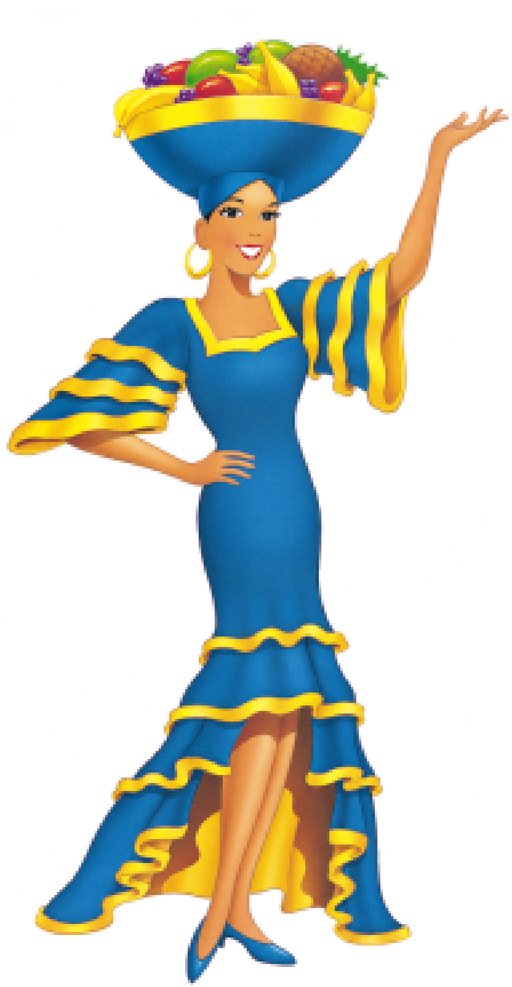

Chiquita Brands International, Inc.
2000 Annual Report and Form 10-K

Annual Meeting Scheduled for September

On January 16, 2001, Chiquita announced a proposed restructuring of the parent company's $862 million of publicly-held debt which is discussed in this Annual Report. If successful, the restructuring would result in the conversion of a significant portion of this debt into common equity, which would dilute the equity interests of existing common, preferred and preference shareholders.

The restructuring process is at an early stage and is expected to continue beyond the customary mid-May date for the Annual Meeting of Shareholders. Accordingly, the Board of Directors has fixed September 12, 2001 as the date for the Company's 2001 Annual Meeting.

In advance of the Annual Meeting in September, the Company will mail to shareholders its normal proxy materials. If you wish to follow the Company's public announcements regarding the restructuring, operating results or other developments, all press releases and SEC filings are available through www.chiquita.com or by calling Investor Relations at (513) 784-6366.

For information as to the new deadlines for submitting shareholder proposals for the 2001 Annual Meeting, see the beginning of Part III on page K-13 of the Form 10-K included in this Annual Report booklet.

Contents

Financial Report

Statement of Management Responsibility

The financial information presented in this Annual Report is the responsibility of Chiquita Brands International, Inc. management, which believes that it presents fairly the Company's consolidated financial position and results of operations in accordance with generally accepted accounting principles.

The Company's system of internal accounting controls, which is supported by formal financial and administrative policies, is designed to provide reasonable assurance that the financial records are reliable for preparation of financial statements and that assets are safeguarded against losses from unauthorized use or disposition. Management reviews, modifies and improves these systems and controls as changes occur in business conditions and operations. The Company's worldwide internal audit function reviews the adequacy and effectiveness of controls and compliance with policies.

The Audit Committee of the Board of Directors, all of whose members are independent directors, reviews the Company's financial statements, accounting policies and internal controls. In performing its reviews, the Committee meets periodically with the independent auditors, management and internal auditors to discuss these matters.

The Company engages Ernst & Young, an independent auditing firm, to audit its financial statements and express an opinion thereon. The scope of the audit is set by Ernst & Young, which has full and free access to all Company records and personnel in conducting its audits. Representatives of Ernst & Young are free to meet with the Audit Committee, with or without members of management present, to discuss their audit work and any other matters they believe should be brought to the attention of the Committee.

Report of Ernst & Young, Independent Auditors

The Board of Directors and Shareholders of Chiquita Brands International, Inc.

We have audited the accompanying consolidated balance sheets of Chiquita Brands International, Inc. as of December 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity and cash flow for each of the three years in the period ended December 31, 2000. These financial statements, appearing on pages 10 through 31, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above fairly present, in all material respects, the consolidated financial position of Chiquita Brands International, Inc. at December 31, 2000 and 1999, and the consolidated results of its operations and its cash flow for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that Chiquita Brands International, Inc. will continue as a going concern. The Company announced an initiative on January 16, 2001 to restructure publicly-held debt issued by Chiquita Brands International, Inc., the parent holding company. In connection with this restructuring initiative, the Company suspended all principal and interest payments on this debt, including the January 2001 interest payment on the 9 5/8% senior notes due 2004. The failure to make this interest payment constitutes an event of default that permits the holders of such notes to accelerate their maturity. These conditions raise substantial doubt about the Company's ability to continue as a going concern. These matters and management's plans are more fully discussed in Note 2 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Ernst + Young LLP

Cincinnati, Ohio
February 15, 2001, except for Notes 2 and 9, for which the date is March 15, 2001

Management's Analysis of Operations and Financial Condition

Operations

This analysis of operations presents and addresses Chiquita's operating results on the basis used by the Company to evaluate its business segments, and should be read in conjunction with the segment information presented in Note 14 to the Consolidated Financial Statements.

(In thousands)	**2000**	1999	1998
Net sales			
Fresh Produce	**$ 1,787,334**	$ 2,044,788	$ 2,243,284
Processed Foods	**466,436**	511,011	477,077
Total net sales	**$ 2,253,770**	$ 2,555,799	$ 2,720,361
Segment operating income			
Fresh Produce	**$ 16,886**	$ 23,129	$ 126,685
Processed Foods	**30,540**	27,909	25,524
Unusual items	**(20,060)**	(9,000)	(73,600)
Total operating income	**$ 27,366**	$ 42,038	$ 78,609

Fresh Produce segment operating income in 2000 declined from 1999. Operating results were adversely affected by the strongest dollar in relation to major European currencies in the last 14 years (mitigated in part by the Company's foreign currency hedging program), higher fuel costs and lower banana volume in North America. The negative effects of these items were mostly offset by the Company's substantial improvements in production and logistics costs and benefits from its workforce reduction program announced in the third quarter of 1999. Operating results for the Company's Processed Foods business segment in 2000 improved from the prior year as the Company continued to consolidate productive capacity in its canning operations.

Operating results of the Company's Fresh Produce business were significantly lower in 1999 as compared to 1998 primarily as a result of lower banana pricing, particularly in Europe due to the overallocation of European Union banana import licenses early in the year and weakness in demand from Eastern Europe and Russia. Operating income for the Company's Processed Foods business improved in 1999 as compared to 1998 primarily as a result of higher pricing for canned vegetables.

Unusual items include the following:

- In 2000, $20 million of fourth quarter charges associated with the write-downs of production and sourcing assets in the Fresh Produce operations. Also, in the second quarter, the Company incurred charges and write-offs relating primarily to banana production assets, including the curtailment announced in June 2000 of additional Hurricane Mitch farm rehabilitation. These second quarter charges were offset by a $15 million gain on the sale of California Day-Fresh Foods, Inc., a processor and distributor of natural fresh fruit and vegetable juices.
- In 1999, $9 million of charges associated with a workforce reduction program that streamlined certain corporate and staff functions in the U.S., Central America and Europe. These charges included severance, benefits extensions and outplacement services provided by this program.
- In 1998, $74 million of charges, net of insurance recoveries, as a result of significant damage in Honduras and Guatemala caused by Hurricane Mitch, including write-downs of banana cultivations and farm infrastructure assets, and costs for employee benefits and humanitarian aid.

Net sales in 2000 decreased from the prior year in Fresh Produce primarily as a result of the stronger dollar, lower banana volume in North America and non-core trading markets, and the deconsolidation of the Company's Australian operations. Processed Foods net sales decreased in 2000 primarily as a result of the sale of California Day-Fresh Foods, Inc. In 1999, Fresh Produce net sales decreased from the prior year primarily as a result of lower banana pricing.

Interest income for 1999 includes $10 million related to refunds that resulted from audits of the Company's federal income tax returns for 1989 through 1991. Interest expense has increased since 1998 as a result of higher average outstanding debt balances.

"Other income, net" in 1998 includes a gain from a cash settlement in excess of $10 million of claims against a newspaper, offset partially by the write-off of a non-operating investment.

Income taxes consist principally of foreign income taxes currently paid or payable. No tax benefit was recorded for unrealized U.S. net operating loss carryforwards or other available tax credits.

Liquidity and Capital Resources

As discussed in "European Union Regulatory Developments" below, in 1993 the European Union ("EU") implemented a discriminatory quota and licensing regime governing the importation of bananas into the EU that violates the EU's international trade obligations. This regime significantly decreased the Company's banana volume sold into Europe and resulted in significantly decreased operating results for the Company as compared to years prior to implementation of the regime. Although the Company has made significant improvements in production and logistics costs, the deterioration of operating results caused by this regime has been further exacerbated in recent years by the continued weakness of major European currencies against the U.S. dollar. These factors led to the Company's announcement in January 2001 that it intends to regain its financial health by restructuring the $862 million face amount of publicly-held senior notes and subordinated debentures of Chiquita Brands International, Inc. ("CBII"), which is a parent holding company without business operations of its own. If successful, the restructuring would result in conversion of a significant portion of such debt into common equity, and the equity interests of existing common, preferred and preference shareholders would be diluted. The Company does not believe this restructuring would impact its day-to-day operations with regard to employees, customers, suppliers, distributors and general business, or affect payments of liabilities by the Company's operating subsidiaries, which would continue to be serviced by cash flow from the Fresh Produce and Processed Foods business segments.

