HELEN OF TROY LTD
Form 10-Q
January 09, 2009
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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**

# FORM 10-Q

T **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended November 30, 2008**

**or**

£ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from ..... to ..**

**Commission file number: 001-14669**

# HELEN OF TROY LIMITED

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Bermuda**<br>(State or other jurisdiction of incorporation or organization) | **74-2692550**<br>(I.R.S. Employer Identification No.) |

**Clarenden House**
**Church Street**
**Hamilton, Bermuda**
(Address of principal executive offices)

| | |
|---|---|
| **1 Helen of Troy Plaza**<br>**El Paso, Texas**<br>(Registrant s United States Mailing Address) | **79912**<br>(Zip Code) |

**(915) 225-8000**

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes T No £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer £ Accelerated filer T Non-accelerated filer £ Smaller reporting company £

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes £ No T

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

| Class | Outstanding at January 5, 2008 |
|---|---|
| Common Shares, $0.10 par value per share | 30,147,731 |

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**HELEN OF TROY LIMITED AND SUBSIDIARIES**

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## HELEN OF TROY LIMITED AND SUBSIDIARIES

**Consolidated Condensed Balance Sheets**

***(in thousands, except shares and par value)***

| | November 30, 2008 (Unaudited) | February 29, 2008 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ **87,557** | $ 57,851 |
| Temporary investments | **-** | 63,825 |
| Trading securities, at market value | **421** | 36 |
| Receivables - principally trade, less allowance of $2,009 and $1,331 | **142,891** | 105,615 |
| Inventories | **171,724** | 144,867 |
| Prepaid expenses | **3,706** | 6,290 |
| Income taxes receivable | **3,709** | 861 |
| Deferred income tax benefits | **12,771** | 16,419 |
| Total current assets | **422,779** | 395,764 |
| | | |
| Property and equipment, net of accumulated depreciation of $49,449 and $44,524 | **85,957** | 91,611 |
| Goodwill | **212,621** | 212,922 |
| Trademarks, net of accumulated amortization of $238 and $235 | **157,414** | 161,922 |
| License agreements, net of accumulated amortization of $18,166 and $17,343 | **23,653** | 24,972 |
| Other intangible assets, net of accumulated amortization of $7,989 and $6,432 | **16,189** | 15,544 |
| Long-term investments | **20,048** | - |
| Deferred income tax benefits | **887** | - |
| Other assets, net of accumulated amortization of $3,296 and $2,865 | **9,186** | 9,258 |
| Total assets | $ **948,734** | $ 911,993 |
| | | |
| **Liabilities and Stockholders Equity** | | |
| Current liabilities: | | |
| Current portion of long-term debt | $ **78,000** | $ 3,000 |
| Accounts payable, principally trade | **51,693** | 42,763 |
| Accrued expenses and other current liabilities | **79,302** | 73,697 |
| Total current liabilities | **208,995** | 119,460 |
| | | |
| Long-term compensation and other liabilities | **2,957** | 2,566 |
| Long-term income taxes payable | **4,173** | 9,181 |
| Deferred income tax liability | - | 410 |
| Long-term debt, less current portion | **134,000** | 212,000 |
| Total liabilities | **350,125** | 343,617 |
| | | |
| Commitments and contingencies | | |

| | | | | |
|---|---|---|---|---|
| Stockholders equity: | | | | |
| Cumulative preferred shares, non-voting, $1.00 par. Authorized 2,000,000 shares; none issued | | **-** | | - |
| Common shares, $0.10 par. Authorized 50,000,000 shares; 30,141,908 and 30,374,703 shares issued and outstanding | | **3,014** | | 3,038 |
| Additional paid-in-capital | | **104,821** | | 100,328 |
| Retained earnings | | **500,564** | | 473,361 |
| Accumulated other comprehensive loss | | **(9,790)** | | (8,351) |
| Total stockholders equity | | **598,609** | | 568,376 |
| Total liabilities and stockholders equity | **$** | **948,734** | $ | 911,993 |

*See accompanying notes to consolidated condensed financial statements.*

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## HELEN OF TROY LIMITED AND SUBSIDIARIES

**Consolidated Condensed Statements of Income (Unaudited)**

***(in thousands, except per share data)***

| | Three Months Ended November 30, | | Nine Months Ended November 30, | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| Net sales | **$ 185,619** | $ 210,348 | **$ 484,165** | $ 508,442 |
| Cost of sales | **112,075** | 120,280 | **282,456** | 290,130 |
| Gross profit | **73,544** | 90,068 | **201,709** | 218,312 |
| Selling, general, and administrative expense | **53,543** | 59,387 | **149,428** | 157,832 |
| Operating income before impairment and gain | **20,001** | 30,681 | **52,281** | 60,480 |
| Impairment charges | **-** | 4,983 | **7,760** | 4,983 |
| Gain on sale of land | **-** | (3,609) | **-** | (3,609) |
| Operating income | **20,001** | 29,307 | **44,521** | 59,106 |
| Other income (expense): | | | | |
| Interest expense | **(3,380)** | (3,603) | **(10,317)** | (11,536) |
| Other income, net | **575** | 741 | **2,244** | 2,216 |
| Total other income (expense) | **(2,805)** | (2,862) | **(8,073)** | (9,320) |
| Earnings before income taxes | **17,196** | 26,445 | **36,448** | 49,786 |
| Income tax expense (benefit): | | | | |
| Current | **2,534** | 4,466 | **1,929** | (514) |
| Deferred | **(428)** | (863) | **3,273** | (912) |
| Net earnings | **$ 15,090** | $ 22,842 | **$ 31,246** | $ 51,212 |
| Earnings per share: | | | | |
| Basic | **$ 0.50** | $ 0.74 | **$ 1.03** | $ 1.68 |
| Diluted | **$ 0.48** | $ 0.73 | **$ 1.00** | $ 1.60 |
| Weighted average common shares used in computing net earnings per share | | | | |
| Basic | **30,196** | 30,708 | **30,206** | 30,507 |
| Diluted | **31,229** | 31,296 | **31,162** | 31,924 |

*See accompanying notes to consolidated condensed financial statements.*

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## HELEN OF TROY LIMITED AND SUBSIDIARIES

**Consolidated Condensed Statements of Cash Flows (Unaudited)**

***(in thousands)***

| | Nine Months Ended November 30, 2008 | | 2007 | |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Net earnings | $ | **31,246** | $ | 51,212 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | | |
| Depreciation and amortization | | **10,604** | | 10,785 |
| Provision for doubtful receivables | | **678** | | 331 |
| Share-based compensation | | **1,037** | | 821 |
| Write off of deferred finance costs due to early extinguishment of debt | | **-** | | 282 |
| Unrealized loss on trading securities | | **68** | | 190 |
| Deferred taxes, net | | **3,205** | | (1,167) |
| Gain on the sale of property and equipment | | **(100)** | | (3,614) |
| Impairment charges | | **7,760** | | 4,983 |
| Changes in operating assets and liabilities, net of effects of business acquisitions: | | | | |
| Accounts receivable | | **(37,795)** | | (39,818) |
| Inventories | | **(26,209)** | | 5,832 |
| Prepaid expenses | | **2,584** | | (957) |
| Other assets | | **(376)** | | (408) |
| Accounts payable | | **8,930** | | 10,356 |
| Accrued expenses | | **5,810** | | 19,020 |
| Income taxes payable | | **(4,268)** | | (1,710) |
| Net cash provided by operating activities | | **3,174** | | 56,138 |
| Cash flows from investing activities: | | | | |
| Capital, license, trademark, and other intangible expenditures | | **(4,964)** | | (4,624) |
| Business acquisitions | | **(4,765)** | | (36,500) |
| Purchase of investments | | **(453)** | | (141,000) |
| Sale of investments | | **40,575** | | 145,100 |
| Proceeds from the sale of property and equipment | | **2,613** | | 5,702 |
| Net cash provided / (used) by investing activities | | **33,006** | | (31,322) |
| Cash flows from financing activities: | | | | |
| Repayment of long-term debt | | **(3,000)** | | (25,000) |
| Proceeds from exercise of stock options, net | | **515** | | 4,278 |
| Proceeds from employee stock purchase plan | | **212** | | 210 |
| Common share repurchases | | **(4,264)** | | - |
| Payment of tax obligations resulting from cashless option exercise | | - | | (4,505) |
| Share-based compensation tax benefit | | **63** | | 173 |
| Net cash used by financing activities | | **(6,474)** | | (24,844) |
| Net increase (decrease) in cash and cash equivalents | | **29,706** | | (28) |
| Cash and cash equivalents, beginning of period | | **57,851** | | 35,455 |
| Cash and cash equivalents, end of period | $ | **87,557** | $ | 35,427 |
| Supplemental cash flow disclosures: | | | | |
| Interest paid | $ | **9,797** | $ | 11,121 |
| Income taxes paid (net of refunds) | $ | **6,156** | $ | 24,367 |
| Common shares received as exercise price of options | $ | **-** | $ | 15,938 |

*See accompanying notes to consolidated condensed financial statements.*

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## HELEN OF TROY LIMITED AND SUBSIDIARIES

**Consolidated Condensed Statements Of Comprehensive Income (Unaudited)**

***(in thousands)***

| | Three Months Ended November 30, | | Nine Months Ended November 30, | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| Net earnings, as reported | **$ 15,090** | $ 22,842 | **$ 31,246** | $ 51,212 |
| Other comprehensive income (loss), net of tax: | | | | |
| Cash flow hedges - Interest rate swaps | **(4,046)** | (3,638) | **(805)** | (3,496) |
| Cash flow hedges - Foreign currency | **254** | (562) | **1,480** | (1,177) |
| Unrealized losses - Auction rate securities | **(529)** | - | **(2,114)** | - |
| Comprehensive income | **$ 10,769** | $ 18,642 | **$ 29,807** | $ 46,539 |

*See accompanying notes to consolidated condensed financial statements.*

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## HELEN OF TROY LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

**November 30, 2008**

### Note 1 - *Basis of Presentation*

In our opinion, the accompanying consolidated condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly our consolidated financial position as of November 30, 2008 and February 29, 2008, and the results of our consolidated operations for the three- and nine-month periods ended November 30, 2008 and 2007. The same accounting policies are followed in preparing quarterly financial data as are followed in preparing annual data.

Due to the seasonal nature of our business, quarterly revenues, expenses, earnings and cash flows are not necessarily indicative of the results that may be expected for the full fiscal year. While we believe that the disclosures presented are adequate and the consolidated condensed financial statements are not misleading, these statements should be read in conjunction with the consolidated financial statements and the notes included in our latest annual report on Form 10-K, and our other reports on file with the Securities and Exchange Commission ( SEC ).

In some cases, we have provided additional information for prior periods in the accompanying notes to consolidated condensed financial statements to conform to the current period s presentation.

In this report and these accompanying consolidated condensed financial statements and notes, unless the context suggests otherwise or otherwise indicated, references to the Company, our Company, Helen of Troy, we, us or our refer to Helen of Troy Limited and its subsidiaries.

### Note 2 *New Accounting Pronouncements*

### New Accounting Standards Currently Adopted

***Liability Recognition on Endorsement Split-Dollar Life Insurance Arrangements*** - In June 2006, the Emerging Issues Task Force of the FASB ( EITF ) reached a consensus on EITF Issue No. 06-4 ( EITF 06-4 ), Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements, which requires the application of the provisions of SFAS No. 106 ( SFAS 106 ), Employers Accounting for Postretirement Benefits Other Than Pensions to endorsement split-dollar life insurance arrangements (if, in substance, a postretirement benefit plan exists), or Accounting Principles Board Opinion No. 12 (if the arrangement is, in substance, an individual deferred compensation contract). SFAS 106 would require us to recognize a liability for the discounted value of the future premium benefits that we will incur through the death of the underlying insureds. An endorsement-type arrangement generally exists when the Company owns and controls all incidents of ownership of the underlying policies. EITF 06-4 became effective for fiscal years beginning after December 15, 2007. We adopted the provisions of EITF 06-4 at the beginning of fiscal 2009. The Company reviewed an endorsement-type policy agreement it currently maintains and believes that all subject policies fall outside the scope of EITF 06-4 because the agreement will not survive the retirement of the affected employee. Accordingly, the adoption of EITF 06-4 had no impact on our consolidated condensed financial statements.

***Liability Recognition on Collateral Assignment Split-Dollar Life Insurance Arrangements*** - In March 2007, the EITF reached a consensus on EITF Issue No. 06-10 ( EITF 06-10 ), Accounting for Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements, which provides guidance to help companies determine whether a liability for the postretirement benefit associated with a collateral assignment split-dollar life insurance arrangement should be recorded in accordance with either SFAS 106 (if, in substance, a postretirement benefit plan exists), or Accounting Principles Board Opinion No. 12 (if the arrangement is, in substance, an individual deferred compensation contract). EITF 06-10 also provides guidance

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on how a company should recognize and measure the asset in a collateral assignment split-dollar life insurance contract. EITF 06-10 became effective for fiscal years beginning after December 15, 2007. We adopted the provisions of EITF 06-10 at the beginning of fiscal 2009. We have certain policies that fall within the scope of the new pronouncement, however, the effects of recording the resulting $0.66 million liability as a cumulative effect adjustment to retained earnings at adoption was not material to our consolidated condensed financial statements.

***Fair Value Measurements*** - In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 Fair Value Measurements ( SFAS 157 ). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ( GAAP ), and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. At the beginning of fiscal 2009, we adopted the provisions of SFAS 157 related to financial assets and liabilities. These provisions, which have been applied prospectively, did not have a material impact on the Company s consolidated financial statements. Certain other provisions of SFAS 157 related to other nonfinancial assets and liabilities will be effective for the Company at the beginning of fiscal 2010, and will be applied prospectively. We are currently determining the effect the provisions of SFAS 157 related to nonfinancial assets and liabilities will have, if any, on our consolidated condensed financial statements. See Note 15 for current required disclosures related to SFAS 157.

***Fair Value Option for Financial Assets and Financial Liabilities*** - In February 2007, the FASB issued Statement of Financial Accounting Standards 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 that are not currently required to be measured at fair value. SFAS 159 also established presentation and disclosure requirements designed to facilitate comparisons that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We adopted the provisions of SFAS 159 at the beginning of fiscal 2009 and did not elect the fair value option established by the standard. As such, the adoption had no impact on our consolidated condensed financial statements.

***Hierarchy of Generally Accepted Accounting Principles*** - In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162 ( SFAS 162 ), The Hierarchy of Generally Accepted Accounting Principles ( SFAS 162 ). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP (the GAAP hierarchy ). SFAS 162 became effective on November 15, 2008 following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. The adoption of SFAS 162 did not have a material effect on our consolidated condensed financial statements.

**New Accounting Standards Subject to Future Adoption**

***Accounting for Business Combinations*** - In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), Business Combinations ( SFAS No. 141(R) ), which establishes the principles and requirements for how an acquirer: (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (2) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) replaces SFAS No. 141, Business Combinations. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, and will have no impact on our transactions recorded to date.

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***Disclosures about Derivative Instruments and Hedging Activities*** - In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 ( SFAS 161 ), Disclosures About Derivative Instruments and Hedging Activities, which amends Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ( SFAS 133 ) and expands disclosures to include information about the fair value of derivatives, related credit risks and a company s strategies and objectives for using derivatives. SFAS 161 is effective for fiscal periods beginning on or after November 15, 2008. Early adoption is encouraged. We are currently determining the effect, if any, this pronouncement will have on our consolidated condensed financial statements.

## Note 3 *Litigation*

***Securities Class Action Litigation*** An agreement was reached to settle the consolidated class action lawsuit filed on behalf of purchasers of publicly traded securities of the Company against the Company, Gerald J. Rubin, the Company s Chairman of the Board, President and Chief Executive Officer, and Thomas J. Benson, the Company s Chief Financial Officer. In the consolidated action, the plaintiffs alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act ), and Rule 10b-5 thereunder. The class period stated in the complaint was October 12, 2004 through October 10, 2005. The lawsuit was brought in the United States District Court for the Western District of Texas.

