

DOLE FOOD COMPANY INC

Form 10-Q

November 22, 2005

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q**

(Mark One)

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

**For the quarterly period ended October 8, 2005
or**

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

For the transition period from to

**Commission File Number 1-4455
Dole Food Company, Inc.
(Exact name of registrant as specified in its charter)**

**Delaware
(State or other jurisdiction of
incorporation or organization)**

**99-0035300
(I.R.S. Employer
Identification No.)**

**One Dole Drive
Westlake Village, California 91362
(Address of principal executive offices and zip code)**

Registrant's telephone number, including area code: (818) 879-6600

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Class	Shares Outstanding at November 17, 2005
Common Stock, \$0.001 Par Value	1,000

**DOLE FOOD COMPANY, INC.
INDEX**

		Page Number
<u>PART I</u>	<u>Financial Information</u>	
<u>Item 1.</u>	<u>Financial Statements (unaudited)</u>	
	<u>Condensed Consolidated Statements of Income – Quarter and Three Quarters Ended October 8, 2005 and October 9, 2004</u>	3
	<u>Condensed Consolidated Balance Sheets – October 8, 2005 and January 1, 2005</u>	4
	<u>Condensed Consolidated Statements of Cash Flows – Three Quarters Ended October 8, 2005 and October 9, 2004</u>	5
	<u>Notes to Condensed Consolidated Financial Statements</u>	6
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	24
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	33
<u>Item 4.</u>	<u>Controls and Procedures</u>	33
<u>PART II</u>	<u>Other Information</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>	34
<u>Item 6.</u>	<u>Exhibits and Reports on Form 8-K</u>	36
	<u>Signatures</u>	37
	<u>Exhibit Index</u>	38
	Certification by the Chairman and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act	
	Certification by the Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act	
	Certification by the Chairman and Chief Executive Office pursuant to Section 906 of the Sarbanes-Oxley Act	
	Certification by the Vice President and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act	
<u>EXHIBIT 31.1</u>		
<u>EXHIBIT 31.2</u>		
<u>EXHIBIT 32.1</u>		
<u>EXHIBIT 32.2</u>		

Table of Contents

PART I.
FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
DOLE FOOD COMPANY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands)

	Quarter Ended		Three Quarters Ended	
	October 8, 2005	October 9, 2004	October 8, 2005	October 9, 2004
Revenues, net	\$ 1,645,009	\$ 1,521,504	\$ 4,613,493	\$ 4,092,047
Cost of products sold	1,481,644	1,354,531	4,013,389	3,503,594
Gross margin	163,365	166,973	600,104	588,453
Selling, marketing and general and administrative expenses	136,642	125,042	358,842	319,836
Operating income	26,723	41,931	241,262	268,617
Other income (expense), net	18,418	2,546	(17,117)	323
Interest income	1,829	1,417	3,874	3,213
Interest expense	40,963	47,426	109,420	116,820
Income before income taxes	6,007	(1,532)	118,599	155,333
Income tax (benefit) expense	(11,597)	(6,465)	51,513	21,623
Net income	\$ 17,604	\$ 4,933	\$ 67,086	\$ 133,710

See Accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents

DOLE FOOD COMPANY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share data)

	October 8, 2005	January 1, 2005
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 64,461	\$ 79,217
Receivables, net of allowances of \$65,113 and \$65,533	663,249	617,952
Inventories	568,059	508,891
Prepaid expenses	60,705	63,742
Deferred income tax assets	39,703	43,551
Total current assets	1,396,177	1,313,353
Investments	77,305	94,481
Property, plant and equipment, net of accumulated depreciation of \$678,135 and \$586,800	1,482,725	1,516,355
Goodwill	537,671	536,865
Intangible assets, net	729,458	738,491
Other assets, net	147,520	132,072
Total assets	\$ 4,370,856	\$ 4,331,617
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 813,767	\$ 847,982
Dividend payable to parent	3,400	
Current portion of long-term debt	26,497	31,278
Notes payable	874	624
Total current liabilities	844,538	879,884
Long-term debt	1,951,565	1,837,020
Deferred income tax liabilities	375,598	396,622
Other long-term liabilities	530,500	519,994
Minority interests	21,242	20,224
Contingencies (Note 9)		
Shareholders' equity:		
Common stock \$0.001 par value; 1,000 shares authorized, issued and outstanding		
Additional paid-in capital	440,182	440,032
Retained earnings	215,831	226,145
Accumulated other comprehensive (loss) income	(8,600)	11,696
Total shareholders' equity	647,413	677,873

Total liabilities and shareholders equity	\$ 4,370,856	\$ 4,331,617
--	--------------	--------------

See Accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents

DOLE FOOD COMPANY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Quarters Ended	
	October 8, 2005	October 9, 2004
Operating activities		
Net income	\$ 67,086	\$ 133,710
Adjustments to reconcile net income to cash flow provided by operating activities:		
Depreciation and amortization	113,690	109,783
Purchase accounting step-up of inventory		3,739
Unrealized foreign currency exchange (gain) loss	(27,091)	(64)
Asset write-offs and net gain on sale of assets, net	(1,637)	(6,135)
Minority interest and equity earnings, net	(2,726)	(1,202)
Deferred income taxes	(16,200)	1,333
Premiums paid on early retirement of debt	33,047	
Write-off of debt issuance costs	10,722	2,656
Amortization of debt issuance costs	4,789	6,935
Other	2,582	2,212
Changes in operating assets and liabilities:		
Receivables	(66,492)	(41,914)
Inventories	(62,916)	(23,149)
Prepaid expenses and other assets	(15,947)	3,308
Accounts payable and accrued liabilities	44,239	(27,489)
Other long-term liabilities	16,182	14,724
Cash flow provided by operating activities	99,328	178,447
Investing activities		
Proceeds from sales of assets	8,968	9,168
Proceeds from sale of investments	6,100	
Acquisitions and investments	(51,062)	(172,764)
Capital additions	(81,332)	(57,503)
Repurchase of common stock in the going-private merger transaction	(399)	(1,300)
Transaction costs paid in the going-private merger transaction		(345)
Cash flow used in investing activities	(117,725)	(222,744)
Financing activities		
Short-term debt borrowings	18,168	31,387
Short-term debt repayments	(36,044)	(31,697)
Long-term debt borrowings, net of debt issuance costs	1,313,087	589,689
Long-term debt repayments	(1,213,099)	(570,702)

Edgar Filing: DOLE FOOD COMPANY INC - Form 10-Q

Capital contributions	150	100,000
Dividends paid to minority shareholders	(2,694)	(5,464)
Dividends paid to Dole Holding Company, LLC	(74,000)	(20,000)
Cash flow provided by financing activities	5,568	93,213
Effect of foreign currency exchange rate changes on cash and cash equivalents	(1,927)	(2,043)
Increase (decrease) in cash and cash equivalents	(14,756)	46,873
Cash and cash equivalents at beginning of period	79,217	33,482
Cash and cash equivalents at end of period	\$ 64,461	\$ 80,355

See Accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents

DOLE FOOD COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited condensed consolidated financial statements of Dole Food Company, Inc. and its consolidated subsidiaries (Dole or the Company) include all adjustments necessary, which are of a normal recurring nature, to present fairly the Company s financial position, results of operations and cash flows. The Company operates under a 52/53-week year. The quarters ended October 8, 2005 and October 9, 2004 are sixteen weeks in duration. For a summary of significant accounting policies and additional information relating to the Company s financial statements, refer to the Notes to Consolidated Financial Statements in Item 8 of the Company s Annual Report on Form 10-K (Form 10-K) for the year ended January 1, 2005.

Interim results are subject to seasonal variations and are not necessarily indicative of the results of operations for a full year. The Company s operations are sensitive to a number of factors including weather-related phenomena and their effects on industry volumes, prices, product quality and costs. Operations are also sensitive to fluctuations in foreign currency exchange rates in both sourcing and selling locations as well as economic crises and security risks in developing countries.

Certain amounts in the prior year financial statements and related footnotes have been reclassified to conform with the 2005 presentation.

2. INCOME TAXES

During October 2004, the American Jobs Creation Act of 2004 was signed into law, adding Section 965 to the Internal Revenue Code. Section 965 provides a special one-time deduction of 85% of certain foreign earnings that are repatriated under a domestic reinvestment plan, as defined therein. The effective federal tax rate on any qualified foreign earnings repatriated under Section 965 equals 5.25%. Taxpayers may elect to apply this provision to a qualified earnings repatriation made during calendar year 2005.

During the second fiscal quarter of 2005, the Company repatriated \$570 million of earnings from its foreign subsidiaries, of which approximately \$485 million qualifies for the 85% dividends received deduction under Section 965. A tax provision of \$39.2 million for the repatriation of certain foreign earnings has been recorded as income tax expense for the three quarters ended October 8, 2005.

In addition to the income tax on repatriation of \$39.2 million, income tax expense of \$51.5 million for the three quarters ended October 8, 2005 includes \$12.3 million of income tax expense, which reflects the Company s expected effective income tax rate of approximately 10.4% for the fiscal year ending December 31, 2005. The income tax expense of \$21.6 million for the three quarters ended October 9, 2004 reflects the Company s then expected effective income tax rate for the fiscal year ended January 1, 2005, of approximately 14%.

For the periods presented, the Company s effective income tax rate differs from the U.S. federal statutory rate primarily due to earnings from operations being taxed in foreign jurisdictions at a net effective rate lower than the U.S. rate. Other than the taxes provided on the \$570 million of repatriated foreign earnings, no U.S. taxes have been provided on these earnings because such earnings are intended to be indefinitely invested outside the U.S.

Income Tax Audits: The Company believes its tax positions comply with the applicable tax laws and that it adequately provided for all tax-related matters. The Company is subject to examination by taxing authorities in the various jurisdictions in which it files tax returns. Matters raised upon audit may involve substantial amounts and could result in material cash payments if resolved unfavorably; however, management does not believe that any material payments will be made related to these matters within the next year. In

Table of Contents

DOLE FOOD COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

addition, management considers it unlikely that the resolution of these matters will have a materially adverse effect on its financial position and results of operation.

Honduran Tax Case: In 2005, the Company received a tax assessment from Honduras of approximately \$137 million relating to the disposition of all of the Company's interest in Cervecería Hondureña, S.A in 2001. The Company believes the assessment is without merit and filed an appeal with the Honduran tax authorities, which was denied. As a result of the denial in the administrative process, on August 5, 2005, the Company proceeded to the next stage of the appellate process by initiating judicial proceedings, technically a lawsuit against the Honduran government, in the Honduran Administrative Tax Trial Court, in order to negate the tax assessment. No reserve has been provided for this assessment.

