

FRESH DEL MONTE PRODUCE INC

Form 6-K

July 30, 2003

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 6-K**

**REPORT OF FOREIGN ISSUER**  
Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

For the quarter ended June 27, 2003

**Fresh Del Monte Produce Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**The Cayman Islands**

(State or Other Jurisdiction of  
Incorporation or Organization)

**Walker House, Mary Street  
P.O. Box 908GT**

**George Town, Grand Cayman**

(Address of Registrant's Principal Executive Office)

**c/o Del Monte Fresh Produce Company  
241 Sevilla Avenue**

**Coral Gables, Florida 33134**

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

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

Form 20-F  Form 40-F

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

Yes  No

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

**CONSOLIDATED BALANCE SHEETS**  
(U.S. dollars in millions)

	June 27, 2003	December 27, 2002
	Unaudited	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 50.8	\$ 9.5
Trade accounts receivable, net of allowance of \$16.3 and \$17.8, respectively	200.6	162.4
Advances to growers and other receivables, net of allowance of \$15.1 and \$16.7, respectively	33.2	34.7
Inventories	182.0	188.4
Deferred income taxes	4.9	4.8
Prepaid expenses and other current assets	14.7	9.4
	<u>486.2</u>	<u>409.2</u>
Total current assets	486.2	409.2
Investments in unconsolidated companies	16.3	23.0
Property, plant and equipment, net	723.2	703.9
Deferred income taxes	22.8	22.5
Other noncurrent assets	28.6	22.3
Goodwill	156.0	81.9
	<u>1,433.1</u>	<u>1,262.8</u>
Total assets	\$ 1,433.1	\$ 1,262.8

See accompanying notes

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

**CONSOLIDATED BALANCE SHEETS (continued)**  
(U.S. dollars in millions, except share data)

	<u>June 27, 2003</u>	<u>December 27, 2002</u>
	<b>Unaudited</b>	
<b>Liabilities and shareholders equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 293.4	\$ 231.0
Current portion of long-term debt and capital lease obligations	18.6	40.0
Deferred income taxes	8.7	8.6
Income taxes payable	20.3	26.2
Total current liabilities	<u>341.0</u>	<u>305.8</u>
Long-term debt	17.5	31.1
Capital lease obligations	18.3	16.2
Retirement benefits	57.7	59.2
Other noncurrent liabilities	57.7	56.7
Deferred income taxes	26.2	26.0
Total liabilities	<u>518.4</u>	<u>495.0</u>
Minority interest	3.7	8.3
Commitments and contingencies		
Shareholders equity:		
Preferred shares, \$0.01 par value; 50,000,000 shares authorized; none issued or outstanding		
Ordinary shares, \$0.01 par value; 200,000,000 shares authorized; 56,433,318 and 56,206,012 shares issued and outstanding, respectively	0.6	0.6
Paid-in capital	357.1	355.3
Retained earnings	581.4	420.5
Accumulated other comprehensive loss	(28.1)	(16.9)
Total shareholders equity	<u>911.0</u>	<u>759.5</u>
Total liabilities and shareholders equity	<u>\$1,433.1</u>	<u>\$1,262.8</u>

See accompanying notes

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

**CONSOLIDATED STATEMENT OF INCOME**  
**Unaudited**  
**(U.S. dollars in millions, except share and per share data)**

	Three months ended		Six months ended	
	June 27, 2003	June 28, 2002	June 27, 2003	June 28, 2002
Net sales	\$ 700.6	\$ 567.2	\$ 1,344.4	\$ 1,104.6
Cost of products sold	591.3	470.2	1,128.1	901.0
Gross profit	109.3	97.0	216.3	203.6
Selling, general and administrative expenses	29.1	25.0	54.3	48.9
Asset impairment charges		5.5		10.2
Operating income	80.2	66.5	162.0	144.5
Interest expense	1.9	4.1	4.7	8.9
Interest income	0.2	0.3	0.4	0.7
Other income	7.7	5.9	22.3	5.6
Income before income taxes and cumulative effect of change in accounting principle	86.2	68.6	180.0	141.9
Provision for income taxes	5.0	2.1	10.7	8.3
Income before cumulative effect of change in accounting principle	81.2	66.5	169.3	133.6
Cumulative effect of change in accounting principle				(6.1)
Net income	\$ 81.2	\$ 66.5	\$ 169.3	\$ 127.5
Net income per share Basic:				
Income before cumulative effect of change in accounting principle	\$ 1.44	\$ 1.20	\$ 3.01	\$ 2.44
Cumulative effect of change in accounting principle				(0.11)
Net income per share Basic	\$ 1.44	\$ 1.20	\$ 3.01	\$ 2.33
Net income per share Diluted:				
Income before cumulative effect of change in accounting principle	\$ 1.42	\$ 1.18	\$ 2.97	\$ 2.39
Cumulative effect of change in accounting principle				(0.11)
Net income per share Diluted	\$ 1.42	\$ 1.18	\$ 2.97	\$ 2.28
Dividends declared per ordinary share	\$ 0.10	\$ 0.05	\$ 0.15	\$ 0.10