On June 19, 2008, the Court held a hearing at which it approved the terms of the settlement, the certification of the class for purposes of the settlement, and the award of attorney s fees and costs related to the lawsuit. The order approving the settlement became final on July 19, 2008. Under the settlement, the lawsuit has been dismissed with prejudice in exchange for a cash payment of $4.5 million. The Company s insurance carrier paid the settlement amount and the Company s remaining legal and related fees associated with defending the lawsuit because the Company had met its self-insured retention obligation. The Company and the two officers of the Company named in the lawsuit have denied any and all allegations of wrongdoing and have received a full release of all claims.

***Other Matters*** - We are involved in various other legal claims and proceedings in the normal course of operations. We believe the outcome of these matters will not have a material adverse effect on our consolidated financial position, results of operations, or liquidity.

## Note 4 *Earnings per Share*

Basic earnings per share is computed based upon the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed based upon the weighted average number of shares of common stock outstanding during the period plus the effect of dilutive securities. The number of common shares underlying dilutive securities was 1,032,747 and 955,898 for the three- and nine-month periods ended November 30, 2008, respectively, and 588,478 and 1,417,329 for the three- and nine-month periods ended November 30, 2007, respectively. All dilutive securities during these periods consisted of stock options which were issued under our stock option plans. There were options to purchase common shares that were outstanding but not included in the computation of earnings per share because the exercise prices of such options were greater than the average market prices of our common shares. These options were exercisable for a total of 1,437,408 common shares and 1,241,100 common shares at November 30, 2008 and 2007, respectively.

**Note 5** ***Segment Information***

In the tables that follow, we present two segments: Personal Care and Housewares. Our Personal Care segment s products include hair dryers, straighteners, curling irons, hairsetters, women s shavers, mirrors, hot air brushes, home hair clippers and trimmers, paraffin baths, massage cushions, footbaths, body massagers, brushes, combs, hair accessories, liquid hair styling products, men s fragrances, men s deodorants, foot powder, body powder and skin care products. Our Housewares segment reports the operations of OXO International ( OXO ) whose products include kitchen tools, cutlery, bar and wine accessories, household cleaning tools, food storage

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containers, tea kettles, trash cans, storage and organization products, hand tools, gardening tools, kitchen mitts and trivets, barbeque tools and rechargeable lighting products.  We use third-party manufacturers to produce our goods.  Both our Personal Care and Housewares segments sell their products primarily through mass merchandisers, drug store chains, warehouse clubs, catalogs, grocery stores and specialty stores.  In addition, the Personal Care segment sells extensively through beauty supply retailers and wholesalers.  The accounting policies of our segments are the same as those described in the summary of significant accounting policies in Note 1 to the consolidated financial statements in our annual report on Form 10-K for the fiscal year ended February 29, 2008.

The following tables contain segment information for the periods covered by our consolidated condensed statements of income:

## THREE MONTHS ENDED NOVEMBER 30, 2008 AND 2007

***(in thousands)***

| **November 30, 2008** | **Personal Care** | **Housewares** | **Total** |
|---|---|---|---|
| Net sales | $ 140,318 | $ 45,301 | $ 185,619 |
| Operating income | 11,780 | 8,221 | 20,001 |
| Capital, license, trademark and other intangible expenditures | 190 | 767 | 957 |
| Depreciation and amortization | 2,221 | 1,313 | 3,534 |

| **November 30, 2007** | **Personal Care** | **Housewares** | **Total** |
|---|---|---|---|
| Net sales | $ 162,992 | $ 47,356 | $ 210,348 |
| Operating income | 20,336 | 8,971 | 29,307 |
| Capital, license, trademark and other intangible expenditures | 1,086 | 872 | 1,958 |
| Depreciation and amortization | 2,385 | 1,249 | 3,634 |

## NINE MONTHS ENDED NOVEMBER 30, 2008 AND 2007

***(in thousands)***

| **November 30, 2008** | **Personal Care** | **Housewares** | **Total** |
|---|---|---|---|
| Net sales | $ 353,258 | $ 130,907 | $ 484,165 |
| Operating income | 26,383 | 18,138 | 44,521 |
| Capital, license, trademark and other intangible expenditures | 1,576 | 3,388 | 4,964 |
| Depreciation and amortization | 6,793 | 3,811 | 10,604 |

| **November 30, 2007** | **Personal Care** | **Housewares** | **Total** |
|---|---|---|---|
| Net sales | $ 388,306 | $ 120,136 | $ 508,442 |
| Operating income | 36,139 | 22,967 | 59,106 |
| Capital, license, trademark and other intangible expenditures | 1,996 | 2,628 | 4,624 |
| Depreciation and amortization | 7,144 | 3,641 | 10,785 |

Operating income for each operating segment is computed based on net sales, less cost of goods sold and any selling, general, and administrative expenses (  SG&A  ) associated with the segment. The SG&A used to compute each segment  s operating income are comprised of SG&A directly associated with the segment, plus overhead expenses that are allocable to the operating segment. The following tables contain net assets allocable to each segment for the periods covered by our consolidated condensed balance sheets:

## IDENTIFIABLE NET ASSETS AT NOVEMBER 30, 2008 AND FEBRUARY 29, 2008

***(in thousands)***

| | Personal Care | Housewares | Total |
|---|---|---|---|
| November 30, 2008 | $ 580,592 | $ 368,142 | $ 948,734 |
| February 29, 2008 | 552,329 | 359,664 | 911,993 |

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## Note 6 *Significant Charge against Allowance for Doubtful Accounts*

On May 2, 2008, Linens Holding Co., the operator of the Linens n Things retail chain ( Linens ), filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Our accounts receivable balance with Linens at the date of bankruptcy was $4.17 million. For the fiscal quarter ended May 31, 2008, a bad debt provision charge of $3.88 million was made to SG&A and we established a specific allowance of the same amount to account for the portion of the receivable we estimated to be uncollectible. For the fiscal quarter ended August 31, 2008, we charged the remaining $0.29 million unreserved balance of Linen s pre-petition accounts receivables to our bad debt provision and wrote off the resulting 100 percent reserved balance as uncollectable. During the fiscal quarter ended November 30, 2008, Linens announced plans to liquidate by December 31, 2008. Linens has been a significant customer of the Company with fiscal 2008 net sales of approximately $1.30 million and $17.30 million, for our Personal Care and Housewares segments, respectively. We expect no further sales from Linens in future quarters and we have fully collected all post-petition receivables as of November 30, 2008. Linens contribution to the Company s net sales for the nine months ended November 30, 2008 totaled $0.55 million and $7.24 million for the Personal Care and Housewares segments, respectively, compared to net sales of $1.12 million and $12.76 million, respectively, for the same period last year.

## Note 7 *Property and Equipment*

A summary of property and equipment is as follows:

**PROPERTY AND EQUIPMENT**

***(in thousands)***

| | Estimated Useful Lives (Years) | November 30, 2008 | February 29, 2008 |
|---|---|---|---|
| Land | - | **$ 9,073** | $ 9,073 |
| Building and improvements | 10 - 40 | **64,848** | 62,832 |
| Computer and other equipment | 3 - 10 | **43,214** | 42,461 |
| Molds and tooling | 1 - 3 | **8,558** | 8,299 |
| Transportation equipment | 3 - 5 | **367** | 3,991 |
| Furniture and fixtures | 5 - 15 | **8,363** | 8,168 |
| Construction in process | - | **983** | 1,311 |
| | | **135,406** | 136,135 |
| Less accumulated depreciation | | **(49,449)** | (44,524) |
| Property and equipment, net | | **$ 85,957** | $ 91,611 |

In two separate transactions, we sold all fractional shares in our corporate jets for a combined $2.57 million and recognized a combined pretax gain of $0.11 million during the 2009 fiscal year.

On September 9, 2007, we sold 16.5 acres of raw land adjacent to our El Paso, Texas office and distribution center. The land was sold for $5,998 and resulted in a pretax gain on the sale of $3,609.

Depreciation expense was $2.55 million and $7.79 million for the three- and nine-month periods ended November 30, 2008, respectively, and $2.66 million and $7.82 million for the three- and nine-month periods ended November 30, 2007, respectively.

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## Note 8 *Intangible Assets*

We do not record amortization expense on goodwill or other intangible assets that have indefinite useful lives. Amortization expense is recorded for intangible assets with definite useful lives. We also perform an annual impairment review of goodwill and other intangible assets. Any asset deemed to be impaired is written down to its fair value.

The Company has historically completed its analysis of the carrying value of our goodwill and other intangible assets and our analysis of the remaining useful economic lives of our intangible assets other than goodwill during the first quarter of each fiscal year. As a result of this fiscal year s analysis, we recorded pretax impairment charges of $7.76 million on certain intangible assets associated with our Personal Care segment. The charges were recorded in the Company s consolidated condensed income statement for the fiscal quarter ended May 31, 2008 as a component of operating income. The impairment charges reflect the amounts by which the carrying values of the associated assets exceeded their estimated fair values, determined by their estimated future discounted cash flows.

In response to unsatisfactory consumer sales and the discontinuance of the Epil-Stop® line by certain retailers, in the third quarter of the 2008 fiscal year, we conducted a strategic review of the Epil-Stop® trademark. We also evaluated the future potential of our Time-block® brand in light of our recent experience with Epil-Stop®. As a result, during the quarter ended November 30, 2007, we recorded pretax impairment charges totaling $4.98 million ($4.88 million after tax) representing the carrying value of the Epil-Stop® and Time-block® trademarks. At that time, we concluded that the future undiscounted cash flows associated with these trademarks were insufficient to recover their carrying values and that any significant additional investments in these brands would not generate potential returns in line with the Company s investment expectations.

A summary of the carrying amounts and associated accumulated amortization for all intangible assets by operating segment is as follows:

## INTANGIBLE ASSETS

***(in thousands)***

| | | | | Nine Months Ended November 30, 2008 | | | | |
|---|---|---|---|---|---|---|---|---|
| **Type / Description** | **Segment** | **Estimated Life** | **Gross Carrying Amount at February 29, 2008** | **Additions** | **Impairments** | **Acquisition Adjustments** | **Accumulated Amortization** | **Net Book Value at November 30, 2008** |
| Goodwill: | | | | | | | | |
| OXO | Housewares | Indefinite | $ 166,131 | $ - | $ - | $ - | $ - | $ 166,131 |
| All other goodwill | (117.5) | | | | | | | |

| | | | |
|---|---|---|---|
| Interest expense | 14.5 | 27.8 | 27.0 |
| Interest income | 1.4 | 1.9 | 1.4 |
| Other income, net | 12.5 | 31.5 | 0.4 |
| Income (loss) before income taxes | 162.5 | 181.2 | (142.7) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Provision for (benefit from) income taxes | | 4.8 | | 1.4 | | (0.5) |
| Net income (loss) | $ | 157.7 | $ | 179.8 | $ | (142.2) |
| Net income (loss) per ordinary share - Basic | $ | 2.49 | $ | 3.07 | $ | (2.46) |
| Net income (loss) per ordinary share - Diluted | $ | 2.48 | $ | 3.06 | $ | (2.46) |
| Dividends declared per ordinary share | $ | | $ | | $ | 0.50 |
| Weighted average number of ordinary shares: | | | | | | |
| Basic | | 63,344,941 | | 58,490,281 | | 57,819,416 |
| Diluted | | 63,607,786 | | 58,772,718 | | 57,819,416 |

(a) See Note 2, *Summary of Significant Accounting Policies* for additional information

See accompanying notes.

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(U.S. dollars in millions)**

| | Years ended | | |
|---|---|---|---|
| | December 26, 2008 | December 28, 2007 | As adjusted[(a)] December 29, 2006 |
| **Operating activities:** | | | |
| Net income (loss) | $ 157.7 | $ 179.8 | $ (142.2) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 85.3 | 80.9 | 83.8 |
| Gain on pension liability | (2.8) | (5.6) | |
| Stock-based compensation | 9.7 | 5.6 | 6.6 |
| Asset impairment charges | 15.7 | 15.5 | 84.0 |
| Change in uncertain tax positions | 0.4 | (4.5) | |
| (Gain) loss on sale of equipment | (7.3) | (17.4) | 0.6 |
| Equity in loss of unconsolidated companies | 2.6 | 3.1 | 1.6 |
| Deferred income taxes | (0.8) | 4.9 | (6.1) |
| Foreign currency translation adjustment | 8.3 | 7.7 | 9.6 |
| Changes in operating assets and liabilities | | | |
| Receivables | 0.1 | (78.9) | 21.6 |
| Inventories | (38.8) | (1.9) | (19.5) |
| Prepaid expenses and other current assets | (10.6) | 1.0 | 3.8 |
| Accounts payable and accrued expenses | 8.0 | (3.8) | (5.8) |
| Other noncurrent assets and liabilities | (11.9) | (33.9) | (12.7) |
| **Net cash provided by operating activities** | 215.6 | 152.5 | 25.3 |
| **Investing activities:** | | | |
| Capital expenditures | (101.5) | (81.4) | (102.1) |
| Proceeds from sale of assets | 16.5 | 32.2 | 17.8 |
| Purchase business combinations, net of cash acquired | (414.5) | | |
| Investments in unconsolidated companies | | (2.0) | |
| Other investing activities, net | | 0.4 | |
| **Net cash used in investing activities** | (499.5) | (50.8) | (84.3) |
| **Financing activities:** | | | |
| Proceeds from long-term debt | 985.6 | 527.2 | 701.7 |
| Payments on long-term debt | (713.8) | (769.5) | (593.4) |
| Proceeds from the issuance of ordinary shares, net | | 117.5 | |
| Proceeds from stock options exercised | 22.1 | 13.3 | 0.3 |
| Purchase of treasury shares | | | (5.8) |
| Payments of dividends | | | (28.9) |
| **Net cash provided by (used in) financing activities** | 293.9 | (111.5) | 73.9 |
| **Effect of exchange rate changes on cash** | (12.6) | 0.2 | 0.4 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net (decrease) increase in cash and cash equivalents | | (2.6) | | (9.6) | | 15.3 |
| Cash and cash equivalents, beginning | | 30.2 | | 39.8 | | 24.5 |
| Cash and cash equivalents, ending | $ | 27.6 | $ | 30.2 | $ | 39.8 |
| **Supplemental cash flow information:** | | | | | | |
| Cash paid for interest | $ | 12.6 | $ | 28.1 | $ | 24.0 |
| Cash paid for income taxes | $ | 1.1 | $ | 2.0 | $ | 2.3 |
| **Non-cash financing and investing activities:** | | | | | | |
| Retirement of treasury stock | $ | | $ | 5.8 | $ | |
| Purchases of assets under capital lease obligations | $ | 1.0 | $ | 10.4 | $ | 1.2 |

(a) See Note 2, *Summary of Significant Accounting Policies* for additional information

See accompanying notes.

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

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

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

| | Ordinary Shares Outstanding | Ordinary Shares | Paid-in Capital | Retained Earnings | Treasury Shares | Accumulated Other Comprehensive Income (Loss) | Total Shareholders Equity |
|---|---|---|---|---|---|---|---|
| Balance at December 30, 2005 | 58,013,180 | $ 0.6 | $ 380.5 | $ 774.9 | $ | $ (3.1) | $ 1,152.9 |
| Cumulative effect of adjustments resulting from the adoption of FSP AUG AIR 1 | | | | 11.7 | | | 11.7 |
| 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

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

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (continued)**

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

| | Ordinary Shares Outstanding | Ordinary Shares | Paid-in Capital | Retained Earnings | Treasury Shares | Accumulated Other Comprehensive Income (Loss) | Total Shareholders Equity |
|---|---|---|---|---|---|---|---|
| Balance at December 28, 2007 | 62,702,916 | $ 0.6 | $ 518.0 | $ 806.9 | $ | $ 39.3 | $ 1,364.8 |
| Exercises of stock options | 850,295 | | 22.1 | | | | 22.1 |
| Share-based payment expense | | | 9.7 | | | | 9.7 |
| Comprehensive income: | | | | | | | |
| Net income | | | | 157.7 | | | 157.7 |
| Unrealized gain on derivatives | | | | | | 13.4 | 13.4 |
| Net foreign currency translation adjustment | | | | | | (51.6) | (51.6) |
| Change in retirement benefit adjustment | | | | | | (19.2) | (19.2) |
| Comprehensive income | | | | | | | 100.3 |
| Balance at December 26, 2008 | 63,553,211 | $ 0.6 | $ 549.8 | $ 964.6 | $ | $ (18.1) | $ 1,496.9 |

See accompanying notes

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. General**

Reference in this Report to Fresh Del Monte, we , our and us and the Company refer to Fresh Del Monte Produce Inc. and its subsidiaries, unles the context indicates otherwise.