3. INVENTORIES

The major classes of inventories were as follows (in thousands):

	October 8, 2005	January 1, 2005
Finished products	\$ 285,990	\$ 232,193
Raw materials and work in progress	136,223	119,645
Crop-growing costs	99,558	116,295
Operating supplies and other	46,288	40,758
	\$ 568,059	\$ 508,891

4. GOODWILL AND INTANGIBLE ASSETS

Goodwill has been allocated to the Company's reporting segments as follows (in thousands):

	Fresh Fruit	Fresh Vegetables	Packaged Foods	Fresh-cut Flowers	Other	Total
Balance as of January 1, 2005	\$ 375,676	\$ 97,663	\$ 63,526	\$	\$	\$ 536,865
Additions	390	192	2,527			3,109
Resolution of tax contingency	(2,303)					(2,303)
Balance as of October 8, 2005	\$ 373,763	\$ 97,855	\$ 66,053	\$	\$	\$ 537,671

The additions to goodwill during the three quarters ended October 8, 2005 relate primarily to a purchase price adjustment associated with the 2004 acquisition of Wood Holdings, Inc. (renamed Dole Packaged Frozen Foods, Inc.), a privately held frozen fruit producer and manufacturer. The purchase price adjustment is attributable to a change in the expected reimbursement of certain tax liabilities payable to the selling shareholders as a result of the transaction.

The tax contingency adjustment is related to a favorable resolution of a tax matter that existed at the time of the going-private merger transaction.

Table of Contents

DOLE FOOD COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Details of the Company's intangible assets were as follows (in thousands):

	October 8, 2005	January 1, 2005
Amortized intangible assets:		
Customer relationships	\$ 38,501	\$ 38,501
Licenses	20,688	20,688
Other amortized intangible assets	9,089	9,132
	68,278	68,321
Accumulated amortization customer relationships	(8,370)	(5,542)
Accumulated amortization licenses	(18,964)	(13,218)
Other accumulated amortization	(6,004)	(5,588)
Accumulated amortization intangible assets	(33,338)	(24,348)
Intangible assets, net	34,940	43,973
Unamortized intangible assets:		
Trademark, trade names and other related intangibles	694,518	694,518
Total intangible assets, net	\$ 729,458	\$ 738,491

Amortization expense of intangible assets totaled \$3.7 million, \$9.2 million, \$3.6 million and \$8.9 million for the quarter and three quarters ended October 8, 2005 and October 9, 2004, respectively. As of October 8, 2005, the estimated remaining amortization expense associated with the Company's intangible assets in each of the next five fiscal years is as follows (in thousands):

Fiscal Year	Amount
2005	\$ 2,734
2006	\$ 4,323
2007	\$ 3,677
2008	\$ 3,677
2009	\$ 3,677

The Company performed its annual impairment review of goodwill and indefinite-lived intangible assets pursuant to Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, during the second quarter of fiscal 2005. This review indicated no impairment to goodwill or any of the Company's indefinite-lived intangible assets.

Table of Contents

DOLE FOOD COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

5. LONG-TERM DEBT

Long-term debt consisted of the following amounts (in thousands):

	October 8, 2005	January 1, 2005
Unsecured debt:		
8.625% notes due 2009	\$ 350,000	\$ 400,000
7.25% notes due 2010	400,000	400,000
8.875% notes due 2011	200,000	475,000
8.75% debentures due 2013	155,000	155,000
Secured debt:		
Revolving credit facility	71,900	
Term loan facilities	715,262	341,619
Contracts and notes due 2005 - 2010, at a weighted-average interest rate of 6.35% (7.84% in 2004)	2,614	2,801
Capital lease obligations	84,564	95,539
Unamortized debt discount	(1,278)	(1,661)
	1,978,062	1,868,298
Current maturities	(26,497)	(31,278)
	\$ 1,951,565	\$ 1,837,020

The Company amortized deferred debt issuance costs of \$1.5 million, \$4.8 million, \$2.7 million and \$6.9 million during the quarter and three quarters ended October 8, 2005 and October 9, 2004, respectively. Weighted-average interest rates on the revolving credit facility and term loan facilities were 6.48% and 3.83%, respectively, at October 8, 2005. At October 8, 2005, the Company had \$71.9 million of outstanding borrowings under the \$300 million revolving credit portion of the senior secured credit facilities, and after taking into account approximately \$86.4 million of outstanding letters of credit and bank guarantees issued against these facilities, had approximately \$141.7 million available for future borrowings under these facilities.

Provisions under the senior secured credit facilities and the indentures to the Company's senior notes and debentures require the Company to comply with certain financial covenants. These covenants include financial performance measures, such as minimum required interest coverage ratio and maximum permitted leverage ratio, as well as limitations on, among other things, indebtedness, capital expenditures, investments, loans to subsidiaries, employees and third parties, the issuance of guarantees and the payment of dividends. At October 8, 2005, the Company was in compliance with all applicable covenants.