The Company has retained The Blackstone Group as its financial advisor and has begun discussions regarding the proposed restructuring with holders of the parent company's publicly-held debt. If an agreement with such holders is reached, the resulting restructuring plan would likely be presented for judicial approval under Chapter 11 of the U.S. Bankruptcy Code, which provides for companies to reorganize and continue to operate as going concerns. Discussions with debt holders are in the preliminary stages, and there can be no assurance that an agreement regarding a financial restructuring will be reached.

As part of the restructuring initiative, the Company has discontinued all interest and principal payments on its public debt, including a January 2001 interest payment on the 9 5/8% senior notes due 2004. The failure to make this interest payment constitutes an event of default that permits the 9 5/8% senior note holders to accelerate maturity of the entire $250 million face amount. The other parent company debt holders are entitled to accelerate their respective obligations: 1) upon acceleration by the 9 5/8% senior note holders if such acceleration is not rescinded within 10 days or 2) upon the non-payment of $87 million principal amount of 7% subordinated debentures at maturity on March 28, 2001. Under these circumstances, it is anticipated that the Company's $775 million face amount of parent company public debt which is classified as long-term at December 31, 2000 would be classified as current liabilities in the March 31, 2001 balance sheet.

The Company discontinued payment of dividends on common stock for all of 2000 and, in the fourth quarter of 2000, suspended payment of dividends on its preferred and preference stock.

In March 2001, the Company's operating subsidiary, Chiquita Brands, Inc. ("CBI"), obtained a three-year secured bank credit facility for up to $120 million to replace CBII's expiring bank revolving credit agreement. The new facility consists of a term loan of $75 million and a revolving credit facility of $45 million. A portion of the proceeds of the term loan has been used to repay $50 million of bank loans of certain Costa Rican farm subsidiaries. Under the revolving credit facility, $35 million is available for seasonal working capital needs and other corporate purposes, and the remaining $10 million is available with the lenders' consent. The new facility contains covenants which limit the distribution of cash from CBI to CBII, the parent holding company, to $95 million per year for payment of CBII overhead, amounts necessary for payment of income taxes, and a cumulative amount of up to $22 million for restructuring costs. At March 15, 2001, the term loan amount of $75 million was outstanding, but no amounts were drawn under the $45 million revolving facility. At March 15, 2001, approximately $40 million was available to subsidiaries for working capital purposes under other committed lines of credit.

Capital expenditures were $55 million in 2000, including $20 million to rehabilitate banana farms in Honduras and Guatemala which were destroyed or damaged by Hurricane Mitch in late 1998. The Company announced in June 2000 that it has curtailed plans for further rehabilitation of farms damaged by Hurricane Mitch. Capital expenditures were $152 million in 1999 and $118 million in 1998. The 1999 amount includes $74 million for the rehabilitation of banana farms in Honduras and Guatemala which were destroyed or damaged by Hurricane Mitch. The 1998 amount includes $40 million for expansion of Chiquita's vegetable canning operations and for farm rehabilitation in the Company's western Panama division following a two-month strike.

Operating cash flow was $(1) million in 2000, $(6) million in 1999 and $91 million in 1998. These amounts include cash payments relating to interest expense on parent company debt of $89 million in 2000, $79 million in 1999 and $70 million in 1998. Operating cash flow excluding payments relating to parent company interest expense was $88 million in 2000, $73 million in 1999 and $161 million in 1998. Given the suspension of interest and principal payments on the publicly-held debt, the suspension of dividends on common, preferred and preference stock, and the $120 million credit facility, the Company believes that the cash flow generated by operating subsidiaries will provide sufficient cash reserves and liquidity.

In June 1999, the Company issued $200 million principal amount of 10% senior notes due 2009 for net proceeds of $195 million. The Company used most of these proceeds to repay debt of subsidiaries and to repay borrowings under its parent company revolving line of credit. In September 1999, Chiquita Processed Foods, L.L.C. ("CPF"), the Company's vegetable canning subsidiary, entered into a five-year $200 million senior secured credit facility. The facility includes a $135 million revolving credit line and a $65 million facility for term loans, and replaced CPF's previous $85 million revolving credit facility.

European Union Regulatory Developments

In 1993, the EU implemented a quota regime which reduced the volume of bananas imported into the EU from Latin America, Chiquita's primary source of fruit, while granting market access to bananas grown in Caribbean and African sources that far exceeded pre-1993 volumes from those areas. In addition, the new system allocated a majority of the licenses necessary to gain access to the Latin American quota to importers that had marketed less than 5% of those bananas prior to 1993. This quota and licensing regime had the effect of significantly decreasing the Company's overall volume and market share in the EU. Following imposition of this regime, prices within the EU increased and have remained at a higher level than the levels prevailing prior to the quota. Banana prices in other worldwide markets, however, declined as the displaced EU volume entered those markets, and have remained lower than in years prior to the EU quota.

The EU quota and licensing regime has been determined to be in violation of a number of international trade obligations by both the World Trade Organization ("WTO") and its predecessor, the General Agreement on Tariffs and Trade ("GATT"). The following chronology summarizes key developments:

1992, 1993	In two separate rulings, GATT panels find the EU banana policies to be illegal.
1994	Chiquita makes a filing with the Office of the U.S. Trade Representative ("USTR") under Section 301 of the U.S. Trade Act of 1974 (the "Trade Act") charging that the EU quota and licensing regime is unreasonable, discriminatory, and a burden and restriction on U.S. commerce.

Management's Analysis of Operations and Financial Condition

1995	The USTR determines that the EU regime violates the Trade Act. Subsequently, the United States, Guatemala, Honduras and Mexico commence a challenge against the regime using the procedures of the newly created WTO.
1996	Ecuador, the world's largest exporter of bananas, joins these countries in the WTO action.
1997	A WTO panel rules that the EU banana regime violates numerous international trade obligations to the detriment of Latin American supplying countries and U.S. marketing firms such as Chiquita. The WTO Appellate Body upholds the panel's ruling.
1998	The EU adopts a revised quota and licensing regime for implementation in January 1999 that purports to comply with the 1997 WTO rulings. The five governments that filed the WTO complaint, joined by Panama, which became a WTO member after the initial complaint was filed, oppose the revised EU regime for not complying with the WTO rulings.
1999	A WTO arbitration panel rules that the revised EU banana import regime continues the same discrimination against the United States and Latin America which previous WTO rulings found to be in violation of the EU's international trade obligations. The WTO arbitrators conclude that the United States is being harmed in the amount of approximately $190 million annually and is entitled to suspend EU trade concessions in that amount. Accordingly, the United States imposes duties (100% of value) on selected EU products accounting for $190 million of annual exports to the United States.
2000	The President of the United States signs into law a measure intended to increase pressure on the EU to make its banana regime consistent with WTO rulings. Referred to as "carousel retaliation," this measure requires the USTR to change the list of imported goods subject to retaliatory sanctions every six months. The USTR is still considering how to implement that requirement. In December, the EU indicates its intention to implement a "first come, first served" system that would continue to limit access for Latin American bananas and involve the "pre-allocation" of licenses on a pro rata basis to all importers whose requested volumes for particular time periods meet applicable criteria. The EU's current implementation target is July 1, 2001. The United States and Latin American producing countries oppose the new "first come, first served" plan and inform the EU of their view that the new plan is not WTO-consistent.
2001	In January, Chiquita files a lawsuit in the Court of First Instance of the European Court of Justice claiming damages from the European Commission (the EU's executive body) for not carrying out the EU's commitment to reform its banana import regime to comply with 1997 WTO rulings. The lawsuit seeks over $500 million for damages inflicted on Chiquita during the two years since the inception of the amended regime in January 1999. The suit also reserves the right to claim future damages based on the continuing illegality of the regime, including the new "first come, first served" proposal that the EU intends to implement.

Uncertainties remain as to the outcome of this dispute and its effect on the Company and the banana industry as a whole. If the proposed "first come, first served" system is implemented, it would likely result in even further harm to the Company's business.

Management's Analysis of Operations and Financial Condition

EU Common Currency

In 1999, most of the European Union member countries began implementation of the EU common currency (the "euro") by accepting the euro as legal tender in addition to their respective national currencies. After July 1, 2002, the euro will be the sole legal tender for these countries. The Company's affected customers continue to be invoiced in their traditionally invoiced currencies. The Company is currently addressing euro-related issues and their impact on information systems, currency exchange rate risk and other areas. Although the Company is not able to predict the full implications of the euro implementation on its European operations, the implementation has not had, and the Company does not believe it will have, a material adverse effect on its financial statements.

Market Risk Management

Chiquita's products are distributed in more than 60 countries. Its international sales are made primarily in U.S. dollars and major European currencies (see "EU Common Currency"). The Company reduces currency exchange risk from sales originating in currencies other than the dollar by exchanging local currencies for dollars promptly upon receipt. The Company further reduces its exposure to exchange rate fluctuations by purchasing foreign currency option contracts (principally euro contracts) to hedge sales denominated in foreign currencies.