We were incorporated under the laws of the Cayman Islands on August 29, 1996. Prior to March 31, 2008, we qualified as a foreign private issuer for purposes of filing and disclosure requirements under the United States securities laws. As a foreign private issuer under the Securities and Exchange Act of 1934, as amended (the Exchange Act ), we filed our annual report with the United States Securities and Exchange Commission ( SEC ) on Form 20-F. Effective March 31, 2008, we no longer satisfied the definition of a foreign private issuer under the Exchange Act and we are now required to file our annual reports on Form 10-K and our quarterly reports on Form 10-Q.

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 kiwis), 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. We have the exclusive right to use the DEL MONTE® brand for fresh fruit, fresh vegetables and other fresh and fresh-cut produce and certain other specified products 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.

We are 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.

Certain amounts from 2007 and 2006 have been reclassified to conform to the 2008 presentation.

**2. 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.

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

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

**2. Summary of Significant Accounting Policies (continued)**

We have applied FSP AUG AIR-1 retrospectively, resulting in the adjustment of 2006 results presented. The impact of this adjustment on the Consolidated Balance Sheet and Statement of Income for the year ended December 29, 2006 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 |

| | As previously reported | Adjustment | As adjusted |
|---|---|---|---|
| For the year ended December 29, 2006: | | | |
| Cost of products sold | $ 3,027.8 | $ (2.9) | $ 3,024.9 |
| 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) |

The effect of the adjustments on years prior to 2006 resulted in an adjustment to increase retained earnings as of January 1, 2005 of $11.7 million.

**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 the aging 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.

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

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

**2. 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 VIEs. 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, five to 20 years for ships and containers, three to 20 years for machinery and equipment, three to seven years for furniture, fixtures and office equipment and five 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 14.5 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.

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 calculated 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 2008, 2007 and 2006 of $14.7 million, $15.5 million and $56.4 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 26, 2008, December 28, 2007 and December 29, 2006, respectively, and as described further in Note 4, *Asset Impairment and Other Charges* .

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 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.

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

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

**2. 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, goodwill and indefinite-lived intangible assets.

**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.

During 2008, we experienced extensive flooding in our Brazil banana operation. As a result of the flooding and subsequent decision not to re-plant on three of the 12 Brazil banana farms, we recorded $1.7 million in cost of products sold in relation to idle worker costs, salaries and termination costs for the farm and packing workers and $0.4 million of packaging material write-offs and other costs. In addition in 2008, we recorded $0.9 million in cost of products sold of inventory write-offs and other clean up costs as a result of flooding and landslides in our Costa Rican banana operation.

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. 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.

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.

**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 $16.7 million, $23.7 million, and $38.4 million for 2008, 2007 and 2006, 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 $1.8 million, $1.2 million and $1.0 million, for 2008, 2007 and 2006, respectively. These amounts are included in the depreciation and amortization caption in the Consolidated Statements of Cash Flows for the years ended 2008, 2007 and 2006.

**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 12, *Income Taxes*.

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

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

**2. Summary of Significant Accounting Policies (continued)**

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. At December 26, 2008, we had $20.4 million of uncertain tax positions. See Note 12, *Income Taxes* .

**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.

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) | | | |
|---|---|---|---|---|
| | **Cumulative Prior to December 27, 2003** | **Year ended December 31, 2004** | **Year ended December 30, 2005** | **Adjustment Recorded as of December 31, 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.

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

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

**2. Summary of Significant Accounting Policies (continued)**

(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.

**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 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 and the effect of exchange rate changes on intercompany transactions of long-term investment nature 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, 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, net.

Other income, net, in the accompanying Consolidated Statements of Income includes $6.5 million and $14.9 million net gain and $3.5 million net loss on foreign exchange for 2008, 2007 and 2006, 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.

**Other Income, Net**

In addition to foreign currency gains and losses, other income, net, also consists of equity losses of unconsolidated companies, gains and losses from sales of investments and property, plant and equipment and other items of non-operating income and expenses.

**Stock-Based Compensation**

We account for stock-based compensation expense consistent with SFAS No. 123(R), Share-Based Payments . 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 No. 123R, are stock options. We use the Black-Scholes option pricing model to estimate the fair value of stock options granted.

See Note 16, *Stock-Based Compensation* for more information.

**Derivative Financial Instruments**

We account for derivative financial instruments in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* 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.

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

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

**2. Summary of Significant Accounting Policies (continued)**

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. In addition, we perform an assessment of hedge effectiveness, both at 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. 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 monitor the hedge effectiveness of our derivative instruments on an ongoing basis, which includes assessing counterparty credit risk. The ineffective portion of a derivative financial instrument s change in fair value is immediately recognized in earnings. The impact of hedge ineffectiveness was not material for 2008, 2007 and 2006.

**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 ).

Effective December 29, 2006 we adopted the first phase of the provisions of SFAS 158, which require 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 using a November 30 measurement date. Effective December 26, 2008, we adopted the second phase of the provisions of SFAS 158, the measurement date provision, which also requires us to measure defined benefit pension plans and other post-retirement benefit plans as of the date of our fiscal year end. We elected to adopt the change in measurement date using the alternative method. The alternative method requires only one actuarial valuation during the transition period. The valuation provides a projection of net periodic benefit cost for a 13-month period that results in immaterial impact to retained earnings in the fourth quarter of 2008. See Note 15, *Retirement and Other Employee Benefits* .

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

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

**2. Summary of Significant Accounting Policies (continued)**

The following table reflects the effects of the first phase adoption of SFAS 158 on our Consolidated Statements of Shareholders Equity (U.S. dollars in millions):

| | December 29, 2006 [(1)] | | |
|---|---|---|---|
| | Before application of SFAS 158 | Adjustments | After application of SFAS 158 |
| Accumulated other comprehensive income | $ 4.9 | $ 12.1 | $ 17.0 |
| Total shareholders equity | $ 1,014.2 | $ 12.1 | $ 1,026.3 |

(1) See Note 2 related to Accounting for Planned Major Maintenance Activities for additional information

**New Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards ( SFAS ) No. 157, *Fair Value Measurements* . SFAS No. 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 was effective for us beginning on December 29, 2007, the first day of our 2008 year.

Additionally on February 6, 2008, the FASB finalized FASB Staff Position ( FSP ) No. 157-2, *Fair Value Measurements* and agreed to defer the effective date of SFAS No. 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 under SFAS No. 142, *Goodwill and Other 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* . In accordance with SFAS No. 157 and FSP 157-2, we have adopted the provisions of SFAS No. 157 with respect to our financial assets and liabilities that are measured at fair value within the consolidated financial statements commencing on December 29, 2007, the first day of our 2008 year. Our adoption of SFAS No. 157 has not had any material impact on our consolidated financial statements for the year ended December 26, 2008. Refer to Note 19, *Financial Instruments and Fair Value* . We expect that the initial adoption of SFAS 157 with regards to the items deferred by FSP 157-2 will have an immaterial impact on our consolidated financial statements.

On December 4, 2007, the FASB issued Statement No. 141(R), *Business Combinations* and Statement No. 160, *Accounting and Reporting of Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51* . These new standards will significantly change the accounting for and reporting of business combination transactions and noncontrolling (minority) interests in consolidated financial statements. SFAS No. 160 requires classification of noncontrolling interests as a component of consolidated shareholders 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 No. 141(R) and SFAS No. 160 are required to be adopted simultaneously and are effective on the first day of our 2009 year. Earlier adoption is prohibited. We are currently evaluating the impact of adopting SFAS No. 141(R) and SFAS No. 160 on our consolidated financial statements.

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

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

**2. Summary of Significant Accounting Policies (continued)**

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* , an amendment of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* . SFAS No. 161 requires entities to provide greater transparency in derivative disclosures by requiring qualitative disclosure about objectives and strategies for using derivatives and quantitative disclosures about fair value amounts of and gains and losses on derivative instruments. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We will be required to comply with the disclosure requirements of SFAS No. 161 in our 2009 first quarter financial statements and expect to provide moderately increased disclosures.

In November 2008, the FASB ratified Emerging Issues Task Force ( EITF ) Issue No. 08-7, *Accounting for Defensive Intangible Assets*. EITF 08-7 clarifies the accounting for certain separately identifiable intangible assets which an acquirer does not intend to actively use but intends to hold to prevent its competitors from obtaining access to them and is applicable to intangible assets acquired after the effective date of SFAS No. 141(R). EITF 08-7 requires an acquirer in a business combination to account for a defensive intangible asset as a separate unit of accounting which should be amortized to expense over the period the asset diminishes in value. EITF 08-7 is effective beginning December 27, 2008, the first day of our 2009 year. Early adoption is prohibited. We expect the impact of the initial adoption of EITF 08-7 to be immaterial to our consolidated financial statements.

On December 30, 2008, the FASB issued FSP No. FAS 132(R)-1, *Employers Disclosures About Postretirement Benefit Plan Assets.* , which amends SFAS No. 132(R), *Employers Disclosures About Pensions and Other Postretirement Benefits,* to require more detailed disclosures about our plan assets, including investment strategies, major categories of plan assets, concentrations of risk within plan assets, and valuation techniques used to measure the fair value of plan assets consistent with fair value hierarchy model described in SFAS No. 157, as noted above. We will be required to comply with the disclosure requirements of FSP 132(R)-1 for our 2009 consolidated financial statements and expect to provide increased disclosures.

**3. Acquisitions**

***Caribana acquisition***

On June 6, 2008, we completed the acquisition for 100% of the shares of Desarollo Agroindustrial de Frutales, S.A., a producer of high quality bananas in Costa Rica; Frutas de Exportacion, S.A., a major provider of gold pineapples in Costa Rica; and an affiliated sales and marketing company, collectively known as Caribana , for a purchase price of $405.9 million, which includes $2.9 million in acquisition related expenses. The acquisition was funded with $88.5 million in cash on hand and drawings under the Credit Facility (as defined in Note 13, *Long-Term Debt and Capital Lease Obligations* ).

As a result of the acquisition, our current land holdings in Costa Rica increased by approximately 13,000 hectares of quality farm land. In addition to farm land, we acquired plantations and farming and packing infrastructure for the production of bananas and pineapples. This acquisition is accounted for as a purchase of a business under SFAS No. 141, *Accounting for Business Combinations* .

The following is an unaudited condensed balance sheet of Caribana at June 6, 2008, based on the assessment of fair value, including the major captions of assets acquired (U.S. dollars in millions):

| | |
|---|---|
| Cash acquired | $ 1.6 |
| Property, Plant and Equipment | 232.7 |
| Other assets, net | 2.7 |
| Inventories | 20.8 |

| | |
|---|---|
| Non-compete agreements (intangibles) | 10.3 |
| Current and deferred taxes | (25.7) |
| Estimated fair market value of assets acquired | 242.4 |
| Purchase price | 405.9 |
| Goodwill | $ 163.5 |

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

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

**3. Acquisitions (continued)**

An increase in property, plant and equipment of $57.2 million and an increase in current and deferred tax liabilities of $25.4 million was included in the purchase price allocation based on valuations concluded during the fourth quarter of 2008 when compared to the preliminary values disclosed during the second quarter of 2008; with a corresponding net decrease in goodwill. The non-compete agreements obtained as part of the Caribana acquisition are being amortized over a period of 10 years. Goodwill represents the excess purchase price above the fair market value of the net assets acquired. Based on the purchase price allocation, $143.0 million and $20.5 million in goodwill will be allocated to the other fresh produce and banana segments, respectively, none of which is tax deductible.

We have included the operations of Caribana in our Consolidated Statements of Income beginning with the June 6, 2008 acquisition date.

The following unaudited pro-forma information presents a summary of our consolidated results of operations as if the Caribana acquisition had occurred as of December 30, 2006, the first day of our 2007 year (U.S. dollars in millions):

| | Quarter ended | | Year Ended | |
|---|---|---|---|---|
| | December 26, 2008 | December 28, 2007 | December 26, 2008 | December 28, 2007 |
| Net sales | $ 831.0 | $ 888.1 | $ 3,605.4 | $ 3,538.6 |
| Net income | $ 22.9 | $ 37.1 | $ 164.6 | $ 194.0 |
| Net income per ordinary share: | | | | |
| Basic | $ 0.36 | $ 0.61 | $ 2.60 | $ 3.32 |
| Diluted | $ 0.36 | $ 0.61 | $ 2.59 | $ 3.30 |
| Weighted average number of ordinary shares: | | | | |
| Basic | 63,540,689 | 60,496,584 | 63,344,941 | 58,490,281 |
| Diluted | 63,602,862 | 60,933,690 | 63,607,786 | 58,772,718 |

***Other acquisitions and asset purchases***

On June 27, 2008, we acquired certain assets, excluding land, of Melones de Costa Rica, S.A. ( MCR ). MCR is a 50% owned unconsolidated subsidiary that produced melons for us in Costa Rica. MCR will continue to own the land which will be leased to us on a long-term basis. The total area under production is approximately 2,300 hectares with an estimated annual production of 3 million boxes. The purchase price was $8.3 million of which $3.8 million was paid during the third quarter of 2008 using operating cash flows and available borrowings under the Credit Facility and the remaining $4.5 million will be paid in 2009.

During the third quarter of 2008, we completed the acquisitions of two melon operations in Guatemala. The purchase price was $13.9 million of which $8.9 million was paid using operating cash flows and available borrowings under the Credit Facility and the remaining $5.0 million will be paid in 2009. During the fourth quarter, goodwill decreased by $1.6 million primarily due to the completion of the appraisal of fixed assets which resulted in an increase to property, plant & equipment of $2.0 million and an increase to deferred tax liabilities of $0.6 million. The following is an unaudited condensed balance sheet as of the acquisition date, based on the assessment of fair value including the major captions of assets acquired (U.S. dollars in millions):

| | |
|---|---|
| Property, Plant and Equipment | $ 9.8 |
| Inventories | 1.8 |

| | |
|---|---|
| Deferred Taxes | (0.6) |
| | |
| Estimated fair market value of assets acquired | 11.0 |
| Purchase price | 13.9 |
| | |
| Goodwill | $ 2.9 |

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

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

**3. Acquisitions (continued)**

Goodwill represents the excess purchase price above the fair market value of the net assets acquired. Based on the purchase price allocation, $2.9 million in goodwill is allocated to the other fresh produce segment, which is tax deductible. The acquisition of the two melon operations in Guatemala are accounted for as a purchase of a business under SFAS No. 141.

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. See Note 20, *Related Party Transactions* .

See Note 9, *Goodwill and Other Intangible Assets* for further information.

**4. Asset Impairment and Other Charges**

We recorded asset impairment and other charges totaling $18.4 million, $12.5 million and $105.3 million for the years ended 2008, 2007 and 2006, 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 2008, 2007 and 2006 (U.S. dollars in millions):

| | Years ended | | |
|---|---|---|---|
| | December 26, 2008 | December 28, 2007 | December 29, 2006 |
| Charges related to asset impairments | $ 11.6 | $ 0.2 | $ 50.1 |
| Asset Impairment and Other charges related to exit activities, net | 6.8 | 12.3 | 55.2 |
| Total asset impairment and other charges | $ 18.4 | $ 12.5 | $ 105.3 |

The following represents the detail of asset impairment and exit activity charges for the year ended December 26, 2008 by reporting segment and geographic region (U.S. dollars in millions):

| | Banana Segment | | | Other Fresh Produce Segment | Prepared Foods Segment | |
|---|---|---|---|---|---|---|
| | Europe | Central America | South America | North America | Europe | Totals |
| Impairment of long-lived and other assets | $ 3.1 | $ 2.8 | $ 8.5 | $ 0.3 | $ | $ 14.7 |
| Total asset impairment charges | 3.1 | 2.8 | 8.5 | 0.3 | | 14.7 |
| One-time termination benefits, contract termination costs and other exit activity charges (credits) | 4.7 | | | (2.9) | 1.9 | 3.7 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total asset impairment and other charges | $ 7.8 | $ 2.8 | $ 8.5 | $ (2.6) | $ 1.9 | $ 18.4 |

Included in the $18.4 million for the year ended December 26, 2008, are $11.3 million of asset impairment charges related to flood damage at our banana farms in Costa Rica and Brazil, net of insurance reimbursement in our Brazil banana operations, and $7.8 million in asset impairment and other charges primarily related to the closure of under-utilized distribution centers in the United Kingdom in the banana segment. Included in the $7.8 million is $3.1 million in asset impairment charges and a net charge of $4.7 million of one-time termination benefits and contract termination costs. Also included in the $18.4 million are charges of $1.8 million

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

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

**4. Asset Impairment and Other Charges (continued)**

related to one-time termination benefits resulting from the previously announced closure of a beverage production facility in the United Kingdom in the prepared food segment offset by a net credit of $2.9 million related to the previously announced decision to exit production activities in Hawaii in 2006, primarily related to the amortization of deferred pension gains in the other fresh produce segment.