In April 2005, the Company executed an amendment and restatement of its senior secured credit facility agreement (the Amended and Restated Credit Agreement). The purpose of the amendment and restatement was to lower the Company's overall effective interest rate and to more effectively match the Company's debt structure to its foreign and domestic cash flows. Under the Amended and Restated Credit Agreement, the Company obtained financing through term loan borrowings (Term Loan A and Term Loan B), \$350 million relating to Term Loan A (denominated in Japanese yen), \$400 million relating to Term Loan B and \$300 million of revolving credit facilities. Borrowings under Term Loan A and Term Loan B are repayable in quarterly tranches through 2010 and 2012,

respectively. The Company may accelerate repayments under term loans at its option without penalty. In connection with the refinancing of the term loan facilities, the Company wrote-off deferred debt issuance costs of \$1.5 million. As of October 8, 2005, the term loan facilities consisted of \$322.2 million of Term Loan A and \$393.1 million of Term Loan B.

Table of Contents

DOLE FOOD COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Provisions under the Amended and Restated Credit Agreement are similar to the pre-restatement provisions under the Company's senior secured credit agreement; however, the provisions provide for somewhat less restrictive covenants and more favorable interest rates.

In April 2005, in conjunction with the execution of the Amended and Restated Credit Agreement, the Company completed a tender offer to purchase for cash \$325 million aggregate principal amount of the Company's outstanding debt securities. The Company repurchased \$275 million of its \$475 million 8.875% unsecured Senior Notes due in 2011 and \$50 million of its \$400 million 8.625% unsecured Senior Notes due 2009. In connection with these repurchases, the Company recorded a loss on early retirement of debt of \$42.3 million, which is included in other income (expense), net in the condensed consolidated statement of income for the three quarters ended October 8, 2005. The loss on early retirement of debt included a write-off of deferred debt issuance costs of \$9.2 million as well as a bond premium expense of \$33.1 million.

In May 2005, the Company entered into an interest rate swap agreement in order to hedge future changes in interest rates. This agreement effectively converted borrowings under Term Loan A, which is variable-rate debt, to a fixed-rate basis through the term of the loan. The fair value of the swap at October 8, 2005 was \$1.7 million.

On June 29, 2005, the Company executed a technical amendment to its Amended and Restated Credit Agreement, which changed the scheduled amortization payment dates of the term loans from the last business day of the Company's fiscal quarters to the last business day of the calendar quarters.

6. SHAREHOLDERS' EQUITY*Comprehensive Income*

The components of comprehensive income were as follows in each period:

	Quarter Ended	
	October 8, 2005	October 9, 2004
<i>(In thousands)</i>		
Net income	\$ 17,604	\$ 4,933
Unrealized foreign currency exchange translation	(2,381)	2,798
Reclassification of realized cash flow hedging (gains) losses to net income	(2,682)	2,442
Unrealized net gain on cash flow hedging instruments	1,989	896
Comprehensive income	\$ 14,530	\$ 11,069

	Three Quarters Ended	
	October 8, 2005	October 9, 2004
<i>(In thousands)</i>		
Net income	\$ 67,086	\$ 133,710
Unrealized foreign currency exchange translation	(21,840)	(5,045)

Edgar Filing: DOLE FOOD COMPANY INC - Form 10-Q

Reclassification of realized cash flow hedging (gains) losses to net income	(3,320)	9,047
Unrealized net gain on cash flow hedging instruments	4,864	5,833
Comprehensive income	\$ 46,790	\$ 143,545

Table of Contents

DOLE FOOD COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Dividends

During the quarter and three quarters ended October 8, 2005, the Company declared dividends of \$3.4 million and \$77.4 million, respectively, to its parent company, Dole Holding Company, LLC. The Company paid dividends of \$74 million during the three quarters ended October 8, 2005. As planned, the dividends are a return of the \$100 million capital contribution made to the Company by Dole Holding Company, LLC during 2004.

During the quarter and three quarters ended October 9, 2004, the Company paid cash dividends of \$10 million and \$20 million, respectively, to Dole Holding Company, LLC. In addition, during the quarter ended October 9, 2004, the Company entered into a transaction with a related party to exchange similarly valued land. The Company subsequently leased the land to another affiliated company to be used in the construction of a hotel, spa and wellbeing center by a subsidiary of DHM Holding Company, Inc. Due to its terms, the lease is treated for accounting purposes as a distribution of land and reflected as a non-cash dividend of \$6.3 million to Dole Holding Company, LLC in the accompanying condensed consolidated financial statements. The non-cash dividend represents the tax adjusted value of land to be used in the construction of a hotel, spa and wellbeing center.

The Company's ability to declare future dividends is restricted under the terms of its senior secured credit facilities and bond indentures.

7. EMPLOYEE BENEFIT PLANS

The components of net periodic benefit cost for the Company's U.S. and international pension plans and other postretirement benefit (OPRB) plans were as follows (in thousands):

	Pension Plans		OPRB Plans	
	Quarter Ended		Quarter Ended	
	October 8, 2005	October 9, 2004	October 8, 2005	October 9, 2004
Components of net periodic benefit cost:				
Service cost	\$ 2,341	\$ 2,040	\$ 171	\$ 28
Interest cost	8,378	6,853	1,360	1,586
Expected return on plan assets	(5,664)	(5,857)		
Amortization of:				
Unrecognized net loss	317	118	7	8
Unrecognized prior service cost (benefit)	20	23	(230)	(72)
Unrecognized net transition obligation	15	12		
Settlements		3,279		
	\$ 5,407	\$ 6,468	\$ 1,308	\$ 1,550

