

# Chiquita Brands International

Letter to the Shareholders

Presented by Staci Stringer

**“Chiquita has a clear vision,  
focused on innovation with higher  
margin products that fit perfectly  
with consumer needs for healthy,  
convenient and fresh foods”**

**- Fernando Aguirre**  
Chief Executive Officer

# Dear Shareholders,



In 2006 Chiquita faced a year of challenges. In spite of our 15.4% increase in sales to \$4.5 billion, the company had an operating loss of \$28 million compared to the operating income of \$188 million in 2005. Chiquita's operating results were significantly affected by a number of factors including changes in European tariffs, costs related to an industry-wide impact of E. Coli in spinach linked to non-Chiquita products, and weather, which caused damage ports and banana plants.



Chiquita's financial performance was significantly affected by regulatory changes in the European banana market, which resulted in lower pricing and increased tariff costs. The company faced a \$75 million increase in tariff-related costs, which increased competition from other regional imports and Chiquita incurred a loss of \$110 million in revenue. Packaging and fueling costs weighed heavily in all markets this year and Chiquita saw decrease of net income, but the company has been able to maintain its premium price for the European market.



Chiquita has put product safety as a high priority. After the discovery of E. coli in September 2006 certain industry spinach products were recalled and our Fresh Express salads were not affected by this discovery. Our customers were on alert and avoided purchasing spinach at all costs. This held a great impact on our Fresh Express, which resulted in lower income; even though Fresh Express products were not implicated in these issues, the discovery had a significant impact on the spinach industry. Chiquita is aiming to restore customer trust through the safety of our products packaging, but we are expecting to continue to see a negative impact on our Fresh Cut segment until the third quarter of 2007.



Our company is also facing challenges due to weather and agricultural. In 2006, the company increased its outsourcing costs by \$25 million due to the shortfalls caused by Hurricane Stan and Tropical Storm Gamma. These storms cause significant damage to ports and banana plants, which caused the increase in cost for alternative banana sourcing. The company is planning on gaining momentum again after the second quarter of 2007.

In addition there were two one-time charges, which further impacted financial results recording a \$43 million goodwill impairment charge in relation to the Fresh Express acquisition. Also, the company has been able to reach an agreement with the United States Justice Department investigation with a fine of \$25 million paid over five years. These one-time charges will not affect Chiquita in further operating results.

# April 12, 2007



At Chiquita, we focus on our core values of integrity, respect, opportunity and responsibility. Chiquita prides itself on delivering these values to our employees and customers on a daily basis. The company is thriving on customer relations by becoming a more consumer-centric organization. We focus on holding Chiquita to the standards our customers look for in a produce company by launching innovative products to meet customers' growing desires for healthy, fresh and convenient food choices.

In 2006 the company outlined its vision to become a global leader in healthy, fresh food and restructured its objectives:

- Become a consumer-driven, customer-preferred organization;
- Be an innovative high performance organization; and
- Deliver leading food industry shareholder returns.

Chiquita is looking to boost its in-store presence of Chiquita and Fresh Express branded products. We have accomplished this by:

- Expanding distribution of "Chiquita-To-Go" bananas into 8,000 non-grocery convenience outlets;
- "Chiquita Fresh and Ready" was introduced for testing in late 2006 as an innovative way to keep Bananas fresher longer; and
- Fresh Express added 12 new offerings to its ready-to-eat salad line

Chiquita is exploring its options when it comes to its shipping-related activities. A sale of shipment vessels and the use of outsourcing its shipping methods will provide a source of income to begin repaying debt. Great White Fleet, a completely owned subsidiary of Chiquita, manages the company's global ocean transportation and logistic operations. The sale of these vessels and outsourcing the shipment of the produce will be used primarily to repay \$101 million of shipping related debt.

As Chiquita continues to expand its brand name on a global level we are interested in penetrating new markets and expanding our global reach. We are doing this through the expansion of product lines, such as our Fresh Express salads, which are the U.S. market leader. We provide more than 20 million consumers with over 50 different fresh and healthy salad choices each week. Also, we are one step ahead of our on-the-go consumers by providing single packaged Chiquita bananas To Go. These bananas packaged in a convenient box sealed with a proprietary patch that perfectly regulates airflow, enabling a longer shelf life. We are finding new ways to maximize our profits through the expansion and innovation of our products. In an industry not known for innovation, Chiquita is a leader in the field in finding ways to provide customers products that simplify their lives, while allowing the company to continue to grow in the future. With our challenges behind us Chiquita is looking forward to a successful year in 2007.

Sincerely,

Fernando Aguirre  
Chief Executive Officer