A significant portion of the 2008 impairment of the long-lived assets relates to (1) charges as a result of the extensive flood damage to our production facilities in Costa Rica and Brazil in the banana segment and (2) the closure of underutilized distribution centers in the United Kingdom in the banana segment.

Included in the 2008 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) the closure of underutilized distribution centers and the previously announced closure of our beverage production operation in the United Kingdom in the banana and prepared foods segments.

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) | $ (4.0) | $ 1.6 | $ 0.2 | $ 14.7 | $ 12.5 |

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.

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.

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

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

**4. Asset Impairment and Other Charges (continued)**

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 credits, net | 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.

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.

The following represents the roll forward of exit activity reserves for the year ended December 26, 2008 (U.S. dollars in millions):

| | Exit activity reserve balance at December 28, 2007 | Impact to Earnings | Cash Paid | Exit activity reserve balance at December 26, 2008 |
|---|---|---|---|---|
| One time termination benefits | $ 4.4 | $ 2.4 | $ (2.3) | $ 4.5 |
| Contract termination and other exit activity charges | 2.6 | 4.2 | (5.1) | 1.7 |
| | $ 7.0 | $ 6.6 | $ (7.4) | $ 6.2 |

Exit activity reserves are recorded in the consolidated balance sheets in accounts payable and accrued expenses, for the current portion and other noncurrent liabilities for the noncurrent portion.

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

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

### 5. Inventories

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

| | December 26, 2008 | December 28, 2007 |
|---|---|---|
| Finished goods | $ 175.7 | $ 170.7 |
| Raw materials and packaging supplies | 131.5 | 126.2 |
| Growing crops | 152.6 | 110.0 |
| Total inventories | $ 459.8 | $ 406.9 |

### 6. Investments in Unconsolidated Companies

Investments in unconsolidated companies accounted for under the equity method amounted to $7.7 million and $10.3 million at December 26, 2008 and December 28, 2007, respectively.

Investments in unconsolidated companies consisted of the following at December 26, 2008:

| 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 VIEs. See Note 7, *Variable Interest Entities* .

Purchases from unconsolidated companies were $43.4 million, $60.3 million and $60.8 million for 2008, 2007 and 2006, respectively.

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

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

**6. Investments in Unconsolidated Companies (continued)**

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

| | December 26, 2008 | December 28, 2007 |
|---|---|---|
| Current assets | $ 4.1 | $ 6.3 |
| Noncurrent assets | 17.9 | 18.2 |
| Current liabilities | (5.8) | (8.5) |
| Noncurrent liabilities | (2.5) | (0.7) |
| Net worth | $ 13.7 | $ 15.3 |

| | Years ended | | |
|---|---|---|---|
| | December 26, 2008 | December 28, 2007 | December 29, 2006 |
| Net sales | $ 50.9 | $ 50.6 | $ 73.2 |
| Gross (loss) profit | $ (4.3) | $ (5.8) | $ 3.0 |
| Net loss | $ (5.5) | $ (6.0) | $ (1.5) |

Our portion of losses in unconsolidated companies amounted to $2.6 million, $3.1 million and $1.6 million in 2008, 2007 and 2006, respectively, and is included in other income, net. There were no dividends received from unconsolidated subsidiaries in 2008, 2007 and 2006.

**7. Variable Interest Entities**

We have investments in Davco and Southern, which meet the definition of a VIE pursuant to FASB Interpretation No. 46, *Consolidation of Variable Interest Entities (revised December 2003)* ( FIN 46R ) and are consolidated. Davco and Southern are *Del Monte Gold*© *Extra Sweet* pineapple producers in the Philippines that sell all of their pineapple to us and in which we have a 40% equity investment. At December 26, 2008 and December 28, 2007, Davco had approximately $2.5 million 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 26, 2008 and December 28, 2007, Southern had approximately $5.9 million and $6.9 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 $2.4 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 VIEs 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.

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

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

**7. Variable Interest Entities (continued)**

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

| | December 26, 2008 | | December 28, 2007 | |
|---|---|---|---|---|
| | Davco | Southern | Davco | Southern |
| Inventory | $ 6.6 | $ 5.2 | $ 7.1 | $ 4.0 |
| Current assets | 10.1 | 8.2 | 8.8 | 6.0 |
| Other assets | 4.8 | 11.5 | 5.7 | 10.8 |
| Accounts payable and other accruals | 2.0 | 1.9 | 1.9 | 1.3 |
| Long-term debt | 2.5 | 5.9 | 2.5 | 6.9 |
| Minority interest, currency translation losses and other equity | 10.5 | 10.5 | 9.9 | 9.3 |

| | Years ended | | | | | |
|---|---|---|---|---|---|---|
| | December 26, 2008 | | December 28, 2007 | | December 29, 2006 | |
| | Davco | Southern | Davco | Southern | Davco | Southern |
| Net sales | $ 11.7 | $ 8.5 | $ 9.6 | $ 6.7 | $ 8.0 | $ 2.0 |
| Gross profit (loss) | 0.3 | 0.7 | (0.6) | (0.5) | (0.6) | 0.1 |
| Net income (loss) | 0.1 | (0.4) | (0.2) | | (0.1) | 0.1 |

**8. Property, Plant and Equipment**

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

| | December 26, 2008 | December 28, 2007 |
|---|---|---|
| Land and land improvements | $ 531.3 | $ 349.4 |
| Buildings and leasehold improvements | 358.5 | 311.7 |
| Machinery and equipment | 340.0 | 317.2 |
| Maritime equipment (including containers) | 251.6 | 252.8 |
| Furniture, fixtures and office equipment | 96.0 | 91.5 |
| Automotive equipment | 41.3 | 40.1 |
| Construction-in-progress | 71.4 | 37.8 |
| | 1,690.1 | 1,400.5 |
| Less: accumulated depreciation and amortization | (604.9) | (548.7) |
| Property, plant and equipment, net | $ 1,085.2 | $ 851.8 |

Depreciation and amortization expense on property, plant and equipment, including assets under capital leases, amounted to $82.0 million, $78.6 million and $81.6 million for 2008, 2007 and 2006, respectively.

Containers, machinery and equipment and automotive equipment under capital leases totaled $25.0 million and $33.4 million at December 26, 2008 and December 28, 2007, respectively. Accumulated amortization for assets under capital leases was $7.7 million and $10.5 million at December 26, 2008 and December 28, 2007, respectively.

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

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

**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 26, 2008 | December 28, 2007 |
|---|---|---|
| Goodwill | $ 401.1 | $ 253.2 |
| Indefinite-lived intangible assets | | |
| Trademarks | 71.7 | 74.6 |
| Definite-lived intangible assets | | |
| Definite-lived intangible assets | 23.7 | 13.5 |
| Accumulated amortization | (9.6) | (8.2) |
| Definite-lived intangible assets, net | 14.1 | 5.3 |
| Goodwill and other intangible assets, net | $ 486.9 | $ 333.1 |

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

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

| | Year ended December 26, 2008 | | | |
|---|---|---|---|---|
| | Beginning | Acquisitions | Foreign Exchange and Other | Ending |
| Bananas | $ 44.6 | $ 20.4 | $ (0.7) | $ 64.3 |
| Other fresh produce | 121.7 | 146.0 | (1.9) | 265.8 |
| Other products and services | 2.3 | | | 2.3 |
| Prepared food | 84.6 | | (15.9) | 68.7 |
| Totals | $ 253.2 | $ 166.4 | $ (18.5) | $ 401.1 |

| | Year ended December 28, 2007 | | | |
|---|---|---|---|---|
| | Beginning | Acquisitions | Foreign Exchange and Other | 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 | $ 251.9 | $ | $ 1.3 | $ 253.2 |

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

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

**9. Goodwill and Other Intangible Assets (continued)**

***Results of Impairment Tests***

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, 2008 and 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 that 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 26, 2008, we are not aware of any items or events that would cause a further adjustment to the carrying value of goodwill.

The fair value of the prepared reporting unit goodwill 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 one-percentage point increase in the discount rate used would result in an impairment loss of approximately $10.0 million related to this asset.

Based on the valuation of the trademarks performed as of October 1, 2008 and 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 and December 26, 2008, we were not aware of any items or events that would cause a further adjustment to the carrying value of the trademarks.

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 an impairment loss of approximately $1.0 million related to this asset.

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, $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.

During 2006, 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 26, 2008.

See Note 4, *Asset Impairment and Other Charges* for further discussion related to impairments of goodwill and intangible assets occurring during 2006.

***Impact to Goodwill and Intangibles as a result of Acquisitions***

On June 6, 2008, we completed the acquisition of Caribana. As a result of the purchase price allocation finalized during the fourth quarter of 2008, $143.0 million and $20.5 million in goodwill was allocated to the other fresh produce and banana segments, respectively. Non-compete agreements with a fair value of $10.3 million were obtained as part of the Caribana acquisition and are being amortized over a period of 10 years. For the year ended December 26, 2008, we recorded $0.5 million in amortization expense related to the non-compete agreement intangible asset.

During the third quarter of 2008, we completed the acquisitions of two melon operations in Guatemala. As a result of the purchase price allocation finalized during the fourth quarter of 2008, $2.9 million in goodwill was allocated to the other fresh produce segment.

On June 28, 2007, we acquired certain assets of 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 four years. For the years ended December 26, 2008 and December 28, 2007, we recorded $0.8 million and $0.4 million, respectively in amortization expense related to these assets. See Note 20, *Related Party Transactions* .

See Note 3, *Acquisitions* for further information regarding the acquisitions described above.

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

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

**9. Goodwill and Other Intangible Assets (continued)**

Amortization expense related to definite-lived intangible assets totaled $1.4 million, $0.9 million and $1.1 million for 2008, 2007 and 2006, respectively.

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

| | |
|---|---|
| 2009 | $ 1.9 |
| 2010 | 1.9 |
| 2011 | 1.3 |
| 2012 | 1.1 |
| 2013 | 1.1 |

**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 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 | (6.3) | 26.7 | (4.6) | 23.5 | 39.3 |
| Current year net change in other comprehensive income (loss) | 13.4 | (51.6) | | (19.2) | (57.4) |
| Balance at December 26, 2008 | $ 7.1 | $ (24.9) | $ (4.6) | $ 4.3 | $ (18.1) |

Effective December 29, 2006, we adopted SFAS 158 which requires the recognition of the funded status of defined benefit pension plans and other post-retirement 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 years ended December 26, 2008 and December 28, 2007.

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

**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 26, 2008 | December 28, 2007 |
|---|---|---|
| Trade and other payables | $ 172.5 | $ 151.1 |
| Accrued fruit purchases | 19.5 | 19.1 |
| Vessel and port operating expenses | 22.8 | 19.2 |
| Payroll and employee benefits | 26.4 | 26.1 |
| Accrued promotions | 12.0 | 10.1 |
| Other accrued expenses | 126.4 | 132.9 |
| Accounts payable and accrued expenses | $ 379.6 | $ 358.5 |

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 26, 2008 | December 28, 2007 | December 29, 2006 |
| Current: | | | |
| U.S. federal income tax | $ 0.3 | $ (0.3) | $ |
| State | 0.2 | | 0.4 |
| Non-U.S. | 6.5 | (0.6) | 6.1 |
| | 7.0 | (0.9) | 6.5 |
| Deferred: | | | |
| U.S. federal income tax | (0.5) | 0.9 | (1.4) |
| State | (0.1) | 0.1 | (0.2) |
| Non-U.S. | (1.6) | 1.3 | (5.4) |
| | (2.2) | 2.3 | (7.0) |
| | $ 4.8 | $ 1.4 | $ (0.5) |

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

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

**12. Income Taxes (continued)**

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

| | Years ended | | |
|---|---|---|---|
| | December 26, 2008 | December 28, 2007 | As adjusted [a] December 29, 2006 |
| U.S. | $ 24.4 | $ 14.2 | $ (88.4) |
| Non-U.S. | 138.1 | 167.0 | (54.3) |
| | $ 162.5 | $ 181.2 | $ (142.7) |

(a) See Note 2, *Summary of Significant Accounting Policies* 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 [c] | | |
|---|---|---|---|
| | December 26, 2008 | December 28, 2007 | As adjusted [a] December 29, 2006 |
| Income tax provision (benefit) computed at the U.S. statutory federal rate | $ 56.9 | $ 63.4 | $ (50.0) |
| Effect of tax rates on non-U.S. operations | (68.8) | (61.8) | (10.1) |
| Provision for (reversal of) tax contingencies/uncertain tax positions | 0.4 | (3.5) | 2.3 |
| Goodwill impairment | | | 4.4 |
| Non-taxable interest | (3.5) | | (12.3) |
| Foreign exchange | (13.5) | 1.8 | 6.0 |
| Non-deductible intercompany charges | 2.4 | 2.4 | |
| Non-deductible differences | (0.7) | 3.6 | 5.2 |
| Other | (1.2) | 5.3 | (2.6) |
| Change in deferred tax rate | 0.2 | 7.1 | (0.9) |
| (Decrease)/increase in valuation allowance [b] | 32.6 | (16.9) | 57.5 |
| Provision for (benefit from) income taxes | $ 4.8 | $ 1.4 | $ (0.5) |

(a) See Note 2, *Summary of Significant Accounting Policies* for additional information

(b) The (decrease)/increase in valuation allowance includes the effects of foreign exchange and adjustments to deferred tax balances which were fully offset by valuation allowance

(c) Certain amounts in prior years have been reclassified to conform to current year presentation

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

**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 26, 2008 | December 28, 2007 |
|---|---|---|
| **Deferred tax liabilities** | | |
| **Current:** | | |
| Allowances and other accrued liabilities | $ (3.5) | $ (2.4) |
| Inventories | (22.5) | (17.8) |
| Total current tax liabilities | (26.0) | (20.2) |
| **Noncurrent:** | | |
| Property, plant and equipment | (84.7) | (73.6) |
| Equity in earnings of unconsolidated companies | (0.6) | (1.6) |
| Pension | (2.8) | (7.5) |
| Other noncurrent liabilities | (4.3) | (2.9) |
| Total noncurrent deferred tax liabilities | (92.4) | (85.6) |
| Total deferred tax liabilities | $ (118.4) | $ (105.8) |
| **Deferred tax assets:** | | |
| **Current:** | | |
| Allowances and other accrued liabilities | $ 26.6 | $ 16.0 |
| Inventories | 2.6 | 3.7 |
| Total current deferred tax assets | 29.2 | 19.7 |
| Valuation allowance | (10.0) | (10.6) |
| Total net current deferred tax assets | 19.2 | 9.1 |
| **Noncurrent:** | | |
| Pension liability | 17.3 | 17.8 |
| Property, plant and equipment | 3.6 | 6.8 |
| Post-retirement benefits other than pension | 2.1 | 3.4 |
| Net operating loss carryforwards | 168.8 | 174.3 |
| Capital loss carryover | 7.4 | 10.1 |
| Other noncurrent assets | 42.8 | 35.7 |
| Total noncurrent deferred tax assets | 242.0 | 248.1 |
| Valuation allowance | (198.4) | (184.3) |
| Total net noncurrent deferred tax assets | 43.6 | 63.8 |

| | | | | |
|---|---|---|---|---|
| Total deferred tax assets, net | | 62.8 | | 72.9 |
| **Net deferred tax liabilities** | $ | (55.6) | $ | (32.9) |

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 2008 and 2007, the valuation allowance increased by $13.5 million and increased by $81.1 million, respectively. The increase in the valuation allowance in 2008 relates to valuation allowances on deferred tax assets 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. As of December 26, 2008 and December 28, 2007, $9.3 million and $12.8 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.