Chiquita's interest rate risk arises primarily from its debt. The Company reduces its exposure to interest rate fluctuations on its long-term variable rate debt by entering into interest rate swap agreements to fix the amount of interest payments.

The Company's transportation costs are exposed to the risk of rising fuel prices. To reduce this risk, the Company enters into fuel oil swap agreements that fix the purchase price of fuel oil.

The foreign currency option contracts, interest rate swap agreements and fuel oil swap agreements are derivative financial instruments that change in value in the opposite direction of the underlying transactions being hedged. Chiquita uses a value at risk ("VAR") model to estimate the potential loss the Company could incur as a result of adverse changes in foreign currency exchange, interest rates and fuel oil prices, based on a 95% confidence level, over a given period of time. The VAR calculations do not consider the potential effect of favorable changes in these rates or the offsetting increase in the dollar realization of an underlying foreign currency sale. Therefore, the VAR calculations are not intended to represent actual losses the Company expects to incur.

As of December 31, 2000 and 1999 and for the year ended December 31, 2000, the Company estimates that the fair value of foreign currency option contracts would decline by less than $3 million over a one-day period due to an adverse change in foreign currency exchange rates. However, the Company expects that any decline in the fair value of these contracts would typically be offset by an increase in the dollar realization of the underlying sales denominated in foreign currencies.

As of December 31, 2000 and 1999 and for the year ended December 31, 2000, the Company estimates that the combined adverse change in fair value of its debt and interest rate swaps would be less than $3 million over a one-day period due to an unfavorable change in interest rates.

As of December 31, 2000 and 1999 and for the year ended December 31, 2000, the Company estimates that the fair value of fuel oil swaps would decline by less than $1 million over a one-day period due to an adverse change in fuel oil prices. However, the Company expects that any decline in the fair value of these contracts would be offset by a decrease in the cost of underlying fuel purchases.

(See Note 8 to the Consolidated Financial Statements for additional discussion of the Company's hedging activities. Also, see Note 1 to the Consolidated Financial Statements regarding the Company's planned adoption of Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended.)

Management's Analysis of Operations and Financial Condition

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This Annual Report contains certain information that may be deemed to be "forward-looking statements" within the meaning of the Private Securities Litigation Act of 1995. These statements reflect management's current views and estimates of future economic circumstances, industry conditions and Company performance. They are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of Chiquita. The assumptions, risks and uncertainties include the Company's ability to reach agreement with holders of the parent company debt regarding a restructuring of such debt, the terms of any such restructuring, product pricing, cost to purchase or grow (and availability of) fresh produce and other raw materials, currency exchange rate fluctuations, natural disasters and unusual weather conditions, operating efficiencies, labor relations, actions of governmental bodies, including actions with regard to the EU's banana import regime, and other market and competitive conditions. Actual results or developments may differ materially from the expectations expressed or implied in the forward-looking statements, and the Company undertakes no obligation to update any such statements.

Consolidated Statement of Income

(In thousands, except per share amounts)	2000	1999	1998
Net sales	$ 2,253,770	$ 2,555,799	$ 2,720,361
Operating expenses			
Cost of sales	1,863,818	2,094,406	2,206,047
Selling, general and administrative	271,650	328,467	343,227
Depreciation	90,936	90,888	92,478
	2,226,404	2,513,761	2,641,752
Operating income	27,366	42,038	78,609
Interest income	12,289	19,574	12,866
Interest expense	(127,815)	(112,033)	(108,757)
Other income, net	293	339	7,370
Loss before income taxes	(87,867)	(50,082)	(9,912)
Income taxes	(7,000)	(8,300)	(8,500)
Net loss	$ (94,867)	$ (58,382)	$ (18,412)
Less dividends on preferred and preference stock:			
Paid	(12,826)	(17,102)	(17,102)
In arrears	(4,276)	—	—
Net loss attributed to common shares	$ (111,969)	$ (75,484)	$ (35,514)
Net loss per common share – basic and diluted	$ (1.68)	$ (1.15)	$ (.55)

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

(In thousands, except share amounts)	December 31, 2000	1999
Assets		
Current assets		
Cash and equivalents	$ 96,924	$ 97,863
Trade receivables, less allowances of $10,685 and $12,214, respectively	191,476	209,741
Other receivables, net	105,018	151,457
Inventories	428,260	421,806
Other current assets	24,835	22,000
Total current assets	846,513	902,867
Property, plant and equipment, net	1,071,341	1,177,823
Investments and other assets	334,573	333,257
Intangibles, net	164,363	182,180
Total assets	$ 2,416,790	$ 2,596,127
Liabilities and Shareholders' Equity		
Current liabilities		
Notes and loans payable	$ 109,274	$ 89,519
Long-term debt due within one year (Note 2)	180,615	40,235
Accounts payable	194,367	217,327
Accrued liabilities	128,614	141,341
Total current liabilities	612,870	488,422
Long-term debt of parent company (Note 2)	772,380	883,815
Long-term debt of subsidiaries	287,695	343,186
Other liabilities	161,302	175,418
Total liabilities	1,834,247	1,890,841
Shareholders' equity		
Preferred and preference stock	253,475	253,475
Common stock, $.01 par value (66,705,622 and 65,921,791 shares outstanding, respectively)	667	659
Capital surplus	766,217	761,079
Accumulated deficit	(411,300)	(303,607)
Accumulated other comprehensive loss	(26,516)	(6,320)
Total shareholders' equity	582,543	705,286
Total liabilities and shareholders' equity	$ 2,416,790	$ 2,596,127

See Notes to Consolidated Financial Statements.

Consolidated Statement of Shareholders' Equity

(In thousands)	Preferred and preference stock	Common stock	Capital surplus	Accumulated deficit	Accumulated other comprehensive income (loss)	**Total shareholders' equity**
December 31, 1997	$ 253,239	$ 20,389	$ 676,352	$(166,486)	$ (3,408)	$ 780,086
Net loss	—	—	—	(18,412)	—	(18,412)
Unrealized translation gain	—	—	—	—	2,566	2,566
Comprehensive loss						(15,846)
Reduction in par value of common stock	—	(19,777)	19,777	—	—	—
Share issuances						
Option exercises	—	1	1,482	—	—	1,483
Acquisitions of businesses	236	41	58,049	—	—	58,326
Dividends						
Common stock	—	—	—	(12,970)	—	(12,970)
Preferred and preference stock	—	—	—	(17,099)	—	(17,099)
December 31, 1998	253,475	654	755,660	(214,967)	(842)	793,980
Net loss	—	—	—	(58,382)	—	(58,382)
Unrealized translation loss	—	—	—	—	(5,478)	(5,478)
Comprehensive loss						(63,860)
Share issuances						
Option exercises	—	1	57	—	—	58
Other	—	4	5,362	—	—	5,366
Dividends						
Common stock	—	—	—	(13,156)	—	(13,156)
Preferred and preference stock	—	—	—	(17,102)	—	(17,102)
December 31, 1999	253,475	659	761,079	(303,607)	(6,320)	705,286
Net loss	—	—	—	(94,867)	—	(94,867)
Unrealized translation loss	—	—	—	—	(12,979)	(12,979)
Change in minimum pension liability	—	—	—	—	(7,217)	(7,217)
Comprehensive loss						(115,063)
Share issuances	—	8	5,138	—	—	5,146
Dividends paid on preferred and preference stock	—	—	—	(12,826)	—	(12,826)
December 31, 2000	$ 253,475	$ 667	$ 766,217	$(411,300)	$ (26,516)	$ 582,543

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flow

(In thousands)	2000	1999	1998
Cash provided (used) by:			
Operations			
Net loss	$ (94,867)	$ (58,382)	$ (18,412)
Depreciation and amortization	97,505	97,304	99,138
Write-downs of fresh produce production and sourcing assets (in 1998, net of expected insurance recoveries)	28,037	—	43,400
Collection of tax refund	21,685	—	—
Gain on sale of non-core business	(14,710)	—	—
Changes in current assets and liabilities			
Trade receivables	5,325	(4,222)	(19,089)
Other receivables	(5,567)	(6,085)	(23,052)
Inventories	(17,804)	(16,789)	3,556
Other current assets	(3,857)	1,877	10,408
Accounts payable and accrued liabilities	(17,581)	(15,095)	(15,359)
Other	1,281	(4,651)	10,620
Cash flow from operations	(553)	(6,043)	91,210
Investing			
Capital expenditures	(54,632)	(152,080)	(118,250)
Hurricane Mitch insurance proceeds	32,500	32,500	—
Acquisitions of businesses	—	(21,619)	(26,199)
Long-term investments	(3,601)	(11,531)	(4,563)
Proceeds from sales of property, plant and equipment	15,244	14,903	2,371
Proceeds from sale of non-core business	26,251	—	18,249
Refundable deposits for container equipment	—	9,745	(9,745)
Other	(5,943)	4,266	7,096
Cash flow from investing	9,819	(123,816)	(131,041)
Financing			
Debt transactions			
Issuances of long-term debt	81,085	284,327	78,858
Repayments of long-term debt	(100,085)	(68,389)	(108,627)
Increase (decrease) in notes and loans payable	21,621	(46,922)	61,390
Stock transactions			
Issuances of common stock	—	58	1,483
Dividends	(12,826)	(30,258)	(30,069)
Cash flow from financing	(10,205)	138,816	3,035
Increase (decrease) in cash and equivalents	(939)	8,957	(36,796)
Balance at beginning of year	97,863	88,906	125,702
Balance at end of year	$ 96,924	$ 97,863	$ 88,906

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Note 1 — Summary of Significant Accounting Policies

American Financial Group, Inc. and its subsidiaries owned approximately 36% of the outstanding common stock of Chiquita Brands International, Inc. ("Chiquita" or the "Company") as of December 31, 2000.