Table of Contents

DOLE FOOD COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

	Pension Plans		OPRB Plans	
	Three Quarters Ended		Three Quarters Ended	
	October 8, 2005	October 9, 2004	October 8, 2005	October 9, 2004
(In thousands)				
Components of net periodic benefit cost:				
Service cost	\$ 4,841	\$ 5,188	\$ 222	\$ 72
Interest cost	18,995	17,049	3,287	3,966
Expected return on plan assets	(14,161)	(14,643)		
Amortization of:				
Unrecognized net loss	790	236	17	20
Unrecognized prior service cost (benefit)	51	25	(575)	(181)
Unrecognized net transition obligation	38	31		
Settlements		3,279		
	\$ 10,554	\$ 11,165	\$ 2,951	\$ 3,877

In the third quarter of 2004, the Company terminated certain employees in Ecuador following a restructuring of one of the Company's business units. In connection with this restructuring, the Company made severance payments and settled all pension benefit obligations in cash. As a result of these payments, the Company recognized expense of \$3.3 million related to a settlement loss in accordance with Financial Accounting Standards Board (FASB) Statement No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*.

The Company made \$4 million and \$10 million in voluntary pension contributions during the quarter and three quarters ended October 8, 2005, respectively, to its qualified U.S. pension plan. The Company estimates a total of \$12 million voluntary contributions will be made to the qualified U.S. pension plan in 2005. Contributions to the qualified U.S. pension plan in excess of the minimum funding requirements are voluntary and may change depending on the Company's operating performance or at management's discretion.

8. SEGMENT INFORMATION

The Company has four primary reportable operating segments: fresh fruit, fresh vegetables, packaged foods and fresh-cut flowers. These reportable segments are managed separately due to differences in their products, production processes, distribution channels and customer bases.

Management evaluates and monitors segment performance primarily through earnings before interest expense and income taxes (EBIT). EBIT is calculated by adding income taxes and interest expense to net income. Management believes that segment EBIT provides useful information for analyzing the underlying business results as well as allowing investors a means to evaluate the financial results of each segment in relation to the Company as a whole. EBIT is not defined under accounting principles generally accepted in the United States (GAAP) and should not be

considered in isolation or as a substitute for net income measures prepared in accordance with GAAP or as a measure of the Company's profitability. Additionally, the Company's computation of EBIT may not be comparable to other similarly titled measures computed by other companies, because not all companies calculate EBIT in the same fashion.

Table of Contents

DOLE FOOD COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Revenues from external customers and EBIT for the reportable operating segments and corporate and other were as follows (in thousands):

	Quarter Ended		Three Quarters Ended	
	October 8, 2005	October 9, 2004	October 8, 2005	October 9, 2004
Revenues from external customers:				
Fresh fruit	\$ 1,015,393	\$ 985,570	\$ 2,938,997	\$ 2,769,066
Fresh vegetables	318,953	260,033	862,782	672,634
Packaged foods	252,808	224,563	638,461	491,357
Fresh-cut flowers	41,142	41,277	138,221	136,821
Other operating segments	16,713	10,061	35,032	22,169
	\$ 1,645,009	\$ 1,521,504	\$ 4,613,493	\$ 4,092,047

	Quarter Ended		Three Quarters Ended	
	October 8, 2005	October 9, 2004	October 8, 2005	October 9, 2004
EBIT:				
Fresh fruit	\$ 29,624	\$ 47,237	\$ 201,090	\$ 221,864
Fresh vegetables	(3,768)	9,715	26,106	50,158
Packaged foods	25,291	12,098	64,010	42,410
Fresh-cut flowers	(3,046)	(5,447)	846	3,801
Other operating segments	255	72	768	261
Total operating segments	48,356	63,675	292,820	318,494
Corporate and other	(1,386)	(17,781)	(64,801)	(46,341)
Interest expense	40,963	47,426	109,420	116,820
Income before income taxes	\$ 6,007	\$ (1,532)	\$ 118,599	\$ 155,333

Total assets for the reportable operating segments and corporate and other were as follows (in thousands):

	October 8, 2005	January 1, 2005
Fresh fruit	\$ 2,277,862	\$ 2,285,924
Fresh vegetables	425,504	428,851

Edgar Filing: DOLE FOOD COMPANY INC - Form 10-Q

Packaged foods	624,213	563,306
Fresh-cut flowers	155,229	144,137
Other operating segments	14,130	11,886
Total operating segments	3,496,938	3,434,104
Corporate and other	873,918	897,513
	\$ 4,370,856	\$ 4,331,617

Table of Contents

DOLE FOOD COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

9. CONTINGENCIES

The Company is a guarantor of indebtedness of some of its key fruit suppliers and other entities integral to its operations. At October 8, 2005, these guarantees of \$3.2 million consisted primarily of amounts advanced under third-party bank agreements to independent growers that supply the Company with product, and other affiliates. The Company has not historically experienced any significant losses associated with these guarantees.

As part of its normal business activities, the Company and its subsidiaries also provide guarantees to various regulatory authorities, primarily in Europe, in order to comply with foreign regulations when operating businesses overseas. These guarantees relate to customs duties and banana import license fees that are granted to the European Union member states' agricultural authority. These guarantees are obtained from commercial banks in the form of letters of credit or bank guarantees. In addition, the Company issues letters of credit and bonds through major banking institutions and insurance companies as required by certain vendor and other operating agreements. As of October 8, 2005 total letters of credit and bonds outstanding were \$108.2 million.

The Company also provides various guarantees, mostly to foreign banks, in the course of its normal business operations to support the borrowings, leases and other obligations of its subsidiaries. The Company guaranteed \$131.5 million of its subsidiaries' obligations to their suppliers and other third parties as of October 8, 2005.