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

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

**12. Income Taxes (continued)**

Deferred income taxes have not been recorded on the undistributed earnings of the Company s foreign subsidiaries based upon the Company s intention to permanently reinvest undistributed earnings. The Company may be subject to U.S. income taxes and foreign withholding taxes if earnings of the foreign subsidiaries were distributed. 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 26, 2008, we had approximately $614.2 million of federal and foreign tax operating loss carryforwards expiring as follows (U.S. dollars in millions):

| | |
|---|---|
| 2009 | $ 1.5 |
| 2010 | 2.8 |
| 2011 | 22.3 |
| 2012 and beyond | 163.8 |
| No expiration | 423.8 |
| Total | $ 614.2 |

Included in the total tax operating loss carryforwards at December 26, 2008, we had $19.1 million of loss carryforwards for U.S. tax purposes resulting from stock option exercises from 2004 to 2008, which have expiration dates beginning in 2023.

At December 26, 2008, we had state tax operating loss carryforwards ranging up to $21.3 million, which have various expiration dates within the years 2009-2027.

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 28, 2007 | $ 10.8 |
| Gross increases current -period tax positions | 13.7 |
| Settlements | (2.2) |
| Lapse of statute of limitations | (1.3) |
| Foreign exchange | (0.6) |
| Uncertain tax positions at December 26, 2008 | $ 20.4 |

For the year ended December 26, 2008, $3.5 million of uncertain tax positions were reversed primarily as a result of the settlement of tax audits and as a result of a lapse of the statute of limitation.

As of December 26, 2008, we had $11.0 million of uncertain tax positions, that, if recognized would affect the effective income tax rate.

The tax years 1988-2007 remain subject to examination by taxing authorities throughout the world in major jurisdictions, such as Brazil, Chile, Costa Rica, Italy, Germany, Greece, Guatemala, Japan, Jordan, 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 expense related to interest and penalties of $0.3 million for the year ended December 26, 2008. Accrued interest and penalties related to uncertain tax positions as of December 26, 2008 is $2.5 million and is included in other noncurrent liabilities.

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

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

### 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 26, 2008 | December 28, 2007 |
|---|---|---|
| $600.0 million five-year syndicated bank loan (see Revolving Credit Facility below) due November 2009 | $ 349.7 | $ 65.3 |
| $150.0 million Tranche No. 1 incremental term loan amortizing quarterly and maturing on May 10, 2011 | 139.7 | 143.4 |
| Various other notes payable | 12.6 | 14.4 |
| Capital lease obligations | 10.8 | 15.5 |
| Total long-term debt and capital lease obligations | 512.8 | 238.6 |
| Less: Current portion | (358.0) | (6.9) |
| Long-term debt and capital lease obligations | $ 154.8 | $ 231.7 |

**Revolving Credit Facility**

Our long-term debt consists principally of a five-year syndicated revolving credit facility (the Credit Facility ) with Rabobank Nederland, New York Branch, as administrative agent. The Credit Facility includes a revolving commitment of $600.0 million expiring on November 10, 2009 and a term loan commitment (the Term Loan ). The Credit Facility has been classified as current in our 2008 consolidated balance sheet due to its maturity date. We plan to refinance the facility during 2009. The current turmoil in the global capital markets may hinder our ability to obtain favorable terms to refinance the Credit Facility or our ability to access these global capital markets.

The Term Loan is a five-year amortizing loan with quarterly payments of principal and interest which matures on May 10, 2011. At December 26, 2008, we had $139.7 million outstanding under the Term Loan. The interest rate on the Term Loan (1.46% at December 26, 2008) is based on a spread over the London Interbank Offer Rate ( LIBOR ).

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 (2.44% at December 26, 2008).

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 26, 2008, we were in compliance with all of the financial covenants contained in the Credit Facility.

At December 26, 2008, we had $212.7 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 26, 2008, we applied $39.4 million to the letter of credit facility, comprised primarily of certain contingent obligations and other governmental agency guarantees combined with guarantees for purchases of raw materials and equipment. We also had $2.5 million in other letters of credit not included in the letter of credit facility.

At December 26, 2008, we had $512.8 million of long-term debt and capital lease obligations, including the current portion, consisting of $489.4 million outstanding under the Credit Facility (including the Term Loan), $10.8 million of capital lease obligations and $12.6 million of other long-term debt and notes payable.

The increase in our revolving credit facility is principally due to the Caribana acquisition completed on June 6, 2008. The acquisition s $405.9 million purchase price was funded with $88.5 million in cash on hand and drawings under our Credit Facility. See Note 3, *Acquisitions* .

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

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

**13. Long-Term Debt and Capital Lease Obligations (continued)**

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 |
|---|---|---|---|
| 2009 | $ 353.0 | $ 5.5 | $ 358.5 |
| 2010 | 3.6 | 3.1 | 6.7 |
| 2011 | 139.2 | 2.5 | 141.7 |
| 2012 | 1.1 | 0.6 | 1.7 |
| 2013 | 1.1 | 0.1 | 1.2 |
| Thereafter | 4.0 | | 4.0 |
| | 502.0 | 11.8 | 513.8 |
| Less: Amounts representing interest | | (1.0) | (1.0) |
| | 502.0 | 10.8 | 512.8 |
| Less: Current portion | $ (353.0) | $ (5.0) | $ (358.0) |
| Totals, net of current portion of long-term debt and capital lease obligations | $ 149.0 | $ 5.8 | $ 154.8 |

Cash payments of interest on long-term debt, net of amounts capitalized, were $12.6 million, $28.1 million, and $24.0 million for 2008, 2007 and 2006, 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 | | |
|---|---|---|---|
| | December 26, 2008 | December 28, 2007 | As adjusted[(a)] December 29, 2006 |
| **Numerator:** | | | |
| Net income (loss) | $ 157.7 | $ 179.8 | $ (142.2) |
| **Denominator:** | | | |
| Weighted average number of ordinary shares Basic | 63,344,941 | 58,490,281 | 57,819,416 |
| Effect of dilutive securities employee stock options | 262,845 | 282,437 | |
| Weighted average number of ordinary shares Diluted | 63,607,786 | 58,772,718 | 57,819,416 |
| **Net income (loss) per ordinary share:** | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Basic | $ | 2.49 | $ | 3.07 | $ | (2.46) |
| Diluted | $ | 2.48 | $ | 3.06 | $ | (2.46) |

[a] See Note 2, *Summary of Significant Accounting Policies* for additional information

There were no anti-dilutive options for any part of 2008 and 2007. As a result of the net loss in 2006, the calculation of diluted earnings per share is anti-dilutive, therefore, basic and diluted net loss per share are equal.

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

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

**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.

For the years ended December 26, 2008 and December 28, 2007, pension cost of $0.1 million and $0.3 million, respectively were included in the Asset impairment and other charges caption in the Consolidated Statements of Income as a result of Hawaii exit activities. During 2007, a settlement of $0.7 million was paid from one of our U.S.-based defined benefit pension plans for Hawaii employees.

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

| | December 26, 2008 | | December 28, 2007 | |
|---|---|---|---|---|
| | **Asset Allocation %** | **Target Asset Allocation** | **Asset Allocation %** | **Target Asset Allocation** |
| Equity securities | 6% | 0% | 63% | 40%-65% |
| Debt securities | 15% | 0%-50% | 37% | 20%-55% |
| Other | 79% | 50%-100% | | 0%-15% |
| 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.

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 2008 and 2007 were a negative 15.2% and positive 8.5%, respectively.

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

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

**15. Retirement and Other Employee Benefits (continued)**

***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 26, 2008 | December 28, 2007 | December 29, 2006 |
|---|---|---|---|
| Weighted average discount rate | 6.25% - 6.47% | 5.75% - 6.47% | 5.50% - 5.75% |
| Rate of increase in compensation levels | 0% - 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 $0.2 million to our U.S.-based defined benefit pension plans in 2009. Benefit payments under the pension plans over the next 10 years are expected to total $12.1 million and average approximately $1.2 million per year.

The accumulated benefit obligation for the U.S. based defined benefit pension plans is $18.1 million and $18.0 million at December 26, 2008 and December 28, 2007, respectively.

**U.S. Based Post-Retirement Healthcare Plans**

We provide contributory healthcare benefits to certain of 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.

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 1st 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 26, 2008 and December 28, 2007, the recognition of prior service credits of $1.5 million and $5.4 million and the amortization of actuarial pension gains net of pension costs of $1.4 million and $0.4 million, respectively were included as a reduction to Asset impairment and other charges in the Consolidated Statements of Income. For the years ended December 26, 2008 and December 28, 2007, a total of $2.9 million and $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 $0.2 million is expected to be recognized in the Consolidated Statements of Income during 2009 related to unamortized pension gains, of which $0.4 million relates to prior service credits and actuarial pension gains, respectively.

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

**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 26, 2008 and December 28, 2007 for our U.S. based post-retirement healthcare plans the assumptions used consisted of the following:

| | December 26, 2008 | December 28, 2007 |
|---|---|---|
| Weighted average discount rate | 6.25% | 6.47% |
| Health care cost trend rate assumed for next year | 8.00% | 8.75% |
| 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 | 2017 | 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 26, 2008 | |
|---|---|---|
| | 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 $0.7 million and average approximately $0.2 million per year.

**U.S. Based Plans 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.

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

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

**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 December 26, 2008 and November 30, 2007, which are also their measurement dates (U.S. dollars in millions):

| | Pension Plans | | Post-retirement Plan | |
|---|---|---|---|---|
| | December 26, 2008[1] | November 30, 2007 | December 26, 2008[1] | November 30, 2007 |
| **Change in Benefit Obligation:** | | | | |
| Beginning benefit obligation | $ 18.0 | $ 19.8 | $ 2.8 | $ 3.5 |
| Interest cost | 1.2 | 1.0 | 0.2 | 0.2 |
| Actuarial loss (gain) | 1.1 | (1.0) | (0.2) | (0.7) |
| Benefits paid | (2.1) | (1.4) | (0.2) | (0.2) |
| Settlements | | (0.7) | | |
| Amendments and other | (0.1) | 0.3 | | |
| Ending benefit obligation | 18.1 | 18.0 | 2.6 | 2.8 |
| **Change in Plan Assets:** | | | | |
| Beginning fair value | 15.8 | 14.9 | | |
| Actual return on plan assets | (2.2) | 1.2 | | |
| Company and employee contributions | 0.5 | 1.6 | 0.2 | 0.2 |
| Settlements | | (0.7) | | |
| Benefits paid | (1.8) | (1.2) | (0.2) | (0.2) |
| Ending fair value | 12.3 | 15.8 | | |
| **Reconciliation of Accruals:** | | | | |
| Funded status | (5.8) | (2.2) | (2.6) | (2.8) |
| Prior service benefit | | | 0.4 | 2.1 |
| Net actuarial (loss) gain | (4.9) | (0.3) | 0.4 | 1.9 |
| Accrued benefit costs | $ (0.9) | $ (1.9) | $ (3.4) | $ (6.8) |
| **Amounts recognized in the Consolidated Balance Sheets [2] :** | | | | |
| Other noncurrent assets | | 0.2 | | |
| Accounts payable and accrued expenses | | | 0.2 | 0.5 |
| Retirement benefits | 5.8 | 2.4 | 2.4 | 2.3 |
| Net amount recognized in the Consolidated Balance Sheets | $ 5.8 | $ 2.2 | $ 2.6 | $ 2.8 |

| | | | | |
|---|---|---|---|---|
| **Amounts recognized in Accumulated other comprehensive income (loss)[(2)] :** | | | | |
| Prior service benefit | | | 0.4 | 2.1 |
| Net actuarial (loss) gain | (4.9) | (0.3) | 0.4 | 1.9 |
| Net amount recognized in Accumulated other comprehensive income (loss) | $ (4.9) | $ (0.3) | $ 0.8 | $ 4.0 |

-

(1) Includes the adjustment to retained earnings of an increase of $0.3 million to shareholders equity as a result of the adoption of the measurement date provisions of SFAS 158 effective December 26, 2008.

(2) Effective December 29, 2006, we adopted the first phase of the provisions of SFAS 158.

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

**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):

| | | Years ended | | | Years ended | |
|---|---|---|---|---|---|---|
| | December 26, 2008 | December 28, 2007 | December 29, 2006 | December 26, 2008 | December 28, 2007 | December 29, 2006 |
| Service cost | $ | $ | $ 0.5 | $ | $ | $ 0.1 |
| Interest cost | 1.0 | 1.0 | 1.0 | 0.2 | 0.2 | 0.8 |
| Curtailment gain | | | | | (3.4) | (7.5) |
| Expected return on assets | (1.1) | (1.1) | (0.9) | | | |
| Settlements | | 0.3 | | | | |
| Net amortization | | | 0.9 | (3.1) | (2.6) | (0.9) |
| Net periodic costs | $ (0.1) | $ 0.2 | $ 1.5 | $ (2.9) | $ (5.8) | $ (7.5) |

**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 (the 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 26, 2008 | December 28, 2007 |
|---|---|---|
| Equity securities | 65% | 79% |
| Fixed income securities | 29% | 20% |
| Cash and cash equivalents | 6% | 1% |
| Total | 100% | 100% |

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 26, 2008 and December 28, 2007 was a negative return of approximately 27% and a positive return of 9.3%, respectively.

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

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

**15. Retirement and Other Employee Benefits (continued)**

***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 26, 2008 | December 28, 2007 | December 29, 2006 |
|---|---|---|---|
| Weighted average discount rate | 6.00% - 6.50% | 5.10% - 6.00% | 5.00% - 5.10% |
| Rate of increase in compensation levels | 3.20% | 2.90% | 2.75% - 2.90% |
| Expected long-term rate of return on assets | 5.80% | 7.00% | 6.75% |

***Cash Flows***

We expect to contribute approximately $2.5 million to the UK plan in 2009, estimated using the British pound to U.S. dollar exchange rate as of December 26, 2008. Benefit payments under the UK plan over the next 10 years are expected to total $19.5 million and range ratably between $1.4 million and 2009 and $2.9 million in 2018.

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

**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 December 26, 2008 and November 30, 2007, which are also the plan s measurement dates (U.S. dollars in millions):

| | December 26, 2008[1] | November 30, 2007 |
|---|---|---|
| **Change in Benefit Obligation:** | | |
| Beginning benefit obligation | $ 59.8 | $ 70.2 |
| Service cost | 0.1 | 0.3 |
| Interest cost | 2.6 | 3.7 |
| Actuarial (gain) loss | (1.9) | (14.1) |
| Benefits paid | (2.1) | (1.7) |
| Exchange rate changes [3] | (15.9) | 1.4 |
| Ending benefit obligation | 42.6 | 59.8 |
| **Change in Plan Assets:** | | |
| Beginning fair value | 45.8 | 39.6 |
| Actual return on plan assets | (8.1) | 4.1 |
| Company and employee contributions | 2.4 | 3.1 |
| Benefits paid | (2.1) | (1.7) |
| Exchange rate changes [3] | (12.0) | 0.7 |
| Ending fair value | 26.0 | 45.8 |
| **Reconciliation of Accruals:** | | |
| Funded status | (16.6) | (14.0) |
| Net actuarial gain | 6.6 | 21.1 |
| Accrued benefit costs | $ (23.2) | $ (35.1) |
| **Amounts recognized in the Consolidated Balance Sheets[2]:** | | |
| Retirement benefits | 16.6 | 14.0 |
| Net amount recognized in the Consolidated Balance Sheets | $ 16.6 | $ 14.0 |
| **Amounts recognized in Accumulated other comprehensive income (loss) [2]:** | | |
| Net actuarial gain | 6.6 | 21.1 |
| Net amount recognized in Accumulated other comprehensive income (loss) | $ 6.6 | $ 21.1 |

(1) Effective December 26, 2008, we adopted the measurement date provisions of SFAS 158, which resulted in an immaterial adjustment to retained earnings.