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Weighted average number of ordinary  
shares outstanding:

Basic	56,273,067	55,331,300	56,244,512	54,777,193
Diluted	57,128,542	56,422,436	57,061,963	55,907,502

See accompanying notes

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**Unaudited**  
**(U.S. dollars in millions)**

	Six months ended	
	June 27, 2003	June 28, 2002
<b>Operating activities:</b>		
Net income	\$ 169.3	\$ 127.5
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization other than goodwill	31.4	28.7
Amortization of debt issuance costs	1.3	1.1
Cumulative effect of change in accounting principle		6.1
Asset impairment charges		10.2
Gain on sale of equity investment	(5.5)	
Equity in earnings of unconsolidated companies, net of dividends	0.6	1.4
Other, net	(2.7)	(0.3)
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	(13.2)	(17.5)
Inventories	10.3	(2.4)
Accounts payable and accrued expenses	17.8	49.0
Prepaid expenses and other current assets	(5.1)	(5.1)
Other noncurrent assets and liabilities	(1.8)	0.8
	202.4	199.5
<b>Investing activities:</b>		
Capital expenditures	(25.0)	(33.9)
Purchase of subsidiaries, net of cash acquired	(102.8)	(37.2)
Proceeds from sale of equity investments	12.8	
Other investing activities, net	0.6	2.1
	(114.4)	(69.0)

See accompanying notes



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

**CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**  
**Unaudited**  
**(U.S. dollars in millions)**

	Six months ended	
	June 27, 2003	June 28, 2002
<b>Financing activities:</b>		
Proceeds from long-term debt	\$ 344.9	\$ 196.8
Payments on long-term debt	(385.5)	(344.7)
Payments on short-term borrowing		(4.8)
Proceeds from stock options exercised	1.8	22.6
Payment of cash dividends	(8.4)	(5.5)
Other, net		3.1
	(47.2)	(132.5)
Effect of exchange rate changes on cash and cash equivalents	0.5	0.7
Cash and cash equivalents:		
Net change	41.3	(1.3)
Beginning balance	9.5	13.0
Ending balance	\$ 50.8	\$ 11.7
<b>Supplemental cash flow information:</b>		
Cash paid for interest, net of capitalized interest	\$ 3.7	\$ 7.8
Cash paid for income taxes	\$ 15.4	\$ 3.0
<b>Supplemental non-cash activities:</b>		
Capital lease obligations for new assets	\$ 7.2	\$ 11.9

See accompanying notes

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Unaudited**

**1. General**

Fresh Del Monte Produce Inc. ( Fresh Del Monte ) was incorporated under the laws of the Cayman Islands on August 29, 1996 and is 47.7% owned by IAT Group Inc., which is 100% owned by members of the Abu-Ghazaleh family. In addition, members of the Abu-Ghazaleh family directly own 8.7% of the outstanding ordinary shares of Fresh Del Monte.

In the opinion of management, the accompanying unaudited consolidated financial statements of Fresh Del Monte and subsidiaries include all adjustments, consisting of normal recurring adjustments, necessary to present fairly their financial position as of June 27, 2003 and their operating results and cash flows for the periods then ended. Interim results are subject to significant seasonal variations and may not be indicative of the results of operations that may be expected for the entire 2003 year.

Certain amounts from 2002 have been reclassified to conform to the 2003 presentation. The balance sheet at December 27, 2002 has been derived from the audited financial statements at that date.