Consolidation The consolidated financial statements include the accounts of the Company and controlled majority-owned subsidiaries. Intercompany balances and transactions have been eliminated. Investments representing minority interests are accounted for by the equity method when Chiquita has the ability to exercise significant influence in the investees' operations; otherwise, they are accounted for at cost.

Use of Estimates The financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which require management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes.

Cash and Equivalents Cash and equivalents include cash and highly liquid investments with a maturity when purchased of three months or less.

Inventories Inventories are valued at the lower of cost or market. Cost for growing crops and certain fresh produce inventories is determined principally on the "last-in, first-out" (LIFO) basis. Cost for other inventory categories is determined on the "first-in, first-out" (FIFO) or average cost basis.

Property, Plant and Equipment Property, plant and equipment are stated at cost and, except for land, are depreciated on a straight-line basis over their estimated useful lives.

Intangibles Intangibles consist primarily of goodwill and trademarks which are amortized over not more than 40 years. Accumulated amortization was $63 million and $60 million at December 31, 2000 and 1999, respectively. The carrying value of intangibles is evaluated periodically in relation to the operating performance and future undiscounted cash flows of the underlying businesses.

Revenue Recognition Revenue is recognized on sales of products when the customer receives title to the goods, generally upon delivery.

Income Taxes Deferred income taxes are recognized at currently enacted tax rates for temporary differences between the financial reporting and income tax bases of assets and liabilities. Deferred taxes are not provided on the undistributed earnings of subsidiaries operating outside the U.S. that have been or are intended to be permanently reinvested.

Earnings Per Share Basic earnings per share is calculated on the basis of the weighted average number of shares of common stock outstanding during the year reduced by nonvested restricted shares. The assumed conversions to common stock of the Company's 7% convertible subordinated debentures, preferred and preference stock, stock options and other stock awards are excluded from diluted earnings per share computations for periods in which these items, on an individual basis, have an anti-dilutive effect.

Foreign Exchange Chiquita generally utilizes the U.S. dollar as its functional currency. Net foreign exchange gains (losses) of $2 million in 2000, $(5) million in 1999 and $6 million in 1998 are included in income.

The Company enters into foreign currency option contracts to hedge transactions denominated in foreign currencies. These option contracts are specifically designated as hedges and limit losses from currency risk associated with the hedged transactions. The Company does not enter into option contracts for speculative purposes. Amounts paid for options and any gains realized thereon are deferred until the hedged transaction occurs.

New Accounting Pronouncements In 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard, as amended, must be implemented for the Company's 2001 fiscal year and requires the recognition of all derivatives on the balance sheet at fair value, and recognition of the resulting gains or losses as adjustments to net income or other comprehensive income. Adoption of SFAS No. 133 on January 1, 2001 will result in a cumulative effect of an accounting change, affecting net income by less than $1 million and reducing other comprehensive income by approximately $7 million. The adoption of this standard would increase the likelihood of volatility in earnings and other comprehensive income, the extent of which is dependent upon the amount of derivatives outstanding and the timing and size of foreign exchange and other market rate fluctuations.

Note 2 — Parent Company Debt Restructuring

In 1993, the European Union ("EU") implemented a discriminatory quota and licensing regime governing the importation of bananas into the EU that violates the EU's international trade obligations. This regime significantly decreased the Company's banana volume sold into Europe and resulted in significantly decreased operating results for the Company as compared to years prior to implementation of the regime. Although the Company has made significant improvements in production and logistics costs, the deterioration of operating results caused by this regime has been further exacerbated in recent years by the continued weakness of major European currencies against the U.S. dollar. These factors led to the Company's announcement in January 2001 that it intends to regain its financial health by restructuring the $862 million face amount of publicly-held senior notes and subordinated debentures of Chiquita Brands International, Inc. ("CBII"), which is a parent holding company without business operations of its own. If successful, the restructuring would result in conversion of a significant portion of such debt into common equity, and the equity interests of existing common, preferred and preference shareholders would be diluted. The Company does not believe this restructuring would impact its day-to-day operations with regard to employees, customers, suppliers, distributors and general business, or affect payments of liabilities by the Company's operating subsidiaries, which would continue to be serviced by cash flow from the Fresh Produce and Processed Foods business segments.

The Company has retained The Blackstone Group as its financial advisor and has begun discussions regarding the proposed restructuring with holders of the parent company's publicly-held debt. If an agreement with such holders is reached, the resulting restructuring plan would likely be presented for judicial approval under Chapter 11 of the U.S. Bankruptcy Code, which provides for companies to reorganize and continue to operate as going concerns. Discussions with debt holders are in the preliminary stages, and there can be no assurance that an agreement regarding a financial restructuring will be reached.

As part of the restructuring initiative, the Company has discontinued all interest and principal payments on its public debt, including a January 2001 interest payment on the 9 5/8% senior notes due 2004. The failure to make this interest payment constitutes an event of default that permits the 9 5/8% senior note holders to accelerate maturity of the entire $250 million face amount. The other parent company debt holders are entitled to accelerate their respective obligations: 1) upon acceleration by the 9 5/8% senior note holders if such acceleration is not rescinded within 10 days or 2) upon the non-payment of $87 million principal amount of 7% subordinated debentures at maturity on March 28, 2001. Under these circumstances, it is anticipated that the Company's $775 million face amount of parent company public debt which is classified as long-term at December 31, 2000 would be classified as current liabilities in the March 31, 2001 balance sheet. The following summarized pro forma balance sheet presents the reclassification of parent company public debt as current liabilities had these circumstances existed at December 31, 2000:

	December 31, 2000	
(In thousands)	Actual	Pro forma
Total current assets	$ 846,513	$ 846,513
Long-term assets	1,570,277	1,570,277
Total assets	$ 2,416,790	$ 2,416,790
Total current liabilities	$ 612,870	$ 1,385,250
Long-term debt of parent company	772,380	—
Long-term debt of subsidiaries	287,695	287,695
Other liabilities	161,302	161,302
Total liabilities	1,834,247	1,834,247
Total shareholders' equity	582,543	582,543
Total liabilities and shareholders' equity	$ 2,416,790	$ 2,416,790

In March 2001, the Company's operating subsidiary, Chiquita Brands, Inc. ("CBI"), obtained a three-year secured bank credit facility for up to $120 million to replace CBII's expiring bank revolving credit agreement. The new facility consists of a term loan of $75 million and a revolving credit facility of $45 million. A portion of the proceeds of the term loan has been used to repay $50 million of bank loans of certain Costa Rican farm subsidiaries. Under the revolving credit facility, $35 million is available for seasonal working capital needs and other corporate purposes, and the remaining $10 million is available with the lenders' consent. The new facility contains covenants which limit the distribution of cash from CBI to CBII, the parent holding company, to $95 million per year for payment of CBII overhead, amounts necessary for payment of income taxes, and a cumulative amount of up to $22 million for restructuring costs. At March 15, 2001, the term loan amount of $75 million was outstanding, but no amounts were drawn under the $45 million revolving facility.

The accompanying consolidated financial statements do not reflect any adjustments that could result from the Company's restructuring plan.

Note 3 — Earnings Per Share

Basic and diluted earnings per share are calculated as follows:

(In thousands, except per share amounts)	2000	1999	1998
Net loss	$ (94,867)	$ (58,382)	$ (18,412)
Dividends on preferred and preference stock:			
Paid	(12,826)	(17,102)	(17,102)
In arrears	(4,276)	—	—
Net loss attributed to common shares	$ (111,969)	$ (75,484)	$ (35,514)
Weighted average common shares outstanding	66,498	65,768	64,734
Nonvested restricted shares	—	—	(71)
Shares used to calculate basic and diluted earnings per share	66,498	65,768	64,663
Basic and diluted net loss per common share	$ (1.68)	$ (1.15)	$ (.55)

The assumed conversions to common stock of the Company's preferred stock, preference stock and 7% convertible subordinated debentures and the assumed exercise of outstanding stock options and other stock awards would have an anti-dilutive effect on diluted earnings per share and, therefore, have not been included in the above calculations. For additional information regarding the 7% convertible subordinated debentures, stock options and other stock awards, and preferred and preference stock, see Notes 9, 11 and 12.

Note 4 — Inventories

Inventories consist of the following:

	December 31,	
(In thousands)	2000	1999
Fresh produce	$ 31,199	$ 39,762
Processed food products	241,787	215,365
Growing crops	97,620	104,699
Materials, supplies and other	57,654	61,980
	$ 428,260	$ 421,806

The carrying value of inventories valued by the LIFO method was $106 million at December 31, 2000 and $112 million at December 31, 1999. If these inventories were stated at current costs, total inventories would have been approximately $26 million and $30 million higher than reported at December 31, 2000 and 1999, respectively.