(2) Effective December 29, 2006, we adopted the first phase of the provisions of SFAS 158.

(3) The exchange rate difference included in the reconciliation of the change in benefit obligation and the change in plan assets above results from the strengthening of the U.S. dollar relative to the British pound as of December 26, 2008.

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

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

**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 26, 2008 | December 28, 2007 | December 29, 2006 |
|---|---|---|---|
| Service cost | $ 0.1 | $ 0.3 | $ |
| Interest cost | 2.6 | 3.7 | 3.4 |
| Expected return on assets | (2.4) | (2.9) | (2.4) |
| Net amortization | (0.4) | | |
| Net periodic costs | $ (0.1) | $ 1.1 | $ 1.0 |

A gain of $0.1 million is expected to be recognized in the Consolidated Statements of Income during 2009 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 26, 2008 | December 28, 2007 | December 29, 2006 |
|---|---|---|---|
| Weighted average discount rate | 6.47% - 14.64% | 6.47% | 5.75% |
| Rate of increase in compensation levels | 3.50% - 8.86% | 3.50% | 3.50% |

Effective December 26, 2008, we changed the method of calculating the discount rate for the Central American plans in order to align the expected return on country specific investments with the expected benefit payment stream. The impact to the ending benefit obligation as a result of this change was $0.9 million which resulted in a decrease in the retirement benefits liability and an increase in amounts recognized in Accumulated other comprehensive income of $0.9 million in our Consolidated Balance Sheets. The change in discount rate is treated as a change in assumption which affects the Net actuarial (loss) gain and is amortized over the remaining service period of the plan participants consistent with SFAS 87 and SFAS 158. The annual amortization will impact net periodic pension costs beginning in 2009.

***Cash Flows***

We do not expect to contribute to the Central American plans in 2009. Benefit payments under the Central American plans over the next 10 years are expected to total $27.7 million and average $2.8 million per year.

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

**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 December 26, 2008 and November 30, 2007, which are also the plan measurement dates (U.S. dollars in millions):

| | December 26, 2008[1] | November 30, 2007 |
|---|---|---|
| **Change in Benefit Obligation:** | | |
| Beginning benefit obligation | $ 25.0 | $ 23.8 |
| Service cost | 1.2 | 1.2 |
| Interest cost | 1.5 | 1.3 |
| Actuarial loss | (2.5) | 0.8 |
| Benefits paid | (1.3) | (2.1) |
| Settlement | (1.2) | |
| Exchange rate changes | (0.8) | |
| Ending benefit obligation | 21.9 | 25.0 |
| **Reconciliation of Accruals:** | | |
| Funded status | (21.9) | (25.0) |
| Benefit payments between November 30, 2007 and December 28, 2007 | | 0.1 |
| Unrecognized loss | (5.1) | (9.9) |
| Accrued benefit costs | $ (16.8) | $ (15.0) |
| **Amounts recognized in the Consolidated Balance Sheets [2]:** | | |
| Accounts payable and accrued expenses | 3.0 | 2.7 |
| Retirement benefits | 18.9 | 22.2 |
| Net amount recognized in the Consolidated Balance Sheets | $ 21.9 | $ 24.9 |
| **Amounts recognized in Accumulated other comprehensive income (loss)[2]:** | | |
| Additional minimum liability | | |
| Net actuarial loss | (5.1) | (9.9) |
| Net amount recognized in Accumulated other comprehensive loss | $ (5.1) | $ (9.9) |

-

(1) Includes the adjustment to retained earnings of a decrease of $0.3 million to shareholders equity as a result of the adoption of the measurement date provisions of SFAS 158 effective December 26, 2008.

(2) Effective December 29, 2006, we adopted the first phase of the provisions of SFAS 158.

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

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

**15. Retirement and Other Employee Benefits (continued)**

The following table sets forth the net periodic pension cost of the Central American plans for 2008 and 2007 (U.S. dollars in millions):

| | | Years ended | |
|---|---|---|---|
| | December 26, 2008 | December 28, 2007 | December 29, 2006 |
| Service cost | $ 1.0 | $ 1.2 | $ 1.3 |
| Interest cost | 1.5 | 1.3 | 0.8 |
| Net amortization | 0.7 | 0.8 | 0.1 |
| Settlement loss | 1.0 | | |
| Net periodic costs | $ 4.2 | $ 3.3 | $ 2.2 |

A loss of $0.4 million is expected to be recognized in the Consolidated Statements of Income during 2009 related to unamortized actuarial pension losses.

**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 $0.9 million for 2008 and $0.8 million for 2007 and 2006, 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 26, 2008 and December 28, 2007, we had $6.9 million and $6.8 million, respectively, accrued for this plan. At December 26, 2008 and December 28, 2007, we recorded $1.2 million and $1.4 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 2009 related to unamortized actuarial pension gains related to this plan. We expect to contribute approximately $0.5 million to the salary continuation plan in 2009. Benefit payments under the plan over the next 10 years are expected to total $6.9 million and average $0.7 million over the next 10 years.

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. The unamortized pension losses related to other non-U.S. based plans included in accumulated other comprehensive income (loss), a component of shareholders equity were immaterial as of December 26, 2008. We recognized $0.5 million of unamortized pension losses as of December 26, 2008 and December 28, 2007, respectively related to other non-U.S. based plans.

As of December 26, 2008 and December 28, 2007, we had accumulated other comprehensive income of $0.3 million and $3.1 million, related to tax effect of unamortized pension gains. We recorded the tax effect of the first phase adoption of SFAS 158 of $1.7 million as an increase in accumulated other comprehensive income (loss) as of December 29, 2006.

**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 April 30, 2008, the Board of Directors is authorized to grant options to purchase an aggregate of 9,000,000 ordinary shares. The aggregate number of options that may be granted to a single participant under the 1999 Plan is 2,000,000. 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.

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

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

**16. Stock-Based Compensation (continued)**

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.

Stock-based compensation expense related to stock options for the years ended December 26, 2008, December 28, 2007 and December 29, 2006, included in the determination of income before income taxes and net income, totaled $9.7 million, $5.6 million and $6.6 million on the straight-line, single award basis, or $0.15, $0.10 and $0.11 per diluted share, respectively, and are included in the Consolidated Statements of Income in selling, general and administrative expenses. We are in a net operating loss position in the relevant jurisdictions for the years ended 2007 and 2008. 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 $22.1 million, $13.3 million and $0.3 million for the years ended December 26, 2008, December 28, 2007 and December 29, 2006, respectively.

The following table summarizes stock option activity for the years ended December 26, 2008, December 28, 2007 and December 29, 2006:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Fair Value |
|---|---|---|---|
| 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 |
| Granted | 1,814,750 | 23.51 | 8.76 |
| Exercised | (850,295) | 26.03 | 10.17 |
| Canceled | (101,000) | 22.66 | 7.77 |
| Options outstanding at December 26, 2008 | 3,533,823 | $ 23.24 | $ 8.51 |
| Exercisable at December 29, 2006 | 1,235,150 | $ 23.42 | $ 8.83 |
| Exercisable at December 28, 2007 | 1,159,368 | $ 26.86 | $ 10.03 |
| Exercisable at December 26, 2008 | 1,298,823 | $ 24.65 | $ 9.01 |

On July 30, 2008, we granted 1,570,000 stock options with a grant date fair value of $8.28 per option from our 1999 Plan to employees. There were no stock option grants to our Chairman and Chief Executive Officer in the July 30, 2008 stock option grant. 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 10 years.

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

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

**16. Stock-Based Compensation (continued)**

As a result of the retirement of a former executive, on May 2, 2008, we modified his existing grants to accelerate vesting on 40,000 of his unvested options. Consistent with FASB SFAS No. 123(R), *Share-Based Payment*, the original granted options were cancelled and new modified options were granted with accelerated vesting terms. These options became fully vested on the date of retirement with modified grant date fair values of $18.28 and $5.54.

On February 27, 2008, we granted 161,000 stock options from our 1999 Plan to our Chairman and Chief Executive Officer with a grant date fair value of $11.71 per option. These options vested 20% on the grant date and then will vest 20% on each of the next four anniversary dates.

On February 27, 2008, we granted, in equal amounts, stock options from our 1999 Plan totaling 43,750 to seven non-management members of our Board of Directors with a grant date fair value of $9.25 per option. These options vested 100% on the grant date.

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 10 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 10 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 26, 2008 | December 28, 2007 | December 29, 2006 |
| Dividend yield | | | 1.31% |
| Volatility | 35.99% | 32.41% | 36.22% |
| Risk-free rate | 3.31% | 4.17% | 4.84% |
| Expected term of grant | 4.9 years | 4.7 years | 5 years |

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

**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 | 2.3 Years | 8,000 | $ 0.1 | 8,000 | $ 0.1 |
| $ 9.28 | 0.9 Years | 2,000 | | 2,000 | |
| $ 15.78 | 7.6 Years | 663,672 | 5.2 | 221,672 | 1.8 |
| $ 17.35 | 8.2 Years | 12,500 | 0.1 | 12,500 | 0.1 |
| $ 18.31 | 7.4 Years | 114,600 | 0.6 | 38,200 | 0.2 |
| $ 19.76 | 4.1 Years | 29,500 | 0.1 | 29,500 | 0.1 |
| $ 19.76 | 7.2 Years | 12,500 | | 12,500 | |
| $ 22.25 | 9.6 Years | 1,560,000 | 2.2 | 312,000 | 0.4 |
| $ 23.82 | 5.3 Years | 32,200 | | 32,200 | |
| $ 23.97 | 8.4 Years | 128,800 | | 32,200 | |
| $ 25.83 | 5.1 Years | 4,000 | | 4,000 | |
| $ 29.84 | 6.3 Years | 706,051 | | 480,851 | |
| $ 30.59 | 8.9 Years | 24,000 | | 6,000 | |
| $ 32.28 | 6.1 Years | 31,250 | | 31,250 | |
| $ 33.97 | 9.2 Years | 161,000 | | 32,200 | |
| $ 33.97 | 9.2 Years | 43,750 | | 43,750 | |
| | | 3,533,823 | $ 8.3 | 1,298,823 | $ 2.7 |

The total intrinsic value of options exercised during the years ended December 26, 2008 and December 28, 2007 was $7.4 million and $8.0 million, respectively. The total fair value of options granted for years ended December 26, 2008 and December 28, 2007 was $15.9 million and $1.9 million, respectively. The total fair value of options vesting during the years ended December 26, 2008 and December 28, 2007 was $5.8 million and $6.0 million, respectively, with a weighted-average fair value of $8.66 and $8.10 per option, respectively. As of December 26, 2008 the total remaining unrecognized compensation cost related to non-vested stock options amounted to $13.7 million, which will be amortized over the weighted-average remaining requisite service period of 2.7 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 26, 2008 are as follows (U.S. dollars in millions):

| | |
|---|---|
| 2009 | $ 21.9 |
| 2010 | 17.6 |
| 2011 | 15.1 |
| 2012 | 13.0 |
| 2013 | 11.0 |
| Thereafter | 40.4 |
| | $ 119.0 |

Total rent expense for all operating leases, including leases with initial terms of less than one year, amounted to $41.4 million, $36.9 million and $42.2 million for 2008, 2007 and 2006, respectively.

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

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

**17. Commitments and Contingencies (continued)**

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 $690.3 million, $580.8 million and $575.3 million for 2008, 2007 and 2006, respectively.

**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 claims 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. On February 19, 2008, plaintiffs moved to certify a worldwide class of farm workers allegedly injured from exposure to DBCP, which motion was denied on July 15, 2008. A trial date of January 2010 has been set for the eight named plaintiffs, although discovery has not yet commenced.

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 29th 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 June 27, 2008, the court dismissed the claims of 1,329 plaintiffs who were parties to prior DBCP actions. On June 30, 2008, our subsidiaries moved to dismiss the claims of the remaining *Abarca* plaintiffs on grounds of *forum non conveniens*. The motion to dismiss is scheduled to be heard on February 24, 2009.

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 June 27, 2008, the court dismissed the claims of 206 plaintiffs who were parties to prior DBCP actions. The court has agreed to hold the action in abeyance pending the resolution of the motion to dismiss in the *Abarca* action.

On January 2, 2009, three of our subsidiaries were served with complaints in related actions styled *Jorge Acosta Cortes, 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 461 Costa Rican residents, 389 Guatemalan residents, 962 Panamanian residents and 673 Honduran residents who claim injury from exposure to DBCP. We and our subsidiaries have never owned, managed or otherwise been involved with any banana growing operations in Panama or Honduras. On January 9, 2009, co-defendant The Dow Chemical Company ( Dow ) removed the actions to federal court. Several of the actions have been remanded to the state court and the rest are the subject of an order to show cause directing Dow to explain why they should not be remanded.

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

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

**18. Litigation (continued)**

***Former Shareholders Litigation***

On December 30, 2002, we were served with a complaint filed on December 18, 2002 in the Circuit Court of the 11th Judicial Circuit in and for Miami-Dade County, Florida by 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 those 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 Third District Court of Appeals in and for the State of Florida affirmed the final judgment on November 5, 2008.

***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 was 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. On August 13, 2008, our subsidiaries filed a motion for summary judgment on plaintiffs remaining claims. Plaintiffs filed an opposition to the motion on October 6, 2008, which our subsidiaries replied to on December 8, 2008.

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 15, 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 September 26, 2008, plaintiffs filed a motion to certify a class action, which we and our subsidiaries opposed on February 13, 2009.

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 August 5, 2008, plaintiffs filed a motion to certify a class action, which our subsidiaries opposed on January 22, 2009.

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.

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

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

**18. Litigation (continued)**

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 October 7, 2008, the court dismissed the complaint without prejudice due to inactivity after the parties had entered into an agreement tolling the statute of limitations. It is unknown whether plaintiffs intend to file a new complaint.

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. On December 5, 2008, plaintiff dismissed the case without prejudice after the parties had entered into an agreement tolling the statute of limitations. It is unknown whether plaintiff intends to file a new complaint.

***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.

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 recorded in Cost of products sold 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 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 filed a *pro se* notice of appeal of the Court s order and final judgment. On May 8, 2008, the United States Court of Appeals for the Eleventh Circuit dismissed the appeal and the settlement became effective.

***European Union Antitrust Investigation***

On June 2, 2005, one of our German subsidiaries was visited by the antitrust authority of the European Union ( EU ) as part of its investigation of certain of our overseas subsidiaries as well as other produce companies for possible violations of the EU s competition laws. Our subsidiaries cooperated fully with the investigation. On October 17, 2008, the European Commission concluded its investigation without finding any infringement of EU competition rules by, or imposing any fines on, our subsidiaries. The European Commission did, however, find that Internationale Fruchtimport Gesellschaft Weichert & Co KG ( Weichert ), an entity in which one of our subsidiaries formerly held an indirect 80% non-controlling interest, infringed EU competition rules and imposed upon it a 14.7 million ($20.7 million using exchange rates as December 26, 2008) fine. The European Commission has

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

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

**18. Litigation (continued)**

asserted that we controlled Weichert during the period by virtue of our subsidiary s former, indirect non-controlling interest and has therefore held that we are jointly and severally liable for Weichert s payment of the fine. On December 31, 2008, we filed an appeal of this determination on grounds, among others, that Weichert did not violate EU competition rules and, notwithstanding, we cannot be held jointly and severally liable for Weichert s acts under applicable German law.

***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. On October 30, 2008, the appellate court affirmed the judgment. On December 9, 2008, our subsidiary filed an appeal of the trial and appellate court decisions with the Supreme Court of Costa Rica. The costs of defense in this action are covered by insurance. As of December 26, 2008, there is $0.8 million included in accounts payable and accrued expenses in the Consolidated Balance Sheets related to the freight broker litigation.