**For additional information, see Fresh Del Monte's Consolidated Financial Statements included in Fresh Del Monte's Annual Report on Form 20-F for the year ended December 27, 2002.**

**2. Acquisitions and Dispositions**

On January 27, 2003, Fresh Del Monte acquired Standard Fruit and Vegetable Co., Inc. ( Standard ), a Dallas, Texas based integrated distributor of fresh fruit and vegetables, which serves retail chains, foodservice distributors, and wholesalers in approximately 30 states. The acquisition provides Fresh Del Monte with a highly complementary distribution network, which includes four distribution facilities and increases Fresh Del Monte's presence in key markets in the United States. In addition, the acquisition allows Fresh Del Monte to increase its product offerings to include tomatoes, potatoes, onions, strawberries and an extensive line of specialty items. The total consideration paid in connection with the Standard acquisition was approximately \$102.2 million (including \$2.2 million in acquisition costs). The purchase price of \$100.0 million is subject to certain escrow/holdback provisions valued at \$10.0 million to secure payment by the seller of any amounts that become due to Fresh Del Monte under the acquisition agreement. Of the total escrow/holdback provision according to the acquisition agreement, \$2.5 million was held back by Fresh Del Monte and \$7.5 million was placed in escrow. The holdback of \$2.5 million was recognized as a liability in Other noncurrent liabilities in the accompanying balance sheet at June 27, 2003. The assets acquired consisted primarily of current assets and property, plant and equipment.

The acquisition has been accounted for as a purchase under Statement of Financial Accounting Standards ( SFAS ) No. 141, Business Combinations , and accordingly, the purchase price was allocated to the assets acquired and liabilities assumed. The purchase price allocation is preliminary and subject to change pending completion of an independent purchase price allocation analysis.

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

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

**2. Acquisitions and Dispositions (continued)**

The excess of the purchase price over the fair value of the assets acquired and liabilities assumed amounted to approximately \$82.0 million, of which \$9.7 million was preliminarily allocated to separately identified intangible assets and the remaining \$72.3 million was allocated to goodwill. The goodwill and other intangible assets are being accounted for under SFAS No. 142, Goodwill and Other Intangible Assets. Effective January 28, 2003, the operating results of the Standard operations were consolidated with the operating results of Fresh Del Monte.

The following table summarizes the estimated fair values of the tangible assets acquired and liabilities assumed at the date of acquisition (U.S. dollars in millions):

Current assets	\$ 19.0
Property and equipment	18.5
Other noncurrent assets	1.7
Current liabilities	(19.0)
	<hr/>
Net assets acquired	\$ 20.2
	<hr/>

The following unaudited pro forma information presents a summary of 2003 and 2002 consolidated results of operations of Fresh Del Monte as if the Standard acquisition had occurred as of December 29, 2001 (U.S. dollars in millions, except share and per share data):

	Three months ended		Six months ended	
	June 27, 2003	June 28, 2002	June 27, 2003	June 28, 2002
Net sales	\$ 700.6	\$ 651.7	\$ 1,367.1	\$ 1,265.8
Income before cumulative effect of change in accounting principle	\$ 81.2	\$ 69.3	\$ 169.8	\$ 137.5
Net income	\$ 81.2	\$ 69.3	\$ 169.8	\$ 131.4
Basic per share income before cumulative effect of change in accounting principle	\$ 1.44	\$ 1.25	\$ 3.02	\$ 2.51
Basic net income per share	\$ 1.44	\$ 1.25	\$ 3.02	\$ 2.40
Diluted per share income before cumulative effect of change in accounting principle	\$ 1.42	\$ 1.23	\$ 2.98	\$ 2.46
Diluted net income per share	\$ 1.42	\$ 1.23	\$ 2.98	\$ 2.35
Number of ordinary shares used in computation:				
Basic	56,273,067	55,331,300	56,244,512	54,777,193
Diluted	57,128,542	56,422,436	57,061,963	55,907,502

The unaudited pro forma results have been prepared for comparison purposes only and do not purport to represent what the actual results of operations would have been had the acquisition occurred on December 29, 2001 and may not be indicative of future results of operations.



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

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

**2. Acquisitions and Dispositions (continued)**

On April 24, 2003, Fresh Del Monte sold its 50% interest in Compañía Industrial Corrugadora Guatemala, S.A., a manufacturer of corrugated boxes. The proceeds from the sale were \$12.8 million. The gain on the sale was \$5.5 million and was included in Other income in the Consolidated Statements of Income for the three and six months ended June 27, 2003.

On June 18, 2003, Fresh Del Monte acquired the remaining 33% minority interest in Envases Industriales de Costa Rica, S.A. ( E