Note 5 — Property, Plant and Equipment

Property, plant and equipment consist of the following:

	December 31,		Weighted average depreciable lives
(In thousands)	2000	1999	
Land	$ 69,429	$ 102,935	
Buildings and improvements	250,533	257,204	25 years
Machinery and equipment	416,294	473,335	10 years
Ships and containers	682,268	680,224	24 years
Cultivations	322,282	304,232	29 years
Other	66,631	74,799	16 years
	1,807,437	1,892,729	
Accumulated depreciation	(736,096)	(714,906)	
	$ 1,071,341	$ 1,177,823	

Note 6 — Leases

Total rental expense consists of the following:

(In thousands)		2000		1999		1998
Gross rentals						
Ships and containers	$	**64,403**	$	96,101	$	94,047
Other		**35,767**		36,937		36,854
		100,170		133,038		130,901
Less sublease rentals		**(1,016)**		(16,095)		(21,269)
	$	**99,154**	$	116,943	$	109,632

Future minimum rental payments required under operating leases having initial or remaining non-cancelable lease terms in excess of one year at December 31, 2000 are as follows:

(In thousands)		Ships and containers		Other		Total
2001	$	26,178	$	19,178	$	**45,356**
2002		22,131		16,507		**38,638**
2003		17,418		14,313		**31,731**
2004		14,421		12,142		**26,563**
2005		12,092		7,832		**19,924**
Later years		14,182		9,563		**23,745**

Portions of the minimum rental payments for ships constitute reimbursement for ship operating costs paid by the lessor.

Note 7 — Equity Method Investments

The Company has investments in a number of affiliates which are accounted for by the equity method. These affiliates are primarily engaged in the distribution of fresh produce. Chiquita's share of the earnings (losses) of these affiliates was $(9) million in 2000, $5 million in 1999 and $8 million in 1998, and its investment in these companies totaled $119 million at December 31, 2000 and $121 million at December 31, 1999. The Company's share of undistributed earnings of these affiliates totaled $25 million at December 31, 2000 and $28 million at December 31, 1999. The excess of the carrying value of Chiquita's investment over its share of the fair value of the investees' net assets at the date of acquisition is being amortized over periods ranging from 10 to 40 years ($33 million and $34 million, net of accumulated amortization, at December 31, 2000 and 1999, respectively).

Summarized unaudited financial information of these affiliates follows:

(In thousands)		2000		1999		1998
Revenue	$	**998,868**	$	978,180	$	707,358
Gross profit		**141,438**		109,608		104,836
Net earnings (losses)		**(9,751)**		16,016		22,289
Current assets		**212,254**		205,270		
Total assets		**504,931**		382,815		
Current liabilities		**241,758**		164,596		
Total liabilities		**301,719**		205,226		

Note 8 — Financial Instruments

At December 31, 2000, the Company had euro-denominated option contracts which ensure conversion of approximately €300 million of sales in 2001 at average rates not lower than 0.88 dollars per euro and approximately €20 million of sales in 2002 at average rates not lower than 0.85 dollars per euro. The Company also has fuel oil swap agreements maturing in 2001 which fix the purchase price on approximately 150,000 metric tons of fuel oil.

The carrying values and estimated fair values of the Company's debt, fuel oil swap agreements and foreign currency option contracts are summarized below:

	December 31, 2000		December 31, 1999	
(In thousands)	**Carrying value**	**Estimated fair value**	Carrying value	Estimated fair value
Parent company debt	**$ (859,310)**	**$ (270,000)**	$ (883,815)	$ (645,000)
Subsidiary debt	**(490,654)**	**(493,000)**	(472,940)	(475,000)
Fuel oil swap agreements	**—**	**(3,500)**	—	—
Foreign currency option contracts	**8,841**	**3,500**	2,980	8,400

Fair values for the Company's publicly traded debt and foreign currency option contracts are based on quoted market prices. Fair value for other debt is estimated based on the current rates offered to the Company for debt of similar maturities. The fair values of fuel oil swap agreements are estimated based on the cost to terminate the agreements.

The Company is exposed to credit risk in the event of nonperformance by counterparties. However, because the Company's hedging activities are transacted only with highly rated institutions, Chiquita does not anticipate nonperformance by any of these counterparties. The amount of any credit exposure is limited to unrealized gains on these agreements.

Note 9 — Debt

Long-term debt consists of the following:

(In thousands)	December 31, 2000	1999
Parent Company		
9 1/8% senior notes, due 2004	**$ 175,000**	$ 175,000
9 5/8% senior notes, due 2004	**248,246**	247,771
10% senior notes, due 2009	**200,000**	200,000
10 1/4% senior notes, due 2006	**149,134**	149,034
7% subordinated debentures, due 2001	**86,930**	112,010
Less current maturities	**(86,930)**	—
Long-term debt of parent company	**$ 772,380**	$ 883,815
Subsidiaries		
Loans secured by ships and containers, due in installments from 2001 to 2009 – average effective interest rate of 8.8% (8.6% in 1999)	**$ 192,087**	$ 193,954
Loan to Costa Rican farm subsidiaries, due 2001 – variable interest rate of 10.6% (9.2% in 1999)	**50,000**	55,000
Loan secured by vegetable canning assets, due in installments from 2001 to 2004 – variable interest rate of 8.4% (7.9% in 1999)	**42,857**	50,000
Long-term portion of revolving credit facility secured by vegetable canning assets, due 2004 – variable interest rate of 8.9% (7.7% in 1999)	**35,000**	35,000
Foreign currency loans maturing through 2008 – average interest rate of 13% (6% in 1999)	**6,065**	10,774
Other loans maturing through 2012 – average interest rate of 10% (8% in 1999)	**55,371**	38,693
Less current maturities	**(93,685)**	(40,235)
Long-term debt of subsidiaries	**$ 287,695**	$ 343,186

Maturities on long-term debt during the next five years are as follows:

(In thousands)	Parent Company	Subsidiaries	**Total**
2001	$ 86,930	$ 93,685	**$ 180,615**
2002	—	44,603	**44,603**
2003	—	34,776	**34,776**
2004	425,000	84,609	**509,609**
2005	—	66,685	**66,685**

In January 2001, the Company announced an initiative to restructure the parent company debt of CBII. If successful, the restructuring would result in the conversion of a significant portion of Chiquita's outstanding parent company debt into common equity. As part of this initiative, the Company has discontinued all interest and principal payments on its parent company debt (see Note 2).

In March 2001, the Company's operating subsidiary, CBI, obtained a three-year secured bank credit facility for up to $120 million to replace CBII's expiring bank revolving credit agreement. The new facility consists of a term loan of $75 million and a revolving credit facility of $45 million. A portion of the proceeds of the term loan has been used to repay $50 million of bank loans of certain Costa Rican farm subsidiaries. Under the revolving credit facility, $35 million is available for seasonal working capital needs and other corporate purposes, and the remaining $10 million is available with the lenders' consent. Substantially all U.S. assets of the Company (except for those of subsidiaries, such as Chiquita Processed Foods, L.L.C. ("CPF"), with their own credit facilities) are pledged to secure the CBI credit facility. The CBI credit facility is also secured by liens on CBI's trademarks and pledges of stock or guarantees by various CBI subsidiaries worldwide. The new facility contains covenants which limit the distribution of cash from CBI to CBII, the parent holding company, to $95 million per year for payment of CBII overhead, amounts necessary for payment of income taxes, and a cumulative amount of up to $22 million for restructuring costs. The facility also has covenants that require CBI to maintain certain financial ratios related to debt coverage and income, and that limit capital expenditures and investments. Interest on amounts outstanding under the facility is based on the bank corporate base rate plus 5%, subject to a minimum of 14% per annum. An annual facility fee of 2% of the total credit facility is also payable. At March 15, 2001, the term loan amount of $75 million was outstanding, but no amounts were drawn under the $45 million revolving facility.

CPF, the Company's vegetable canning subsidiary, has a $200 million senior secured credit facility. The facility includes a $135 million revolving credit line and a $65 million facility for term loans. At December 31, 2000, $116 million of borrowings were outstanding under the revolving credit line, of which $35 million is classified as long-term debt, and a $43 million term loan was outstanding. Interest under the facility is based on, at the Company's option, either the bank corporate base rate or prevailing interbank Eurodollar offering rates. An annual fee of up to 1/2% is payable on the unused portion of the facility. This facility contains covenants that limit capital expenditures and the payment of dividends by CPF and require CPF to maintain certain financial ratios related to net worth and debt coverage.

The Company maintains various other lines of credit with domestic and foreign banks for borrowing funds on a short-term basis. The average interest rates for all short-term notes and loans payable outstanding were 9.3% and 7.5% at December 31, 2000 and 1999, respectively.

Cash payments relating to interest expense were $124 million in 2000 and $105 million in 1999 and 1998.

The 10% senior notes are callable beginning in 2004 at a price of 105% of face value declining to face value in 2007. The 10 1/4% senior notes are callable beginning in November 2001 at a price of 105 1/8% of face value declining to face value in 2004. The 7% subordinated debentures are callable at face value and convertible into common stock at $43 per share.

Notes to Consolidated Financial Statements

Note 10 — Pension and Severance Benefits

The Company and its subsidiaries have several defined benefit and contribution pension plans covering approximately 5,100 domestic and foreign employees. Approximately 22,000 employees are covered by Central and South American severance plans. Pension plans covering eligible salaried employees and Central and South American severance plans for all employees call for benefits to be based upon years of service and compensation rates.