The Company has change of control agreements with certain key executives, under which severance payments and benefits would become payable in the event of specified terminations of employment following a change of control (as defined) of the Company.

The Company is involved from time to time in claims and legal actions incidental to its operations, both as plaintiff and defendant. The Company has established what management currently believes to be adequate reserves for pending legal matters. These reserves are established as part of an ongoing worldwide assessment of claims and legal actions that takes into consideration such items as changes in the pending case load (including resolved and new matters), opinions of legal counsel, individual developments in court proceedings, changes in the law, changes in business focus, changes in the litigation environment, changes in opponent strategy and tactics, new developments as a result of ongoing discovery, and past experience in defending and settling similar claims. In the opinion of management, after consultation with outside counsel, the claims or actions to which the Company is a party are not expected to have a material adverse effect, individually or in the aggregate, on the Company's financial condition or results of operations.

A significant portion of the Company's legal exposure relates to lawsuits pending in the United States and in several foreign countries, alleging injury as a result of exposure to the agricultural chemical DBCP (1,2-dibromo-3-chloropropane). DBCP was manufactured by several chemical companies including Dow and Shell and registered by the U.S. government for use on food crops. The Company and other growers applied DBCP on banana farms in Latin America and the Philippines and on pineapple farms in Hawaii. Specific periods of use varied among the different locations. The Company halted all purchases of DBCP, including for use in foreign countries, when the U.S. EPA cancelled the registration of DBCP for use in the United States in 1979. That cancellation was based in part on a 1977 study by a manufacturer which indicated an apparent link between male sterility and exposure to DBCP among factory workers producing the product, as well as early product testing done by the manufacturers showing testicular effects on animals exposed to DBCP. To date, there is no reliable evidence demonstrating that field application of DBCP led to sterility among farm workers, although that claim is made in the pending lawsuits. Nor is there any reliable scientific evidence that DBCP causes any other injuries in humans, although plaintiffs in the various actions assert claims based on cancer, birth defects and other general illnesses.

Table of Contents

DOLE FOOD COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Currently there are 573 lawsuits, in various stages of proceedings, alleging injury as a result of exposure to DBCP or seeking enforcement of Nicaraguan judgments. Seventeen of these lawsuits are currently pending in various jurisdictions in the United States, including one recently filed case in Los Angeles County Superior Court with 18 Nicaraguans seeking unspecified damages. One case pending in Los Angeles Superior Court with 31 Nicaraguan plaintiffs has a trial date of July 17, 2006. The remaining cases are pending in Latin America and the Philippines, including 396 labor cases pending in Costa Rica under that country's national insurance program. Claimed damages in DBCP cases worldwide total approximately \$26.7 billion, with the lawsuits in Nicaragua representing approximately 82% of this amount. In almost all of the non-labor cases, the Company is a joint defendant with the major DBCP manufacturers and, typically, other banana growers. Except as described below, none of these lawsuits has resulted in a verdict or judgment against the Company.

In Nicaragua, 138 cases are currently filed in various courts throughout the country, with all but one of the lawsuits brought pursuant to Law 364, an October 2000 Nicaraguan statute that contains substantive and procedural provisions that Nicaragua's Attorney General formally opined are unconstitutional. In October 2003, the Supreme Court of Nicaragua issued an advisory opinion, not connected with any litigation, that Law 364 is constitutional.

Sixteen cases filed in civil courts in Managua, Nicaragua have resulted in judgments for the claimants: \$489.4 million (nine cases with 468 claimants) on December 11, 2002; \$82.9 million (one case with 58 claimants) on February 25, 2004; \$15.7 million (one case with 20 claimants) on May 25, 2004; \$4 million (one case with four claimants) on May 25, 2004; \$56.5 million (one case with 72 claimants) on June 14, 2004; \$64.8 million (one case with 86 claimants) on June 15, 2004; \$27.7 million (one case with 39 claimants) on March 17, 2005.; and \$46.4 million (one case with 62 claimants). One case filed in civil court in Chinandega, Nicaragua has resulted in a judgment for the claimants in the amount of \$98.5 million (150 claimants).

Thirty-two new cases have recently been filed in civil courts in Managua (8) and Chinandega (24). In addition, active cases are currently pending in civil courts in Managua (10), Chinandega (8) and Puerto Cabezas (2). Six of the cases pending before the court in Chinandega have been consolidated for trial, the consolidated case seeks \$3.4 billion on behalf of 1,708 claimants. In all of the active cases but two in Chinandega, and one in Managua, the Company has sought to have the cases returned to the United States pursuant to Law 364. Notwithstanding, the Chinandega court denied the Company's request in the six consolidated cases pending there; the Managua court denied the Company's request with respect to one of the cases pending there; and the court in Puerto Cabezas denied the Company's request with respect to the two cases there. The Company's requests as to eight of the cases in Managua are still pending. The Company has appealed the two decisions of the court in Puerto Cabezas, the decision of the court in Managua and the six decisions of the court in Chinandega.

The claimants' attempted enforcement of the December 11, 2002 judgment for \$489.4 million in the United States resulted in a dismissal with prejudice of that action by the United States District Court for the Central District of California on October 20, 2003. The claimants have voluntarily dismissed their appeal of that decision which was pending before the United States Court of Appeals for the Ninth Circuit. Defendants' motion for sanctions against Plaintiffs' counsel is still pending before the Court of Appeals in that case.

