23, 2006 with leave for plaintiff to amend. Plaintiff filed an amended complaint on February 13, 2006. On March 10, 2006, Fresh Del Monte's subsidiary filed a motion to dismiss the amended complaint which remains pending.

On April 29, 2004, an alleged individual consumer filed a putative class action complaint against Fresh Del Monte's 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 May 24, 2004, Fresh Del Monte's subsidiaries removed this action to federal court. The plaintiffs filed a motion for remand and Fresh Del Monte's subsidiaries opposed that motion. Fresh Del Monte's subsidiaries are not required to respond to the complaint until 20 days after the resolution of plaintiffs' motion to remand. On October 25, 2004, this action was transferred to the United States District Court for the Southern District of New York by the JPML. The plaintiffs filed a motion for remand which was granted by the court on April 20, 2005. This action will now proceed in Arizona state court. On July 25, 2005, Fresh Del Monte filed a motion to dismiss the claim for violation of the Arizona Consumer Fraud Act which was granted by the state court on February 16, 2006 with leave for the plaintiffs to amend.

On July 2, 2004, an alleged individual consumer filed a putative class action which was served on August

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**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)**

**7. Contingencies (continued)**

24, 2004 against Fresh Del Monte's 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 September 13, 2004, Fresh Del Monte's subsidiaries removed this action to federal court. On November 15, 2004, this action was transferred to the United States District Court for the Southern District of New York by the JPML. The plaintiffs filed a motion for remand which was granted by the court on April 20, 2005. This action will now proceed in Nevada state court. Fresh Del Monte's subsidiaries have filed a motion to dismiss which remains pending.

***b. Banana Class Actions***

Between July 25, 2005 and August 22, 2005, several plaintiffs served putative class action complaints against Fresh Del Monte, certain 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 for the period from May 2003 to the present. The complaints allege 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. A similar action was brought by a New York corporation for the period from July 2001 to the present.

Additionally, between October 21, 2005 and November 10, 2005, Arizona, California, Minnesota, New York, Tennessee and Kansas residents filed a putative class action complaint against Fresh Del Monte, one of its 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 for the period from May 2003 to the present. That complaint alleges violations of numerous state antitrust, competition, and unjust enrichment statutes. A similar action was brought by a California resident for the period from July 2001 to the present.

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 have been transferred to the same judge in the U.S. District Court for the Southern District of Florida.

In the consolidated direct purchaser cases, the court has entered a case management order and a scheduling order under which trial in this matter has been set for the two-week trial period commencing October 1, 2007 and discovery on the merits of the action is scheduled to take place before discovery on class certification. On November 16, 2005, the direct purchaser plaintiffs filed an amended, consolidated complaint. On December 22, 2005, Fresh Del Monte filed a motion to dismiss the complaint, which motion remains pending. The plaintiffs have served discovery requests on Fresh Del Monte.

In the indirect purchaser actions, plaintiffs filed an amended, consolidated complaint on March 3, 2006. No discovery or motion proceedings have commenced in the indirect purchaser action but the court entered a scheduling order on March 24, 2006 setting trial for December 10, 2007.

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**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)**

**7. Contingencies (continued)**

***Germany's European Union Antitrust Investigation***

On June 2, 2005, one of Fresh Del Monte's German subsidiaries was visited by Germany's European Union (EU) antitrust authority which is investigating Fresh Del Monte's subsidiary for possible violations of the EU's competition laws. On February 17, 2006, Fresh Del Monte received a request for additional information from Germany's EU antitrust authority and is in the process of gathering and providing the requested information. Fresh Del Monte and its subsidiary are fully cooperating and will continue to fully cooperate with the investigation.

***Freight Broker Litigation***

In September 1997, a freight broker formerly engaged by one of Fresh Del Monte's non-U.S. subsidiaries filed suit against the subsidiary in Guatemala claiming US\$1.9 million in damages and in Costa Rica claiming US\$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 Fresh Del Monte's subsidiary. The Guatemala action has been dismissed for being time barred by the statute of limitations. In the Costa Rica action, Fresh Del Monte's subsidiary filed several motions to dismiss which were denied. The trial of the action has now concluded, and the trial court has entered judgment against Fresh Del Monte in the amount of US\$822,145.50 plus interest and costs. Fresh Del Monte's subsidiary is appealing this decision. The costs of defense in this action are covered by insurance.