Pension and severance expense consists of the following:

	Foreign Plans			Domestic Plans		
(In thousands)	**2000**	1999	1998	**2000**	1999	1998
Defined benefit and severance plans:						
Service cost	**$ 3,552**	$ 3,768	$ 5,070	**$ 1,357**	$ 1,084	$ 1,057
Interest on projected benefit obligation	**4,585**	5,122	6,070	**3,511**	3,034	2,838
Expected return on plan assets	**(162)**	(139)	(136)	**(3,655)**	(3,424)	(2,697)
Recognized actuarial loss	**1,057**	368	757	**567**	317	365
Amortization of prior service cost and transition obligation	**525**	525	1,556	**131**	109	91
	9,557	9,644	13,317	**1,911**	1,120	1,654
Curtailment loss (gain)	**—**	—	14,061	**(2,021)**	—	—
Settlement loss	**1,000**	—	4,666	**—**	—	—
	10,557	9,644	32,044	**(110)**	1,120	1,654
Defined contribution plans	**561**	604	768	**4,675**	4,786	3,726
Total pension and severance expense	**$ 11,118**	$ 10,248	$ 32,812	**$ 4,565**	$ 5,906	$ 5,380

As a result of Hurricane Mitch, the Company recognized curtailment and settlement losses in 1998 related to Central American employee benefit plans.

The Company's pension and severance benefit obligations relate primarily to Central and South American benefits which, in accordance with local government regulations, are generally not funded until benefits are paid. Domestic pension plans are funded in accordance with the requirements of the Employee Retirement Income Security Act. Plan assets consist primarily of corporate debt securities, U.S. Government and agency obligations and collective trust funds.

Financial information with respect to the Company's foreign and domestic defined benefit pension and severance plans is as follows:

	Foreign Plans		Domestic Plans	
(In thousands)	2000	1999	2000	1999
Fair value of plan assets at beginning of year	$ 3,598	$ 3,028	$ 45,448	$ 41,653
Actual return on plan assets	87	111	4,441	3,756
Employer contributions	13,513	21,596	2,453	2,679
Benefits paid	(12,990)	(21,137)	(2,828)	(2,794)
Other	—	—	153	154
Fair value of plan assets at end of year	$ 4,208	$ 3,598	$ 49,667	$ 45,448
Projected benefit obligation at beginning of year	$ 48,024	$ 64,856	$ 43,248	$ 43,414
Service and interest cost	8,137	8,890	4,868	4,118
Actuarial (gain) loss	6,088	(4,585)	1,849	(1,624)
Benefits paid	(12,990)	(21,137)	(2,796)	(2,794)
Curtailment gain	—	—	(2,021)	—
Other	—	—	139	134
Projected benefit obligation at end of year	$ 49,259	$ 48,024	$ 45,287	$ 43,248
Plan assets in excess of (less than) projected benefit obligation	$ (45,051)	$ (44,426)	$ 4,380	$ 2,200
Unrecognized actuarial loss	10,210	4,925	3,910	3,334
Unrecognized prior service cost	923	1,077	385	285
Unrecognized transition obligation (asset)	(200)	172	360	436
Adjustment required to recognize minimum pension and severance liability	(1,419)	—	(5,806)	(826)
	(35,537)	(38,252)	3,229	5,429
Prepaid pension asset	—	—	9,132	6,423
Accrued pension and severance liability	$ (35,537)	$ (38,252)	$ (5,903)	$ (994)

Included in the table above are plans whose benefit obligation exceeds plan assets. These plans are primarily foreign pension and severance plans that are generally not required to be funded until benefits are paid. The accumulated benefit obligation, projected benefit obligation and fair value of assets of plans for which benefits exceed assets were $62 million, $76 million and $27 million, respectively, as of December 31, 2000 and $59 million, $70 million and $21 million, respectively, as of December 31, 1999.

The projected benefit obligations of Central and South American pension and severance plans in 2000 and 1999 were determined using discount rates of approximately 9 1/4%. The assumed long-term rate of compensation increase was 6% for both years. The projected benefit obligations of the Company's domestic pension plans were determined using a discount rate of approximately 7 3/4% in 2000 and 7 1/2% in 1999. The assumed long-term rate of compensation increase was 6% in 2000 and 5 1/2% in 1999 and the assumed long-term rate of return on plan assets was approximately 8% for both years.

Note 11 — Stock Options

Under its non-qualified stock option and incentive plans, the Company may grant up to an aggregate of 25 million shares of common stock in the form of stock options, stock appreciation rights and stock awards. Under these plans, options have been granted to directors, officers and other key employees to purchase shares of the Company's common stock at the fair market value at the date of grant. The options generally vest over ten years and may be exercised over a period not in excess of 20 years.

A summary of the Company's stock option activity and related information follows:

(In thousands, except per share amounts)	2000 Shares	2000 Weighted average exercise price	1999 Shares	1999 Weighted average exercise price	1998 Shares	1998 Weighted average exercise price
Under option at beginning of year	**10,997**	**$ 12.34**	9,479	$ 13.32	8,403	$ 13.44
Options granted	**3,679**	**4.45**	2,875	8.90	1,858	12.92
Options exercised	**—**	**—**	(6)	10.31	(123)	12.06
Options canceled or expired	**(2,068)**	**10.67**	(1,351)	11.92	(659)	13.86
Under option at end of year	**12,608**	**$ 10.31**	10,997	$ 12.34	9,479	$ 13.32
Options exercisable at end of year	**5,516**	**$ 12.15**	4,926	$ 12.71	3,705	$ 13.30
Shares available for future grants	**7,918**		9,482		11,041	

Options outstanding as of December 31, 2000 have a weighted average remaining contractual life of 16 years and have exercise prices ranging from $1.59 to $34.44. The following table summarizes further information on the range of exercise prices:

(In thousands, except per share amounts)	Options Outstanding Shares	Options Outstanding Weighted average exercise price	Options Outstanding Weighted average remaining life	Options Exercisable Shares	Options Exercisable Weighted average exercise price
Range of Exercise Prices					
$ 1.59 - $ 5.00	3,327	$ 4.45	19 years	405	$ 4.45
5.00 - 10.00	2,109	8.81	16 years	738	8.20
10.00 - 15.00	6,359	12.71	15 years	3,843	12.49
15.00 - 34.44	813	19.40	13 years	530	21.08

Under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," because the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized. SFAS No. 123, "Accounting for Stock-Based Compensation," requires disclosure of the estimated fair value of stock options granted after 1994 and pro forma financial information assuming compensation expense was recorded using these fair values.

The estimated weighted average fair value per option share granted is $2.65 for 2000, $3.66 for 1999 and $5.24 for 1998 based on market prices at the date of grant using a Black-Scholes option pricing model with the following assumptions: weighted average risk-free interest rates of 6.6% for 2000, 5.0% for 1999 and 5.6% for 1998; dividend yield of 0% for 2000 and 1.5% for 1999 and 1998; volatility factor for the Company's common stock price of 43% for 2000, 37% for 1999 and 33% for 1998; and a weighted average expected life of eight years for options not forfeited. The estimated pro forma compensation expense based on these option fair values would be approximately $4 million ($.07 per share) in 2000, $5 million ($.07 per share) in 1999 and $4 million ($.06 per share) in 1998. Because SFAS No. 123 applies only to options granted after 1994, the effect of applying this standard to current year pro forma information is not necessarily indicative of the effect in future years.

Note 12 — Shareholders' Equity

At December 31, 2000, 200 million shares of common stock were authorized, including unissued shares reserved for the following purposes:

Issuance under stock option and employee benefit plans	23 million
Conversion of 7% subordinated debentures	2 million
Conversion of preferred and preference stock	26 million

The Company discontinued payment of dividends on common stock for all of 2000.

At December 31, 2000, three series of preferred and preference stock are outstanding, each series having the number of shares outstanding as set forth in the table below. The Board of Directors has the authority to fix the terms of 4,825,000 additional shares of Non-Voting Cumulative Preferred Stock and 3,915,629 additional shares of Cumulative Preference Stock. Each share of the outstanding series of preferred and preference stock has a liquidation preference of $50.00, and has an annual dividend rate and is convertible at the holder's option into a number of shares of Chiquita common stock as follows:

	Shares outstanding	Annual dividend rate	Holders' conversion rate
$2.875 Non-Voting Cumulative Preferred Stock, Series A	2,875,000	$ 2.875	2.6316
$3.75 Convertible Preferred Stock, Series B	2,300,000	3.750	3.3333
$2.50 Convertible Preference Stock, Series C	84,371	2.500	2.9220

The Series A and Series B shares are non-voting. The Series C shares have one vote per share, voting with the common stock. If the Company fails to pay quarterly dividends on Series A, B and C shares for six quarters, the holders of such shares, voting as a class, have the right to elect two directors in addition to the regular directors. In the fourth quarter of 2000, the Company suspended payment of dividends on its preferred and preference stock, and accordingly, the Company has one quarter of accumulated and unpaid dividends at December 31, 2000.

After February 14, 2001, each Series A share is convertible at the Company's option into a number of shares of common stock (not exceeding 10 shares) having a total market value of $50.00.

Through September 9, 2001, each Series B share is convertible at the Company's option into a number of shares of common stock (not exceeding 10 shares) having a total market value of $50.75 ($50.00 if converted on or after September 10, 2001). However, prior to September 10, 2003, this conversion is permitted only if the market value of Chiquita common stock exceeds $7.00 per share when notice of the conversion is given.

Each Series C share is convertible at the Company's option into a number of shares of common stock (not exceeding 10 shares) having a total market value of $51.50 ($50.75 if converted on or after June 30, 2001 and $50.00 if converted on or after June 30, 2002).

Upon any conversion, whether at the option of the holder, at the option of the Company or otherwise, the Company must also pay an amount equal to accumulated and unpaid dividends, which may be paid in shares of common stock.