Claimants have also indicated their intent to seek enforcement of the Nicaraguan judgments in Ecuador, Venezuela and other countries in Latin America and elsewhere, including the United States. In Venezuela, the claimants are attempting to enforce five of the Nicaraguan judgments in that country's Supreme Court: \$489.4 million (December 11, 2002); \$15.7 million (May 25, 2004); \$64.8 million (June 15, 2004); and what is believed to be the judgments for \$82.9 million (February 25, 2004) and \$56.5 million (June 14, 2004). An action recently filed to enforce the \$27.7 million Nicaraguan judgment (March 17, 2005) in the Colombian Supreme Court was dismissed. In Ecuador, the claimants attempted to enforce the five Nicaraguan judgments issued between February 25, 2004 through June 15, 2004 in the Ecuador Supreme Court. The First, Second

Table of Contents

DOLE FOOD COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

and Third Chambers of the Ecuador Supreme Court issued rulings refusing to consider those enforcement actions on the ground that the Supreme Court was not a court of competent jurisdiction for enforcement of a foreign judgment. The plaintiffs subsequently refiled those five enforcement actions in the civil court in Guayaquil, Ecuador. Two of these subsequently filed enforcement actions have been dismissed by the 3rd Civil Court \$15.7 million (May 25, 2004) and the 12th Civil Court \$56.5 million (June 14, 2004) in Guayaquil; plaintiffs have sought reconsideration of those dismissals. The remaining three enforcement actions are still pending.

The Company believes that none of the Nicaraguan civil trial courts' judgments will be enforceable against any Dole entity in the U.S. or in any other country, because Nicaragua's Law 364 is unconstitutional and violates international principles of due process. Among other things, Law 364 is an improper special law directed at particular parties; it requires defendants to pay large, non-refundable deposits in order to even participate in the litigation; it provides a severely truncated procedural process; it establishes an irrebuttable presumption of causation that is contrary to the evidence and scientific data; and it sets unreasonable minimum damages that must be awarded in every case.

As to all the DBCP matters, the Company has denied liability and asserted substantial defenses. Although no assurance can be given concerning the outcome of these cases, in the opinion of management, after consultation with legal counsel and based on past experience defending and settling DBCP claims, the pending lawsuits are not expected to have a material adverse effect on the Company's financial condition or results of operations.

European Union Antitrust Inquiry and U.S. Class Action Lawsuits: The European Commission (EC) is investigating alleged violations of European Union competition (antitrust) laws by banana and pineapple importers and distributors operating within the European Economic Area (EEA). On June 2 and 3, 2005, the EC conducted a search of certain of the Company's offices in Europe. During this same period, the EC also conducted similar unannounced searches of other companies' offices located in the European Union. The EC's investigation is in a preliminary stage, and the Company is cooperating with the authorities. Although no assurances can be given concerning the course or outcome of that EC investigation, the Company believes that it has not violated the European Union competition laws.

Following the public announcement of the EC searches, a number of class action suits were filed against the Company and three competitors in the U.S. District Court for the Southern District of Florida. The suits were filed on behalf of entities that directly or indirectly purchased bananas from the defendants, and allege that the defendants conspired to artificially raise or maintain prices and control or restrict output of bananas. No specific information concerning the allegations is contained in the complaints. The Company believes these lawsuits are without merit.

Honduran Tax Case: In 2005, the Company received a tax assessment from Honduras of approximately \$137 million relating to the disposition of all of the Company's interest in Cervecería Hondureña, S.A in 2001. The Company believes the assessment is without merit and filed an appeal with the Honduran tax authorities, which was denied. As a result of the denial in the administrative process, on August 5, 2005, the Company proceeded to the next stage of the appellate process by initiating judicial proceedings, technically a lawsuit against the Honduran government, in the Honduran Administrative Tax Trial Court, in order to negate the tax assessment.

10. IMPACT OF HURRICANE KATRINA

During the third quarter of 2005, the Company's operations in the Gulf Coast area of the United States were impacted by Hurricane Katrina. The Company's fresh fruit division utilizes the Gulfport, Mississippi port facility to receive and store product from its Latin American operations. The Gulfport facility, which is

Table of Contents

DOLE FOOD COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

leased from the Mississippi Port Authority, incurred significant damage from Hurricane Katrina. As a result of the damage sustained at the Gulfport terminal, the Company diverted shipments to other Dole port facilities including Freeport, Texas; Port Everglades, Florida; and Wilmington, Delaware. The Company has since resumed discharging shipments in Gulfport, although that facility has not yet been fully restored. The financial impact to the Company's Fresh Fruit operations includes the loss of cargo and equipment, property damage and additional costs associated with re-routing product to other ports in the region. Equipment that was destroyed or damaged includes refrigerated and dry shipping containers, as well as chassis and generator-sets used for land transportation of the shipping containers.

As of October 8, 2005, the Company recorded a total charge of \$6.6 million primarily related to lost or destroyed property. The charge is comprised of owned assets with a net book value of \$4.1 million, leased assets of \$1.8 million representing amounts due to lessors and additional incremental expenses of \$0.7 million. In addition, the Company recorded a receivable of \$6 million for insurance recoveries related to cargo and property damage as of October 8, 2005. The Company maintains customary insurance for its property, including shipping containers, as well as for business interruption. The Company is continuing to work with its insurers to evaluate the extent of the costs incurred as a result of the hurricane damage and to determine the extent of the insurance coverage for that damage.