Fresh Del Monte and its subsidiaries intend to vigorously defend themselves 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 March 31, 2006, except as related to the Kunia Well Site discussed below.

***Kunia Well Site***

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

As a result of communications with the EPA in 2001, Fresh Del Monte recorded a charge of \$15.0

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**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)**

**7. Contingencies (continued)**

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 Fresh Del Monte's legal counsel and other experts, Fresh Del Monte recorded a charge of \$7.0 million during the third quarter of 2002 to increase the accrual for the expected future clean-up costs for the Kunia Well Site to \$26.1 million.

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. As of March 31, 2006, \$22.7 million is included in other long-term liabilities for the Kunia Well Site clean-up. Fresh Del Monte expects to expend approximately \$2.0 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. The undiscounted estimates are between \$14.8 million and \$28.7 million. The undiscounted estimate on which Fresh Del Monte's accrual is based totals \$25.1 million. On January 13, 2004, the EPA deleted a portion of the Kunia Well Site (Northeast section) from the NPL. On May 2, 2005, Fresh Del Monte's 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, Fresh Del Monte's subsidiary continues to evaluate with the EPA the clean up work currently in progress in accordance with the Consent Decree.

***Other***

In addition to the foregoing, Fresh Del Monte and its subsidiaries are involved from time to time in various claims and legal actions incident to Fresh Del Monte and its subsidiaries' 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 cash flows of Fresh Del Monte and its subsidiaries.

Table of Contents**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)****8. Earnings Per Share**

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

	Quarter ended	
	March 31, 2006	April 1, 2005
<b>Numerator:</b>		
Net income	\$ 16.2	\$ 57.9
 <b>Denominator:</b>		
Weighted average ordinary shares		
Basic	58,019,609	57,751,716
Effect of dilutive securities stock options	50,155	260,924
Weighted average ordinary shares Diluted	58,069,764	58,012,640
 <b>Net income per ordinary share:</b>		
Basic	\$ 0.28	\$ 1.00
Diluted	\$ 0.28	\$ 1.00

**9. Retirement and Other Employee Benefits**

The following table sets forth the net periodic cost of Fresh Del Monte's defined benefit pension plans and postretirement plan for the three months ended March 31, 2006 and April 1, 2005 (U.S. dollars in millions):

	Pension Plans		Postretirement Plan	
	Quarter ended		Quarter ended	
	March 31, 2006	April 1, 2005	March 31, 2006	April 1, 2005
Service cost	\$ 0.1	\$ 0.6	\$	\$
Interest cost	1.0	1.2	0.3	0.3
Expected return on assets	(0.8)	(0.8)		
Net amortization	0.2			
Net periodic costs	\$ 0.5	\$ 1.0	\$ 0.3	\$ 0.3



**Table of Contents****FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)****10. Business Segment Data**

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

Fresh Del Monte's operations are aggregated on the basis of its products: bananas, other fresh produce, prepared food and other products and services. Other fresh produce includes pineapples, melons, tomatoes, potatoes, onions, strawberries, non-tropical fruit (including grapes, citrus, apples, avocados, pears, peaches, plums, nectarines, apricots and kiwis), fresh-cut produce and other fruit and vegetables. Other products and services include a third-party ocean freight business, a plastic product and box manufacturing business, a poultry business and a grain business.

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

	Quarter ended			
	March 31, 2006		April 1, 2005	
	Net Sales	Gross Profit	Net Sales	Gross Profit
<b>Product net sales and gross profit (loss):</b>				
Bananas	\$ 278.9	\$ 9.0	\$ 272.8	\$ 33.7
Other fresh produce	447.4	49.0	440.8	65.7
Prepared food	69.0	5.5	78.6	12.4
Other products and services	44.7	4.2	46.3	5.2
Totals	\$ 840.0	\$ 67.7	\$ 838.5	\$ 117.0

	March 31, 2006	December 30, 2005
<b>Identifiable assets:</b>		
North America	\$ 433.1	\$ 402.9
Europe and the Middle East	727.5	709.9
Africa	136.6	118.2
Asia-Pacific	110.5	87.2
Central and South America	568.5	576.2
Maritime equipment (including containers)	118.8	123.3
Corporate	111.7	107.1
Total identifiable assets	\$ 2,206.7	\$ 2,124.8