In 1998, the Company's shareholders approved a change of title and par value of the Company's Capital Stock, $.33 par value, to Common Stock, $.01 par value.

In 1997, Chiquita issued 4,585,210 shares of common stock and 79,659 shares of $2.50 Convertible Preference Stock, Series C to the former owners of acquired canning companies. In 1998, Chiquita issued 182,735 common shares and 4,712 shares of Series C preference stock as final payment for the 1997 acquisitions and issued 2,966,533 common shares in connection with the 1998 acquisition of another canning company. In 1998, Chiquita also issued 873,710 common shares to acquire a fresh mushroom business. (See Note 16.)

Note 13 — Income Taxes

Income taxes consist of the following:

(In thousands)	U.S. Federal	U.S. State	Foreign	Total
2000				
Current tax expense	$ 175	$ 1,199	$ 5,108	$ **6,482**
Deferred tax expense	—	—	518	**518**
	$ 175	$ 1,199	$ 5,626	$ **7,000**
1999				
Current tax expense	$ 235	$ 1,161	$ 6,144	$ **7,540**
Deferred tax expense	—	—	760	**760**
	$ 235	$ 1,161	$ 6,904	$ **8,300**
1998				
Current tax expense	$ 369	$ 1,100	$ 8,006	$ **9,475**
Deferred tax benefit	—	—	(975)	**(975)**
	$ 369	$ 1,100	$ 7,031	$ **8,500**

Income tax expense differs from income taxes computed at the U.S. federal statutory rate for the following reasons:

(In thousands)	2000	1999	1998
Income tax benefit computed at U.S. federal statutory rate	$ **(30,753)**	$ (17,529)	$ (3,469)
State income taxes, net of federal benefit	**779**	755	715
U.S. losses for which no tax benefit has been recognized	—	—	20,734
Foreign tax differential	**35,958**	25,056	(8,816)
Goodwill amortization	**1,678**	1,651	1,850
Other	**(662)**	(1,633)	(2,514)
Income tax expense	$ **7,000**	$ 8,300	$ 8,500

Losses before income taxes consist of the following:

(In thousands)	2000	1999	1998
Subject to tax in:			
United States	$ (3,829)	$ 6,230	$ (51,326)
Foreign jurisdictions	(84,038)	(56,312)	41,414
	$ (87,867)	$ (50,082)	$ (9,912)

The components of deferred income taxes included on the balance sheet are as follows:

	December 31,	
(In thousands)	2000	1999
Deferred tax benefits		
Employee benefits	$ 17,123	$ 26,434
Accrued expenses	21,991	27,055
Other	11,430	20,651
	50,544	74,140
Deferred tax liabilities		
Depreciation and amortization	(17,578)	(32,470)
Growing crops	(16,942)	(18,983)
Long-term debt	—	(2,525)
Other	(8,860)	(14,385)
	(43,380)	(68,363)
	7,164	5,777
Valuation allowance	(7,164)	(8,142)
Net deferred tax liability	$ —	$ (2,365)

Net deferred taxes do not reflect the benefit that would be available to the Company from the use of its U.S. operating loss carryforwards of $251 million, capital loss carryforwards of $6 million and alternative minimum tax credits of $6 million. The operating loss carryforwards expire from 2007 through 2020 and the capital loss carryforwards expire from 2001 through 2002. Undistributed earnings of foreign subsidiaries which have been, or are intended to be, permanently reinvested in operating assets, if remitted, are expected to result in little or no tax by operation of relevant statutes and the carryforward attributes described above. Cash payments for income taxes were $6 million in 2000, $9 million in 1999 and $7 million in 1998. Additionally, the Company received $22 million of refunds in 2000 related to audits of the Company's federal income tax returns for 1989 through 1991.

Note 14 — Segment Information

The Company conducts business in two business segments, organized primarily on a product line basis, with each segment offering a variety of different but related products. The Fresh Produce segment includes the sourcing, transportation, distribution and marketing of Chiquita bananas and a wide variety of other fresh fruits and vegetables. The Processed Foods segment consists of the production, distribution and marketing of the Company's private-label and branded canned vegetables, branded fruit juices and beverages, processed bananas and edible oil based consumer products. The Company evaluates the performance of its business segments based on operating income before unusual items. Intercompany transactions between segments are eliminated. Financial information for each segment follows:

(In thousands)	Fresh Produce	Processed Foods	**Consolidated**
2000			
Net sales	$ 1,787,334	$ 466,436	**$ 2,253,770**
Segment operating income (1)	16,886	30,540	**47,426**
Depreciation and amortization	79,445	18,060	**97,505**
Income (loss) from equity investments	(10,346)	983	**(9,363)**
Total assets	1,895,287	521,503	**2,416,790**
Net operating assets (2)	1,400,400	435,183	**1,835,583**
Investment in equity affiliates	99,738	19,647	**119,385**
Expenditures for long-lived assets	53,246	14,442	**67,688**
1999			
Net sales	$ 2,044,788	$ 511,011	**$ 2,555,799**
Segment operating income (1)	23,129	27,909	**51,038**
Depreciation and amortization	78,363	18,941	**97,304**
Income from equity investments	4,161	1,246	**5,407**
Total assets	2,079,903	516,224	**2,596,127**
Net operating assets (2)	1,533,397	430,781	**1,964,178**
Investment in equity affiliates	103,527	17,306	**120,833**
Expenditures for long-lived assets	148,490	42,207	**190,697**
1998			
Net sales	$ 2,243,284	$ 477,077	**$ 2,720,361**
Segment operating income (1)	126,685	25,524	**152,209**
Depreciation and amortization	82,722	16,416	**99,138**
Income from equity investments	6,515	1,221	**7,736**
Total assets	2,055,854	453,279	**2,509,133**
Net operating assets (2)	1,512,185	364,774	**1,876,959**
Investment in equity affiliates	91,170	11,910	**103,080**
Expenditures for long-lived assets	116,042	36,018	**152,060**

(1) Segment operating income excludes the following unusual items: in 2000, $20 million of fourth quarter charges and write-downs of production and sourcing assets in the Company's Fresh Produce operations. Also, in the second quarter, the Company incurred charges and write-offs relating primarily to banana production assets, including the curtailment announced in June 2000 of additional Hurricane Mitch farm rehabilitation. These second quarter charges were offset by a $15 million gain on the sale of California Day-Fresh Foods, Inc., a processor and distributor of natural fresh fruit and vegetable juices; in 1999, $9 million of charges resulting from a workforce reduction program; in 1998, write-downs and costs totaling $74 million, net of the minimum expected insurance recoveries, resulting from significant damage in Honduras and Guatemala caused by Hurricane Mitch.

(2) Net operating assets consist of total assets less (i) cash and equivalents and (ii) total liabilities other than debt.

Financial information by geographic area is as follows:

(In thousands)	2000	1999	1998
Net sales			
United States	$ 1,452,481	$ 1,552,320	$ 1,558,973
Central and South America	9,764	8,124	47,336
Europe and other international	791,525	995,355	1,114,052
	$ 2,253,770	$ 2,555,799	$ 2,720,361
Long-lived assets			
United States	$ 401,973	$ 427,542	$ 410,068
Central and South America	514,889	532,504	507,641
Europe and other international	230,483	285,082	278,527
Shipping operations	422,932	448,132	472,663
	$ 1,570,277	$ 1,693,260	$ 1,668,899

The Company's products are sold throughout the world and its principal production and processing operations are conducted in Central and South America and the United States. Chiquita's earnings are heavily dependent upon products grown and purchased in Central and South America. These activities, a significant factor in the economies of the countries where Chiquita produces bananas and related products, are subject to the risks that are inherent in operating in such foreign countries, including government regulation, currency restrictions and other restraints, risk of expropriation and burdensome taxes. Certain of these operations are substantially dependent upon leases and other agreements with these governments.

The Company is also subject to a variety of government regulations in certain countries where it markets bananas and other products, including import quotas and tariffs, currency exchange controls and taxes.

Note 15 — Litigation

A number of legal actions are pending against the Company. Based on information currently available to the Company and advice of counsel, management does not believe such litigation will, individually or in the aggregate, have a material adverse effect on the financial statements of the Company.

Note 16 — Acquisitions and Divestitures

In June 2000, the Company's Australian fresh produce subsidiary, Chiquita Brands South Pacific Limited, issued additional shares in conjunction with two business acquisitions. The Company's voting interest is now below 50% and, as a result, the investment is no longer consolidated but is accounted for under the equity method. Also in June 2000, the Company sold California Day-Fresh Foods, Inc., which produced and marketed natural fresh fruit and vegetable juices in the United States. Proceeds consisted of $16 million in cash and $9 million in short-term notes which were collected in October 2000.

In April 1999, CPF acquired certain canning assets of Agripac, Inc. The purchase price of approximately $20 million was funded with borrowings under CPF's revolving credit facility.

In early 1998, Chiquita acquired Stokely USA, Inc., previously a publicly-owned vegetable canning business. In connection with the acquisition, Chiquita issued $11 million of common stock (.8 million shares) in exchange for all outstanding Stokely shares, and issued $33 million of common stock (2.2 million shares) and paid $18 million of cash to retire corresponding amounts of Stokely debt.

Also during 1998, the Company acquired Campbell Soup Company's Australian fresh mushroom business. In connection with this acquisition, Chiquita issued $12 million (.9 million shares) of common stock and paid $5 million of cash in exchange for all of the outstanding capital stock of this business.