***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 $25.7 million and is discounted using a 5.0% rate. As of December 26, 2008, there is $19.6 million included in other noncurrent liabilities and $0.5 million included in accounts payable and accrued expenses in the Consolidated Balance Sheets for the Kunia well site clean-up. We expect to expend approximately $0.5 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.

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

**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 is 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 for these matters as of December 26, 2008, except as related to the Kunia Well Site and Freight Broker Litigation Actions.

**19. Financial Instruments and Fair Value Measurements**

***Derivative Financial Instruments - Foreign Currency Cash Flow Hedges***

We mitigate the risk of fluctuations in currency exchange rates on our results of operations and financial condition by entering into foreign currency cash flow hedges. Certain of our subsidiaries periodically enter into foreign currency cash flow hedges (principally euro, British pound and Japanese yen) in order to hedge portions of forecasted sales or cost of 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.

We formally assessed whether the foreign currency cash flow hedges are effective at offsetting changes in the forecasted cash flows occurring as a result of exchange, both at the inception and at least quarterly thereafter. Hedge ineffectiveness related to these hedges was not material for 2008, 2007 and 2006.

Counterparties expose us to credit loss in the event of non-performance on currency forward contracts. We monitor our exposure to credit loss related to counterparty non-performance risk both at inception of the hedge and at least quarterly. 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.

We adopted SFAS No. 157 for assets and liabilities measured at fair value on a recurring basis as of December 29, 2007, the first day of our 2008 year. We use an income approach to value our outstanding foreign currency cash flow hedges. An income approach consists of a discounted cash flow model that takes into account the present value of future cash flows under the terms of the contracts using current market information as of the measurement date, such as foreign currency spot and forward rates. Additionally, an element of default risk based on observable inputs was built into the fair value calculation based on the provisions of SFAS No. 157. The fair value the hedges in a net asset position of $7.1 million as of December 26, 2008 is expected to be transferred to earnings in 2009 along with the earnings effect of the related forecasted transaction. Prior to the adoption of SFAS No. 157, the fair value of these hedges as of December 28, 2007 was a net liability of $6.2 million, substantially all of which was transferred to earnings in 2008.

The following table provides a summary of the fair values of assets and liabilities measured on a recurring basis under SFAS No. 157 (U.S. dollars in millions):

| | Fair Value Measurements at December 26, 2008 Using | | |
|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Foreign currency hedges, net asset | $ | $ 7.1 | $ |

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

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

**19. Financial Instruments and Fair Value Measurements (continued)**

During 2008, we entered into derivative instruments not designated as hedging instruments in order to minimize the impact of fluctuation in foreign exchange relative to the euro, British pound, and Japanese yen on our balance sheet, also referred to as economic hedges. We recognized a net gain of $2.5 million related to these derivative instruments included in the Other income, net caption of our Consolidated Statements of Income. As of December 26, 2008, we did not have any economic hedges outstanding.

***Fair Value***

In estimating our fair value disclosures for financial instruments, we use the following methods and assumptions:

*Cash and cash equivalents:* The carrying amount of these items approximates fair value due to the high credit standing of the financial institutions holding these items and their liquid nature.

*Trade accounts receivable and other accounts receivable, net:* The carrying value reported in the Consolidated Balance Sheets for these items is net of allowances for doubtful accounts which includes a degree of counterparty non-performance risk.

*Accounts payable and other current liabilities:* The carrying value reported in the Consolidated Balance Sheets for these items approximates their fair value, which is the likely amount for which the liability with short settlement periods would be transferred to a market participant with a similar credit standing as the Company.

*Capital lease obligations:* The carrying value of our capital lease obligations approximates their fair value based on current interest rates which contain an element of default risk.

*Long-term debt:* The carrying value of our long-term debt approximates their fair value since they bear interest at variable rates or fixed rates which contain an element of default risk.

**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 26, 2008 and December 28, 2007 there were $0.1 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 and $62.0 million in 2007 and 2006, respectively. On February 1, 2007, we ceased using AAG as distributors in Abu Dhabi and other locations in the UAE and began direct distribution. On June 28, 2007, we acquired certain assets of AAG for a purchase price of $3.1 million. See Note 3, *Acquisitions* and Note 9, *Goodwill and Other Intangible Assets*.

During 2008, we incurred expenses of approximately $2.0 million for air transportation services for chartering of an aircraft that was indirectly owned by our Chairman and Chief Executive Officer. There were no expenses incurred during 2007 and 2006 for air transportation services for chartering this aircraft.

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

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

**21. Unaudited Quarterly Financial Information**

Our fiscal quarter-ends correspond to the last Friday of the 13 week period, beginning the day following our fiscal year end. The following summarizes certain quarterly operating data (U.S. dollars in millions, except per share data):

| | Quarters ended | | | |
|---|---|---|---|---|
| | **March 28, 2008** | **June 27, 2008** | **September 26, 2008** | **December 26, 2008** |
| Net sales | $ 894.9 | $ 972.2 | $ 832.9 | $ 831.0 |
| Gross profit | 96.9 | 99.6 | 79.0 | 68.5 |
| Net income | 63.6 | 41.9 | 29.3 | 22.9 |
| Net income per share basic[a] | $ 1.01 | $ 0.66 | $ 0.46 | $ 0.36 |
| Net income per share diluted[a] | $ 1.00 | $ 0.66 | $ 0.46 | $ 0.36 |

| | **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[a] | $ 0.89 | $ 1.11 | $ 0.52 | $ 0.57 |
| Net income per share diluted[a] | $ 0.89 | $ 1.10 | $ 0.51 | $ 0.56 |

-

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

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

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

**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, snacks, poultry and meat products. Other products and services includes a third-party ocean freight business, a plastic product and a box manufacturing business. We reclassified our poultry and meat operations from the other products and services segment to the prepared food segment for the year ending December 26, 2008. The years ending December 28, 2007 and December 29, 2006 also reflect this reclassification.

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 | | | | | |
|---|---|---|---|---|---|---|
| | | | | | As adjusted[(a)] | |
| | December 26, 2008 | | December 28, 2007 | | December 29, 2006 | |
| | Net Sales | Gross Profit | Net Sales | Gross Profit | Net Sales | Gross Profit (Loss) |
| Bananas | $ 1,420.2 | $ 117.7 | $ 1,199.0 | $ 61.0 | $ 1,112.5 | $ 18.5 |
| Other fresh produce | 1,559.8 | 171.1 | 1,614.9 | 240.5 | 1,622.2 | 167.7 |
| Prepared food | 412.4 | 51.9 | 429.4 | 59.7 | 367.5 | 2.7 |
| Other products and services | 138.6 | 3.3 | 122.2 | 3.7 | 112.1 | 0.5 |
| Totals | $ 3,531.0 | $ 344.0 | $ 3,365.5 | $ 364.9 | $ 3,214.3 | $ 189.4 |

(a) See Note 2, *Summary of Significant Accounting Policies* for additional information

| | Years ended | | |
|---|---|---|---|
| | | | As adjusted[(a)] |
| | December 26, 2008 | December 28, 2007 | December 29, 2006 |
| **Net sales by geographic region:** | | | |
| North America | $ 1,633.1 | $ 1,530.2 | $ 1,574.1 |
| Europe | 1,081.4 | 1,113.6 | 1,051.1 |
| Asia | 408.1 | 374.8 | 296.5 |
| Middle East | 275.8 | 228.2 | 192.5 |
| Other | 132.6 | 118.7 | 100.1 |
| Total net sales | $ 3,531.0 | $ 3,365.5 | $ 3,214.3 |

(a) See Note 2, *Summary of Significant Accounting Policies* for additional information

| | | December 26, 2008 | | December 28, 2007 |
|---|---|---|---|---|
| **Property, plant and equipment, net:** | | | | |
| North America | $ | 88.5 | $ | 100.3 |
| Europe | | 97.8 | | 122.9 |
| Middle East | | 132.7 | | 96.0 |
| Africa | | 40.3 | | 39.8 |
| Asia | | 47.2 | | 43.1 |
| Central and South America | | 624.6 | | 384.2 |
| Maritime equipment (including containers) | | 36.0 | | 43.9 |
| Corporate | | 18.1 | | 21.6 |
| Total property, plant and equipment, net | $ | 1,085.2 | $ | 851.8 |

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

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

**22. Business Segment Data (continued)**

| | December 26, 2008 | December 28, 2007 |
|---|---|---|
| **Identifiable assets:** | | |
| North America | $ 354.4 | $ 334.6 |
| Europe | 512.4 | 575.3 |
| Middle East | 220.6 | 187.9 |
| Africa | 114.6 | 118.3 |
| Asia | 158.9 | 128.4 |
| Central and South America | 1,112.8 | 645.9 |
| Maritime equipment (including containers) | 96.5 | 99.7 |
| Corporate | 80.8 | 95.6 |
| Total identifiable assets | $ 2,651.0 | $ 2,185.7 |

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 13%, 15% and 12% of net sales in 2008, 2007 and 2006, 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 2008, the top 10 customers accounted for approximately 36% of net sales as compared with 36% and 31% of our net sales during 2007 and 2006, 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 63,553,211 have been issued and 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 repurchases 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 quarter 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.

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**Schedule II Valuation and Qualifying Accounts**

**Fresh Del Monte Produce Inc. and Subsidiaries**

**(U.S. Dollars in millions)**

| Col. A | Col. B | Col. C Additions | | Col. D Deductions | Col. E |
|---|---|---|---|---|---|
| Description | Balance at Beginning of Period | Charged to Costs and Expenses | Charged to Other Accounts | | Balance at End of Period |
| **Year ended December 26, 2008:** | | | | | |
| Deducted from asset accounts: | | | | | |
| Valuation accounts: | | | | | |
| Trade accounts receivable | $ 20.4 | $ 1.9 | $ (2.9) | $ (3.6) | $ 15.8 |
| Advances to growers and other receivables | 14.6 | 3.0 | (0.2) | (3.4) | 14.0 |
| Deferred tax asset valuation allowance | 194.9 | 2.0 | 12.4 | (1.0) | 208.3 |
| Accrued liabilities: | | | | | |
| Provision for Kunia Well Site | 21.7 | 0.6 | | (2.2) | 20.1 |
| Total | $ 251.6 | $ 7.5 | $ 9.3 | $ (10.2) | $ 258.2 |
| **Year ended December 28, 2007:** | | | | | |
| Deducted from asset accounts: | | | | | |
| Valuation accounts: | | | | | |
| Trade accounts receivable | $ 25.4 | $ (1.4) | $ (0.1) | $ (3.5) | $ 20.4 |
| Advances to growers and other receivables | 23.2 | 4.7 | (0.3) | (13.0) | 14.6 |
| Deferred tax asset valuation allowance | 276.0 | (49.8) | (3.4) | (27.9) | 194.9 |
| Accrued liabilities: | | | | | |
| Provision for Kunia Well Site | 22.3 | 0.8 | | (1.4) | 21.7 |
| Total | $ 346.9 | $ (45.7) | $ (3.8) | $ (45.8) | $ 251.6 |
| **Year ended December 29, 2006:** | | | | | |
| Deducted from asset accounts: | | | | | |
| Valuation accounts: | | | | | |
| Trade accounts receivable | $ 20.1 | $ 6.8 | $ (0.2) | $ (1.3) | $ 25.4 |
| Advances to growers and other receivables | 20.4 | 5.1 | (0.5) | (1.8) | 23.2 |
| Deferred tax asset valuation allowance | 197.9 | 82.7 | (4.6) | | 276.0 |
| Accrued liabilities: | | | | | |
| Provision for Kunia Well Site | 22.8 | 0.5 | | (1.0) | 22.3 |
| Total | $ 261.2 | $ 95.1 | $ (5.3) | $ (4.1) | $ 346.9 |

* Effective December 30, 2006, the first day of our 2007 year, we adopted Financial Accounting Standards Board Staff Position No. AUG AIR-1, Accounting for Planned Maintenance Activities ( FSP AUG AIR-1 ). 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. As a result or retrospectively adjusting all prior periods presented due to FSP AUG AIR-1, we no longer include planned major maintenance activities in Schedule II.

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**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

We 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 our disclosure controls and procedures as of December 26, 2008. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to record, process, summarize and report within the time period specified in the SEC rules and forms. Such officers also confirm that there was no change in our internal control over financial reporting during the last year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

None.

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## PART III

**Item 10. Directors, Executive Officers and Corporate Governance**

Information required by Item 10 of Part III of this annual report on Form 10-K will be included in our definitive Proxy Statement relating to our 2009 Annual General Meeting of Shareholders with respect to directors, executive officers, audit committee financial experts of the Company and Section 16(a) beneficial ownership reporting compliance, is incorporated herein by reference in response to this item.

**Code of Ethics**

We have adopted a Code of Conduct and Business Ethics Policy ( Code of Conduct ) that applies to our principal executive officer, principal financial officer and principal accounting officer as well as all our directors, other officers and employees. This Code of Conduct can be found on our Web site, at **www.freshdelmonte.com**. We have not waived the requirements of the Code of Conduct and Business Ethics Policy for any directors or executive officers and there have been no amendments in 2008.

**Item 11. Executive Compensation**

Information required by Item 11 of Part III of this Annual Report on Form 10-K will be included in our definitive Proxy Statement relating to our 2009 Annual General Meeting of Shareholders with respect to executive compensation, is incorporated herein by reference in response to this item.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information required by Item 12 of Part III of this Annual Report on Form 10-K will be included in our definitive Proxy Statement relating to our 2009 Annual General Meeting of Shareholders with respect to security ownership of certain beneficial owners and management and securities authorized for issuance under equity compensation plans, is incorporated herein by reference in response to this item.

**Item 13. Certain Relationships and Related Transactions**

Information required by Item 13 of Part III of this Annual Report on Form 10-K will be included in our definitive Proxy Statement relating to our 2009 Annual General Meeting of Shareholders with respect to certain relationships and related transactions and director independence, is incorporated herein by reference in response to this item.

**Item 14. Principal Accountant Fees and Services**

Information required by Item 14 of Part III of this Annual Report on Form 10-K will be included in our definitive Proxy Statement relating to our 2009 Annual General Meeting of Shareholders with respect to principal accountant fees and services, is incorporated by reference in response to this item.