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**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)**

**11. New Accounting Pronouncements**

In November 2004, the FASB issued SFAS 151, *Inventory Costs* an amendment of ARB No. 43, chapter 4. SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, *Inventory Pricing*, to clarify the accounting for abnormal amounts of idle facility expense, handling costs and wasted material (spoilage). Among other provisions, the new rule requires that such items be recognized as current-period charges, regardless of whether they meet the criterion of *so abnormal* as stated in ARB No. 43. Fresh Del Monte adopted SFAS 151 effective December 31, 2005. The adoption of SFAS 151 did not have a material impact on the results of operations, financial position or cash flows of Fresh Del Monte. Fresh Del Monte will apply SFAS 151 in future periods, when applicable.

In May 2005, the FASB issued SFAS 154, *Accounting Changes and Error Corrections* replacement of APB Opinion No. 20 and FASB Statement No. 3. SFAS 154 changes the accounting for and reporting of a change in accounting principle by requiring retrospective application of changes in accounting principles to prior periods financial statements unless impracticable. SFAS 154 was effective for accounting changes made in fiscal years beginning after December 15, 2005. Fresh Del Monte adopted SFAS 154 effective December 31, 2005. The adoption of SFAS 154 did not have a material impact on the results of operations, financial position or cash flows of Fresh Del Monte. Fresh Del Monte will apply SFAS 154 in future periods, when applicable.

**12. Subsequent Event**

On May 4, 2006, Fresh Del Monte announced that its Board of Directors approved a reduction in Fresh Del Monte's future quarterly cash dividend from \$0.20 per share to \$0.05 per share expected to commence with the first quarter 2006 cash dividend.

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**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Unaudited)**

**Recent Developments**

**Exit Activity**

On February 1, 2006, Fresh Del Monte announced its decision to cease pineapple planting operations at its Kunia, Hawaii location effective February 19, 2006. This decision is a result of increased planting of pineapple at lower costs in other parts of the world and Fresh Del Monte's belief that it will not be economically feasible to continue to produce pineapple in Hawaii. Fresh Del Monte expects to continue to operate the Kunia, Hawaii location through mid-2008, the end of its current three-year growing cycle. Fresh Del Monte previously indicated that it expected to record a restructuring charge during the first quarter of 2006. As a result of ongoing negotiations with the union covering substantially all of the estimated 700 employees at this location regarding termination benefits and other matters, Fresh Del Monte will finalize its calculations of estimated one-time termination benefits related to the shut-down of the Kunia, Hawaii location during the second quarter of 2006. Fresh Del Monte estimates the undiscounted amount of one-time termination benefits to be \$8.1 million, having a discounted fair value of \$7.1 million, which will be recognized ratably and adjusted for actual termination experience during the period of exit activity. Fresh Del Monte accounts for exit costs pursuant to SFAS 146.

**Stock Repurchase Program**

On March 3, 2006, Fresh Del Monte's Board of Directors authorized an initial stock repurchase program of up to \$300 million of the common stock of Fresh Del Monte. On February 14, 2006, Fresh Del Monte amended its credit agreement to increase the allowable repurchase of its stock in an aggregate amount not to exceed \$300 million. During the first quarter of 2006, no shares were repurchased under this program.

**Dividend Reduction**

On May 4, 2006, Fresh Del Monte announced that its Board of Directors approved a reduction in Fresh Del Monte's future quarterly cash dividend from \$0.20 per share to \$0.05 per share expected to commence with the first quarter 2006 cash dividend.

**Liquidity and Capital Resources**

Net cash used in operating activities was \$31.9 million for the first three months of 2006 as compared to \$9.5 million for the first three months of 2005. The increase in cash used by operating activities was primarily attributable to lower net income partially offset by a lower seasonal increase in trade accounts receivable.

Working capital was \$486.7 million at March 31, 2006, compared with \$416.2 million at December 30, 2005. This increase in working capital is primarily attributable to higher seasonal levels of finished goods inventory and trade accounts receivable.