Each of these transactions was accounted for as a purchase. The assets acquired and liabilities assumed in the 1999 acquisition of the canning assets of Agripac, Inc. and the 1998 acquisitions of Stokely and the Australian fresh mushroom business are summarized below:

(In thousands)	1999	1998
Trade receivables	$ —	$ 13,728
Inventories	18,524	62,020
Property, plant and equipment	7,426	49,936
Intangibles	—	44,479
Accounts payable and accrued liabilities	(4,429)	(48,101)
Debt	(1,110)	(36,414)
Other, net	(917)	(2,351)
Net assets acquired	$ 19,494	$ 83,297

In December 1998, the Company sold its Central American plastic products operations for $18 million in cash, which approximated carrying value.

Note 17 — Quarterly Financial Data (Unaudited)

The following quarterly financial data are unaudited, but in the opinion of management include all necessary adjustments for a fair presentation of the interim results, which are subject to significant seasonal variations.

2000

(In thousands, except per share amounts)	March 31	June 30	Sep. 30	Dec. 31
Net sales	$ 658,053	$ 601,465	$ 465,773	$ 528,479
Cost of sales	(498,005)	(462,283)	(408,771)	(494,759)
Operating income (loss)	67,788	44,045	(23,786)	(60,681)
Net income (loss)	34,990	12,754	(53,713)	(88,898)
Basic earnings (loss) per share	.46	.13	(.87)	(1.40)
Diluted earnings (loss) per share	.43	.13	(.87)	(1.40)
Dividends per common share	—	—	—	—
Common stock market price				
High	5.63	5.19	3.88	3.19
Low	4.00	3.63	3.00	0.88

1999

(In thousands, except per share amounts)	March 31	June 30	Sep. 30	Dec. 31
Net sales	$ 693,002	$ 676,857	$ 567,238	$ 618,702
Cost of sales	(514,775)	(536,049)	(483,922)	(559,660)
Operating income (loss)	77,224	36,171	(20,306)	(51,051)
Net income (loss)	48,708	7,324	(36,654)	(77,760)
Basic earnings (loss) per share	.68	.05	(.62)	(1.25)
Diluted earnings (loss) per share	.60	.05	(.62)	(1.25)
Dividends per common share	.05	.05	.05	.05
Common stock market price				
High	11.75	10.81	8.50	6.00
Low	8.31	7.69	5.50	3.38

Operating income in the second quarter of 2000 includes charges and write-offs relating primarily to banana production assets. This includes the curtailment announced in June 2000 of additional Hurricane Mitch farm rehabilitation. These charges were offset by a $15 million gain on the sale of California Day-Fresh Foods, Inc., a processor and distributor of natural fresh fruit and vegetable juices. Operating income in the fourth quarter of 2000 includes $20 million of charges and write-downs of production and sourcing assets in the Company's Fresh Produce operations.

The operating losses in the third and fourth quarters of 1999 include charges of $6 million and $3 million, respectively, from a workforce reduction program.

Per share results include the dilutive effect of assumed conversion of preferred and preference stock, convertible debentures and options into common stock during the period presented. The effects of assumed conversions are determined independently for each respective quarter and year and may not be dilutive during every period due to variations in operating results. Therefore, the sum of quarterly per share results will not necessarily equal the per share results for the full year.

Selected Financial Data

(In thousands, except per share amounts)	2000	1999	1998	1997	1996
Financial Condition					
Working capital*	$ 233,643	$ 414,445	$ 308,805	$ 300,348	$ 379,977
Capital expenditures	54,632	152,080	118,250	76,248	74,641
Total assets	2,416,790	2,596,127	2,509,133	2,401,613	2,466,934
Capitalization					
Short-term debt*	289,889	129,754	169,279	152,564	135,089
Long-term debt*	1,060,075	1,227,001	1,002,606	961,972	1,079,251
Shareholders' equity	582,543	705,286	793,980	780,086	724,253
Operations					
Net sales	$ 2,253,770	$ 2,555,799	$ 2,720,361	$ 2,433,726	$ 2,435,248
Operating income*	27,366	42,038	78,609	100,166	84,336
Income (loss) before extraordinary items	(94,867)	(58,382)	(18,412)	343	(27,728)
Extraordinary loss from debt extinguishment	—	—	—	—	(22,838)
Net income (loss)*	(94,867)	(58,382)	(18,412)	343	(50,566)
Share Data					
Shares used to calculate diluted loss per common share	66,498	65,768	64,663	57,025	55,195
Diluted loss per common share:					
– Before extraordinary items	$ (1.68)	$ (1.15)	$ (.55)	$ (.29)	$ (.72)
– Extraordinary items	—	—	—	—	(.41)
– Net income (loss)	(1.68)	(1.15)	(.55)	(.29)	(1.13)
Dividends per common share	—	.20	.20	.20	.20
Market price per common share:					
High	5.63	11.75	16.00	18.00	16.38
Low	0.88	3.38	9.50	12.75	11.50
End of year	1.00	4.75	9.56	16.31	12.75

*See Management's Analysis of Operations and Financial Condition and Notes to Consolidated Financial Statements for a discussion of parent company debt restructuring and for a discussion of significant items included in operating income in 2000, 1999 and 1998.

Directors, Officers and Senior Operating Management

Board of Directors

CARL H. LINDNER[1]*
Chairman of the Board,
Chief Executive Officer
and Chairman of the
Executive Committee

KEITH E. LINDNER[1]*
Vice Chairman of the Board

STEVEN G. WARSHAW[1]
President and
Chief Operating Officer

ROHIT MANOCHA[2,3]
Partner, Thomas Weisel
Partners LLC (a merchant
banking firm)

FRED J. RUNK*
Senior Vice President
and Treasurer,
American Financial Group, Inc.

GREGORY C. THOMAS[2,3]
Chief Financial Officer,
Astrum Digital Information, Inc.
(a data gathering and marketing
firm)

WILLIAM W. VERITY[2,3]
Partner, Pathway Guidance L.L.C.
(an executive consulting firm)

[1]Member of Executive Committee
[2]Member of Audit Committee
[3]Member of Compensation Committee

*Associated as a director or officer of American Financial Group, Inc. (engaged in property and casualty insurance and the sale of annuities) which owned approximately 34% of the voting stock of Chiquita Brands International, Inc. as of March 15, 2001.

Officers

CARL H. LINDNER[1]*
Chairman of the Board,
Chief Executive Officer
and Chairman of the
Executive Committee

KEITH E. LINDNER[1]*
Vice Chairman of the Board

STEVEN G. WARSHAW[1]
President and
Chief Operating Officer

JOSEPH W. BRADLEY
Vice President, Taxation

CARLA A. BYRON
Vice President,
Corporate Planning

JEFFREY T. KLARE
Vice President,
Information Systems

GERALD R. KONDRITZER
Vice President and Treasurer

STEVEN M. KREPS
Vice President, Internal Audit

BARRY H. MORRIS
Vice President, Human Resources

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Senior Vice President,
General Counsel and Secretary

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Senior Vice President and
Chief Financial Officer

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Vice President and Controller

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Vice President,
Corporate Responsibility

Senior Operating Management

ROBERT F. KISTINGER
President and
Chief Operating Officer
Chiquita Fresh Group and
Chiquita Fresh Group-North America

PETER A. HOREKENS
President and
Chief Operating Officer
Chiquita Fresh Group-Europe

DENNIS M. DOYLE
President – Far and Middle East,
and Austral/Asia Region

DAVID J. OCKLESHAW
President and
Chief Operating Officer
Chiquita Processed Foods

Investor Information

Stock Exchange Listings

New York, Boston and Pacific

Stock Symbol

CQB

Shareholders of Record

At March 15, 2001, there were 5,205
common shareholders of record.

Transfer Agent and Registrar – Preferred, Preference and Common Stock

Chiquita Brands International, Inc.
c/o Securities Transfer Company
One East Fourth Street
Cincinnati, Ohio 45202
(513) 579-2414
(800) 368-3417

Annual Meeting

September 12, 2001
10 a.m. Eastern Daylight Time
Omni Netherland Plaza Hotel
35 West Fifth Street
Cincinnati, Ohio 45202

Investor Inquiries

For other questions concerning your investment in Chiquita, contact Investor Relations at (513) 784-6366.

Trustees and Transfer Agents – Debentures/Notes

7% Convertible Subordinated Debentures due
March 28, 2001
Trustee –
The Chase Manhattan Bank
450 West 33rd Street
New York, New York 10001

Transfer and Paying Agents –
The Chase Manhattan Bank –
New York, New York
The Chase Manhattan Bank –
London, England
Banque Paribas Luxembourg S.A. –
Luxembourg
Banque Bruxelles Lambert S.A. –
Brussels, Belgium
Bank Leu, Ltd. – Zurich, Switzerland

9 1/8% Senior Notes due March 1, 2004*
9 5/8% Senior Notes due January 15, 2004*
10% Senior Notes due June 15, 2009*
10 1/4% Senior Notes due November 1, 2006*
Trustee –
The Fifth Third Bank
38 Fountain Square Plaza
Cincinnati, Ohio 45263

* Chiquita Brands International, Inc., c/o Securities Transfer Company, is transfer agent for these Notes.

Chiquita
Brands
International

250 East Fifth Street
Cincinnati, Ohio 45202
(513) 784 - 8000
(513) 784 - 8030 fax
http://www.chiquita.com