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## PART IV

**Item 15. Exhibits and Financial Statement Schedules**
***Consolidated Statements and Other Financial Information***

The following financial statements and supplemental schedule of Fresh Del Monte Produce Inc. and its subsidiaries are included in Item 8 *Financial Statements and Supplementary Data* of this Report:

***Consolidated Financial Statements***



***Supplemental Financial Statement Schedule***

Schedule II - Valuation and Qualifying Accounts

***Exhibits***

The exhibits listed below are incorporated in this Report by reference, except for those indicated by * which are filed herewith (see accompanying Exhibit Index)

| Exhibit No. | Description |
|---|---|
| 3.1 | Amended and Restated Memorandum of Association of Fresh Del Monte Produce Inc. (incorporated by reference from Exhibit 3.6 to our Registration Statement on Form F-1 (File No. 333-7708)). |
| 3.2 | Amended and Restated Articles of Association of Fresh Del Monte Produce Inc. (incorporated by reference from Exhibit 3.7 to our Registration Statement on Form F-1 (File No. 333-7708)). |
| 3.3 | Specimen Certificate of ordinary shares of Fresh Del Monte Produce Inc. (incorporated by reference from Exhibit 4.1 to our Registration Statement on Form F-1 (File No. 333-7708)). |
| 4.1 | $350,000,000 Revolving Credit Agreement dated as of May 19, 1998 among Del Monte Fresh Produce (UK) Ltd., Wafer Limited, Del Monte Fresh Produce International Inc., Del Monte Fresh Produce N.A., Inc., Fresh Del Monte Produce Inc. and Global Reef Carriers Ltd. as Borrowers, the Initial Lenders, Initial Issuing Bank and Swing Line Bank, as Initial Lenders, Initial Issuing Bank and Swing Line Bank, and Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland, New York Branch, as Administrative Agent and Collateral Agent (incorporated by reference from Exhibit 2.1 to our 1998 Annual Report on Form 20-F). |
| 4.2 | Amendment and Consent dated as of December 15, 1998 to the Revolving Credit Agreement among Del Monte Fresh Produce (UK) Ltd., Wafer Limited, Del Monte Fresh Produce International Inc., Del Monte Fresh Produce N.A., Inc., Fresh Del Monte Produce Inc., Global Reefer Carriers, Ltd., the banks, financial institutions and other institutional lenders a party to the Revolving Credit Agreement (incorporated by reference from Exhibit 2.2 to our 1998 Annual Report on Form 20-F). |

| | |
|---|---|
| 4.3 | Second Amendment dated as of January 5, 1999 to the Revolving Credit Agreement among Del Monte Fresh Produce (UK) Ltd., Wafer Limited, Del Monte Fresh Produce International Inc., Del Monte Fresh Produce N.A., Inc., Fresh Del Monte Produce Inc., Global Reefer Carriers, Ltd., and Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland, New York Branch, as agent for the other banks, financial institutions and other institutional lenders party to the Revolving Credit Agreement (incorporated by reference from Exhibit 2.3 to our 1998 Annual Report on Form 20-F). |

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| Exhibit No. | Description |
|---|---|
| 4.4 | Amendment and Consent dated as of January 8, 1999 to the Revolving Credit Agreement among Del Monte Fresh Produce (UK) Ltd., Wafer Limited, Del Monte Fresh Produce International Inc., Del Monte Fresh Produce N.A., Inc., Fresh Del Monte Produce Inc., Global Reefer Carriers, Ltd., the banks, financial institutions and other institutional lenders a party to the Revolving Credit Agreement (incorporated by reference from Exhibit 2.4 to our 1998 Annual Report on Form 20-F). |
| 4.5 | Fourth Amendment and Consent dated as of May 1999 among Del Monte Fresh Produce (UK) Ltd., Wafer Limited, Del Monte Fresh Produce International Inc., Del Monte Fresh Produce N.A., Inc., Fresh Del Monte Produce Inc., Global Reefer Carriers, Ltd., the banks, financial institutions and other institutional lenders a party to the Revolving Credit Agreement dated as of May 19, 1998 (incorporated by reference from Exhibit 2.1 to our 1999 Annual Report on Form 20-F). |
| 4.6 | Fifth Amendment and Consent dated as of May 1999 among Del Monte Fresh Produce (UK) Ltd., Wafer Limited, Del Monte Fresh Produce International Inc., Del Monte Fresh Produce N.A., Inc., Fresh Del Monte Produce Inc., Global Reefer Carriers, Ltd., the Increasing Lenders therein and Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland, New York Branch, as agent for the other banks, financial institutions and other institutional lenders a party to the Revolving Credit Agreement dated as of May 19, 1998 (incorporated by reference from Exhibit 2.2 to our 1999 Annual Report on Form 20-F). |
| 4.7 | Sixth Amendment and Consent dated as of June 1999 among Del Monte Fresh Produce (UK) Ltd., Wafer Limited, Del Monte Fresh Produce International Inc., Del Monte Fresh Produce N.A., Inc., Fresh Del Monte Produce Inc., Global Reefer Carriers, Ltd., the Increasing Lenders therein and Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland, New York Branch, as agent for the other banks, financial institutions and other institutional lenders a party to the Revolving Credit Agreement dated as of May 19, 1998 (incorporated by reference from Exhibit 2.3 to our 1999 Annual Report on Form 20-F). |
| 4.8 | Seventh Amendment and Consent dated as of July 1999 among Del Monte Fresh Produce (UK) Ltd., Wafer Limited, Del Monte Fresh Produce International Inc., Del Monte Fresh Produce N.A., Inc., Fresh Del Monte Produce Inc., Global Reefer Carriers, Ltd., the Increasing Lenders therein and Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland, New York Branch, as agent for the other banks, financial institutions and other institutional lenders a party to the Revolving Credit Agreement dated as of May 19, 1998 (incorporated by reference from Exhibit 2.4 to our 1999 Annual Report on Form 20-F). |
| 4.9 | Eighth Amendment dated as of October 29, 1999 among Fresh Produce (UK) Ltd., Wafer Limited, Del Monte Fresh Produce International Inc., Del Monte Fresh Produce N.A., Inc., Fresh Del Monte Produce Inc., Global Reefer Carriers, Ltd., the banks, financial institutions and other institutional lenders a party to the Revolving Credit Agreement dated as of May 19, 1998 (incorporated by reference from Exhibit 4.17 to our 2000 Annual Report on Form 20-F). |
| 4.10 | Ninth Amendment and Consent dated as of May 10, 2000 among Del Monte Fresh Produce (UK) Ltd., Wafer Limited, Del Monte Fresh Produce International Inc., Del Monte Fresh Produce N.A., Inc., Fresh Del Monte Produce Inc., Global Reefer Carriers, Ltd., the banks, financial institutions and other institutional lenders a party to the Revolving Credit Agreement dated as of May 19, 1998 (incorporated by reference from Exhibit 4.18 to our 2000 Annual Report on Form 20-F). |
| 4.11 | Tenth Amendment and Consent dated as of September 25, 2000 among Del Monte Fresh Produce (UK) Ltd., Wafer Limited, Del Monte Fresh Produce International Inc., Del Monte Fresh Produce N.A., Inc., Fresh Del Monte Produce Inc., Global Reefer Carriers, Ltd., banks, financial institutions and other institutional lenders a party to the Revolving Credit Agreement dated as of May 19, 1998 (incorporated by reference from Exhibit 4.19 to our 2000 Annual Report on Form 20-F). |
| 4.12 | Eleventh Amendment and Consent dated as of November 15, 2002 among Del Monte Fresh Produce (UK) Ltd., Wafer Limited, Del Monte Fresh Produce International Inc., Del Monte Fresh Produce N.A., Inc., Fresh Del Monte Produce Inc., Global Reefer Carriers, Ltd., banks, financial institutions and other institutional lenders a party to the Revolving Credit Agreement dated as of May 19, 1998 (incorporated by reference from Exhibit 4.19 to our 2000 Annual Report on Form 20-F). |
| 10.1 | License Agreement, dated as of December 5, 1989, between Del Monte Corporation and Wafer Limited (the DMC-Wafer License ) (incorporated by reference from Exhibit 10.3 to our Registration Statement on Form F-1 (File No. 333-7708)). |

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|---|---|
| 10.2 | License Agreement, dated as of December 5, 1989, between Del Monte Corporation and Del Monte Tropical Fruit Company, North America (the NAJ License ) (incorporated by reference from Exhibit 10.4 to our Registration Statement on Form F-1 (File No. 333-7708)). |
| 10.3 | License Agreement, dated as of December 5, 1989, between Del Monte Corporation and Del Monte Fresh Fruit International, Inc. (incorporated by reference from Exhibit 10.5 to our Registration Statement on Form F-1 (File No. 333-7708)). |
| 10.4 | Amendment No. 1 to DMC-Wafer License, dated as of October 12, 1992, between Del Monte Corporation and Wafer Limited (incorporated by reference from Exhibit 10.6 to our Registration Statement on Form F-1 (File No. 333-7708)). |
| 10.5 | Amendment No. 1 to NAJ License, dated as of October 12, 1992, between Del Monte Corporation and Del Monte Fresh Produce N.A., Inc. (incorporated by reference from Exhibit 10.7 to our Registration Statement on Form F-1 (File No. 333-7708)). |
| 10.6 | Amendment No. 1 to Direct DMC-DMFFI License, dated as of October 12, 1992, between Del Monte Corporation and Del Monte Fresh Produce International, Inc. (incorporated by reference from Exhibit 10.8 to our Registration Statement on Form F-1 (File No. 333-7708)). |
| 10.7 | Registration Rights Agreement dated as of October 15, 1997 by and between Fresh Del Monte and FG Holdings Limited (incorporated by reference from Exhibit 10.9 to our Registration Statement on Form F-1 (File No. 333-7708)). |
| 10.8 | Strategic Alliance Agreement dated as of August 29, 1997 by and between the Registrant and IAT Group Inc. (incorporated by reference from Exhibit 10.10 to our Registration Statement on Form F-1 (File No. 333-7708)). |
| 10.9 | Fresh Del Monte Produce Inc. 1997 Share Incentive Plan (incorporated by reference to Exhibit 4.1 to the Company s Registration Statement on Form S-8 (File No. 333-7870)). |
| 10.10 | Fresh Del Monte Produce Inc. Post-Effective Amendment No. 1 to Form S-8 (File No. 333-7870). |
| 10.11 | Fresh Del Monte Produce Inc. 1999 Share Incentive Plan (incorporated by reference to Exhibit 4 to the Company s Registration Statement on Form S-8 (File No. 333-10400)). |
| 10.12 | Amendment No. 1 to the Fresh Del Monte Produce Inc. 1999 Share Incentive Plan (incorporated by reference to Exhibit 4.1 to the Company s Registration Statement on Form S-8 (File No. 333-87606)). |
| 10.13 | Amendment No. 2 to the Fresh Del Monte Produce Inc. 1999 Share Incentive Plan (incorporated by reference to Exhibit 4.2 to the Company s Registration Statement on Form S-8 (File No. 333-87606)). |
| 10.14 | Amendment No. 3 to the Fresh Del Monte Produce Inc. 1999 Share Incentive Plan (incorporated by reference to Exhibit 4.3 to the Company s Registration Statement on Form S-8 (File No. 333-87606)). |
| 10.15 | Amendment No. 4 to the Fresh Del Monte Produce Inc. 1999 Share Incentive Plan (incorporated by reference to Exhibit 4.4 to the Company s Registration Statement on Form S-8 (File No. 333-87606)). |
| 10.16 | Amendment No. 5 to the Fresh Del Monte Produce Inc. 1999 Share Incentive Plan (incorporated by reference to Exhibit 4.5 to the Company s Registration Statement on Form S-8 (File No. 333-87606)). |
| 10.17 | Amended and Restated Fresh Del Monte Produce Inc. 1999 Share Incentive Plan, effective as of April 30, 2008 (reflects Amendment no. 1, dated May 1, 2002, Amendments no. 2 through 5 dated April 27, 2005 and Amendment no. 6 dated April 30, 2008) (incorporated by reference to Exhibit 10.1 to our Second Quarter 2008 Report on Form 10-Q). |
| 10.18 | Fresh Del Monte Produce Inc. Long-Term Incentive Plan (incorporated by reference from Exhibit 10.1 to our First Quarter 2008 Report on Form 10-Q). |
| 10.19 | 2003 Performance Incentive Plan for Chairman & CEO (incorporated by reference from Exhibit 10.2 to our First Quarter 2008 Report on Form 10-Q). |
| 10.20 | 2004 Performance Incentive Plan for Senior Executives (incorporated by reference from Exhibit 10.3 2 to our First Quarter 2008 Report on Form 10-Q). |
| 10.21 | Executive Retention and Severance Agreement (Chairman & CEO) (incorporated by reference from Exhibit 10.4 2 to our First Quarter 2008 Report on Form 10-Q). |

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|---|---|
| 10.22 | Executive Retention and Severance Agreement (President & COO) (incorporated by reference from Exhibit 10.5 2 to our First Quarter 2008 Report on Form 10-Q). |
| 10.23 | Employment Agreement for President & COO (incorporated by reference from Exhibit 10.6 2 to our First Quarter 2008 Report on Form 10-Q). |
| 10.24 | Standard Fruit and Vegetable Co., Inc. Stock Purchase Agreement, dated as of January 27, 2003, between Del Monte Fresh Produce N.A., Inc and Standard Fruit and Vegetable Co., Inc. et al. (incorporated by reference from Exhibit 4.13 to our 2002 Annual Report on Form 20-F). |
| 10.25 | Stock purchase agreement dated as of June 6, 2008 among Northsound Corporation, Red Crown Development Inc. and JAS Investments Corp., as Sellers and Del Monte (Pinabana) Corp. as Purchaser (incorporated herein by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed on June 9, 2008). |
| 10.26 | Amended and Restated Credit Agreement dated as of March 21, 2003 by and among Fresh Del Monte Produce Inc. and certain subsidiaries named herein, as borrowers, the lenders named herein, as lenders, Harris Trust and Savings Bank, as syndication agent, ING Capital LLC, as documentation agent and Cooperatieve Centrale Raiffeisen-Bocrenleenbank B.A., Rabobank Nederland New York Branch as administrative agent. (incorporated by reference to Exhibit 2.13 to our First Quarter 2003 Report on Form 6-K). |
| 10.27 | First Amendment to Amended and Restated Credit Agreement Effective as of January 27, 2004. (incorporated by reference from Exhibit 4.15 of our Annual Report on Form 20-F for the year ended December 26, 2003). |
| 10.28 | Second Amendment to Amended and Restated Credit Agreement Effective as of June 24, 2004. (incorporated by reference from Exhibit 4.16 of our Annual Report on Form 20-F/A for the year ended December 31, 2004). |
| 10.29 | Third Amendment to Amended and Restated Credit Agreement dated as of November 9, 2004. (incorporated by reference from Exhibit 4.17 of our Annual Report on Form 20-F/A for the year ended December 31, 2004). |
| 10.30 | Preliminary Sales and Purchase Agreement dated between Cirio Del Monte N.V., Cirio Del Monte Italia S.p.A. and Fresh Del Monte Produce N.V. dated July 15, 2004. (incorporated by reference from Exhibit 4.18 of our Annual Report on Form 20-F/A for the year ended December 31, 2004). |
| 10.31 | Fourth Amendment to Amended and Restated Credit Agreement dated as of June 15, 2005 (incorporated by reference to Exhibit 4.19 of our Annual Report on Form 20-F for the year ended December 30, 2005). |
| 10.32 | Fifth Amendment to Amended and Restated Credit Agreement dated as of February 14, 2006 (incorporated by reference to Exhibit 4.20 of our Annual Report on Form 20-F for the year ended December 30, 2005). |
| 10.33 | Sixth Amendment to Amended and Restated Credit Agreement dated as of March 24, 2006 (incorporated by reference to Exhibit 4.21 of our Annual Report on Form 20-F for the year ended December 29, 2006). |
| 10.34 | Seventh Amendment to Amended and Restated Credit Agreement dated as of May 10, 2006 (incorporated by reference to Exhibit 4.22 of our Annual Report on Form 20-F for the year ended December 29, 2006). |
| 10.35 | Eighth Amendment to Amended and Restated Credit Agreement dated as of December 27, 2006 (incorporated by reference to Exhibit 4.23 of our Annual Report on Form 20-F for the year ended December 29, 2006). |
| 10.36 | Ninth Amendment to Amended and Restated Credit Agreement dated as of May 30, 2008 (incorporated by reference to Exhibit 10.3 to our Second Quarter 2008 Report on Form 10-Q). |
| 21.1 | List of Subsidiaries.* |
| 23.1 | Consent of Independent Registered Public Accounting Firm.* |
| 31.1 | Certification of Chief Executive Officer filed pursuant to 17 CFR 240.13a-14(a).* |
| 31.2 | Certification of Chief Financial Officer filed pursuant to 17 CFR 240.13a-14(a).* |
| 32 | Certifications of Chief Executive Officer and Chief Financial Officer furnished pursuant to 17 CFR 240.13a-14(b) and 18 U.S.C. Section 1350.* |

* Filed herewith

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## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: February 24, 2009

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

By: /s/ Richard Contreras
Richard Contreras

Senior Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in their capacities indicated below on the 24th day of February, 2009.

By: /s/ Mohammad Abu-Ghazaleh
Mohammad Abu-Ghazaleh
Chairman and Chief Executive Officer

By: /s/ Hani El-Naffy

Hani El-Naffy
President, Director and Chief Operating Officer

By: /s/ Richard Contreras

Richard Contreras
Senior Vice President and Chief Financial Officer

By: /s/ Salvatore H. Alfiero

Salvatore H. Alfiero
Director

By: /s/ Michael J. Berthelot

Michael J. Berthelot
Director

By: /s/ Edward L. Boykin

Edward L. Boykin
Director

By: /s/ John H. Dalton

John H. Dalton
Director

| | |
|---|---|
| By: | /s/ Elias K. Hebeka |
| | Dr. Elias K. Hebeka<br>Director |
| By: | |
| | Amir Abu-Ghazaleh<br>Director |
| By: | |
| | Maher Abu-Ghazaleh<br>Director |

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***Exhibit Index***

| Exhibit No. | Description |
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