Net cash used in investing activities for the first three months of 2006 was \$20.1 million compared with net cash used in investing activities of \$11.7 million for the first three months of 2005. Net cash used in investing activities for the first three months of 2006 consisted primarily of capital expenditures of \$23.6 million for the expansion of production facilities in Africa, South America and the Philippines and

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**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued) (Unaudited)**

distribution centers in Europe and the Middle East partially offset by proceeds from sales of assets of \$3.4 million. Net cash used in investing activities for the first three months of 2005 consisted of capital expenditures for the expansion of production facilities in South America and fresh-cut facilities in North America and for information technology initiatives.

Net cash provided by financing activities for the first three months of 2006 was \$61.0 million compared with \$8.8 million for the first three months of 2005. Net cash provided by financing activities consisted primarily of net proceeds from long-term debt of \$72.3 million partially offset by \$11.6 million of payments of cash dividends. Net cash provided by financing activities for the first three months of 2005 consisted of net proceeds from long-term debt of \$18.1 million and \$2.2 million in cash proceeds received from stock options exercised partially offset by \$11.5 million of payments of cash dividends.

On March 21, 2003, Fresh Del Monte, and certain wholly-owned subsidiaries entered into a \$400.0 million, four-year syndicated revolving credit facility ( Revolving Credit Facility ), with Rabobank Nederland, New York Branch, as administrative agent. On November 9, 2004, the Revolving Credit Facility was amended to increase the total 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 Revolving Credit Facility was amended to increase the allowable repurchase by Fresh Del Monte of its stock in an aggregate amount not to exceed \$300.0 million. On March 24, 2006, the Revolving Credit Facility was amended to change one of the financial covenants for the 2006 first quarter.

The Revolving Credit Facility is collateralized directly or indirectly by substantially all of Fresh Del Monte's assets and is guaranteed by certain of Fresh Del Monte's subsidiaries. The Revolving Credit Facility permits borrowings with an interest rate, depending on Fresh Del Monte's leverage ratio, based on a spread over London Interbank Offer Rate ( LIBOR ) (5.80% at March 31, 2006). At March 31, 2006, there was \$405.0 million outstanding under the Revolving Credit Facility.

The Revolving Credit Facility requires Fresh Del Monte to be in compliance with various financial and other covenants and limits the amount of future dividends. As of March 31, 2006, Fresh Del Monte was in compliance with all of the financial and other covenants contained in the Revolving Credit Facility.

At March 31, 2006, Fresh Del Monte had \$159.8 million available under committed working capital facilities, primarily all of which is represented by the Revolving Credit Facility. The Revolving Credit Facility also includes a swing line facility and a letter of credit facility. At March 31, 2006, Fresh Del Monte applied \$37.1 million to the letter of credit facility, primarily related to the Del Monte Foods Europe acquisition, which requires Fresh Del Monte to guarantee certain contingent obligations under the purchase agreement and other governmental agencies guarantees for customs clearance in the U.K. and Japan.

As of March 31, 2006, Fresh Del Monte had \$433.6 million of long-term debt and capital lease obligations, including the current portions, consisting of \$405.0 million outstanding under the Revolving Credit Facility, \$20.8 million of capital lease obligations and \$7.8 million of other long-term debt and notes payable.

As of March 31, 2006, Fresh Del Monte had cash and cash equivalents of \$33.4 million.

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**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued) (Unaudited)**

**Results of Operations**

**First Quarter 2006 Compared with First Quarter 2005**

*Net Sales.* Net sales for the first quarter of 2006 were \$840.0 million compared with \$838.5 million for the first quarter of 2005. The increase in net sales of \$1.5 million was attributable to higher net sales of other fresh produce and bananas partially offset by lower net sales of prepared food and other non-produce operations. Net sales of other fresh produce increased \$6.5 million primarily due to higher net sales of tomatoes and grapes in the North America region, partially offset by reduced net sales of fresh-cut fruit and vegetables as a result of lower sales volume. Net sales of gold pineapple remained relatively stable as higher sales volumes were offset by reduced per unit selling prices. Net sales of bananas increased \$6.2 million principally due to higher sales volume in Asia partially offset by worldwide lower per unit sales prices. Net sales of prepared food decreased by \$9.6 million principally due reduced promotional buy-in initiatives in the U.K. market during the first quarter of 2006 which resulted in lower sales volumes. Net sales of other non-produce decreased by \$1.6 million principally due to lower net sales in the Jordanian poultry operations.

*Cost of Product Sold.* Cost of products sold was \$772.3 million for the first quarter of 2006 compared with \$721.5 million for the first quarter of 2005, an increase of \$50.8 million. This increase in cost of products sold was primarily attributable to increased ocean freight and inland transportation which resulted from higher fuel costs combined with higher fruit production and fruit procurement costs. Fuel costs have increased 55% from prior year. These higher costs may continue in the near-term.

*Gross Profit.* Gross profit was \$67.7 million for the first quarter of 2006 compared with \$117.0 million for the first quarter of 2005, a decrease of \$49.3 million. The decrease in gross profit was attributable to lower gross profit on bananas of \$24.7 million, lower gross profit on other fresh produce of \$16.7 million, lower gross profit on prepared food of \$6.9 million and lower gross profit on the other non-produce segment of \$1.0 million. Banana gross profit was negatively affected by reduced selling prices combined with higher ocean freight costs in all markets and increased fruit costs in the North America region. Gross profit on the other fresh produce category decreased principally as a result of higher costs and increased competition on gold pineapples which resulted in a 15.7% decrease in per unit selling prices combined with lower selling prices on grapes. Gross profit on prepared foods decreased principally due to lower per unit selling prices and sales volume which resulted from increased competition in the U.K. market.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses decreased \$0.2 million from \$44.8 million in the first quarter of 2005 to \$44.6 million for the first quarter of 2006. The decrease is principally due to lower selling, marketing and promotional expenses combined with lower administrative costs in North America and Europe partially offset by \$1.3 million of non-cash stock-based compensation expense recorded during the first quarter of 2006 and higher professional fees related to regulatory compliance.

*Asset Impairment Charges.* There were no asset impairment charges during the first quarter of 2006. Based on the underutilization of a facility and equipment in North America related to the other fresh produce segment, charges totaling \$2.1 million for impairments of long-lived assets were recorded in the first quarter of 2005.

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**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued) (Unaudited)**

*Operating Income.* Operating income for the first quarter of 2006 decreased by \$47.0 million to \$23.1 million compared with \$70.1 million for the first quarter of 2005. The decrease in operating income was due to lower gross profit partially offset by slightly lower selling, general and administrative expenses and the absence of asset impairment charges during the first quarter of 2006.

*Interest Expense.* Interest expense increased by \$1.4 million to \$5.8 million for the first quarter of 2006 compared with the first quarter of 2005 as a result of higher average debt balances and higher interest rates.

*Other Income (Expense), Net.* Other income (expense), net, was \$(0.2) million for the first quarter of 2006 as compared with \$(4.5) million for the first quarter of 2005, an improvement of \$4.3 million. This improvement in other income (expense), net, is principally attributable to reduced foreign exchange losses combined with gains on sales of assets.

*Provision for Income Taxes.* Provision for income taxes decreased from \$3.5 million in the first quarter of 2005 to \$1.3 million in the first quarter of 2006 principally as a result of lower income before provision for income taxes. The tax rate for the first quarter of 2006 was 7.4% compared with 5.7% in the first quarter of 2005 primarily due to higher taxable income in certain jurisdictions.

**Seasonality**

Interim results are subject to significant variations and may not be indicative of the results of operations that may be expected for the entire 2006 year.

**Risk Factors**

There have been no material changes in the risk factors as previously disclosed in Fresh Del Monte's Form 20-F for the year ended December 30, 2005.

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**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES**

**DISCLOSURE CONTROLS AND PROCEDURES**

Fresh Del Monte carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures as of March 31, 2006. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon that evaluation, Fresh Del Monte's Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports that it files or submits under the SEC rules and forms. Such officers also confirm that there was no change in Fresh Del Monte's internal control over financial reporting during the quarter ended March 31, 2006 that has materially affected, or is reasonably likely to materially affect, Fresh Del Monte's internal control over financial reporting.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Fresh Del Monte Produce Inc.**

Date: May 5, 2006

By: */s/ Hani El-Naffy*  
Hani El-Naffy  
President & Chief Operating Officer

By: */s/ John F. Inserra*  
John F. Inserra  
Executive Vice President &  
Chief Financial Officer