11. GUARANTOR FINANCIAL INFORMATION

In connection with the issuance of the 2011 Notes in March 2003 and the 2010 Notes in May 2003, all of the Company's wholly-owned domestic subsidiaries (Guarantors) have fully and unconditionally guaranteed, on a joint and several basis, the Company's obligations under the indentures related to such Notes and to the Company's 2009 Notes and 2013 Debentures (the Guarantees). Each Guarantee is subordinated in right of payment to the Guarantors existing and future senior debt, including obligations under the senior secured credit facility, and will rank pari passu with all senior subordinated indebtedness of the applicable Guarantor. All Guarantors are 100% owned by the Company.

The accompanying guarantor condensed consolidating financial information is presented on the equity method of accounting for all periods presented. Under this method, investments in subsidiaries are recorded at cost and adjusted for the Company's share in the subsidiaries' cumulative results of operations, capital contributions and distributions and other changes in equity. Elimination entries relate primarily to the elimination of investments in subsidiaries and associated intercompany balances and transactions.

The following are condensed consolidating statements of income of the Company for the quarters and three quarters ended October 8, 2005 and October 9, 2004; condensed consolidating balance sheets as of October 8, 2005 and January 1, 2005; and condensed consolidating statements of cash flows for the three quarters ended October 8, 2005 and October 9, 2004.

Table of Contents

DOLE FOOD COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
CONDENSED CONSOLIDATING STATEMENTS OF INCOME
For the Quarter Ended October 8, 2005

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
(In thousands)					
Revenues, net	\$ 166,531	\$ 670,087	\$ 1,139,667	\$ (331,276)	\$ 1,645,009
Cost of products sold	126,553	624,213	1,055,686	(324,808)	1,481,644
Gross margin	39,978	45,874	83,981	(6,468)	163,365
Selling, marketing and general and administrative expenses	40,392	38,230	64,488	(6,468)	136,642
Operating income	(414)	7,644	19,493		26,723
Equity in subsidiary income	34,189	27,286		(61,475)	
Other income (expense), net	(390)	(1,252)	20,060		18,418
Interest income	217	54	1,558		1,829
Interest expense	30,164	106	10,693		40,963
Income before income taxes	3,438	33,626	30,418	(61,475)	6,007
Income tax (benefit) expense	(14,166)	(1,724)	4,293		(11,597)
Net income	\$ 17,604	\$ 35,350	\$ 26,125	\$ (61,475)	\$ 17,604

For the Quarter Ended October 9, 2004

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
(In thousands)					
Revenues, net	\$ 145,731	\$ 571,260	\$ 1,096,677	\$ (292,164)	\$ 1,521,504
Cost of products sold	119,602	516,444	1,000,190	(281,705)	1,354,531
Gross margin	26,129	54,816	96,487	(10,459)	166,973
Selling, marketing and general and administrative expenses	28,674	41,121	65,706	(10,459)	125,042
Operating income	(2,545)	13,695	30,781		41,931
Equity in subsidiary income	17,832	26,260		(44,092)	
Other income (expense), net	(380)	(2,164)	5,090		2,546
Interest income	65	97	1,255		1,417
Interest expense	41,404	74	5,948		47,426

Edgar Filing: DOLE FOOD COMPANY INC - Form 10-Q

Income before income taxes	(26,432)	37,814	31,178	(44,092)	(1,532)
Income tax (benefit) expense	(31,365)	20,086	4,814		(6,465)
Net income	\$ 4,933	\$ 17,728	\$ 26,364	\$ (44,092)	\$ 4,933

Table of Contents

DOLE FOOD COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
CONDENSED CONSOLIDATING STATEMENTS OF INCOME
For the Three Quarters Ended October 8, 2005

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
(In thousands)					
Revenues, net	\$ 419,686	\$ 1,851,143	\$ 3,258,326	\$ (915,662)	\$ 4,613,493
Cost of products sold	315,164	1,698,033	2,902,619	(902,427)	4,013,389
Gross margin	104,522	153,110	355,707	(13,235)	600,104
Selling, marketing and general and administrative expenses	100,716	97,485	173,876	(13,235)	358,842
Operating income	3,806	55,625	181,831		241,262
Equity in subsidiary income	218,129	179,801		(397,930)	
Other income (expense), net	(44,677)	(618)	28,178		(17,117)
Interest income	364	129	3,381		3,874
Interest expense	87,220	219	21,981		109,420
Income before income taxes	90,402	234,718	191,409	(397,930)	118,599
Income tax expense	23,316	15,723	12,474		51,513
Net income	\$ 67,086	\$ 218,995	\$ 178,935	\$ (397,930)	\$ 67,086

For the Three Quarters Ended October 9, 2004

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
(In thousands)					
Revenues, net	\$ 361,426	\$ 1,522,875	\$ 3,049,061	\$ (841,315)	\$ 4,092,047
Cost of products sold	283,020	1,354,516	2,695,689	(829,631)	3,503,594
Gross margin	78,406	168,359	353,372	(11,684)	588,453
Selling, marketing and general and administrative expenses	82,273	87,133	162,114	(11,684)	319,836
Operating income (loss)	(3,867)	81,226	191,258		268,617
Equity in subsidiary income	208,039	171,672		(379,711)	
Other income (expense), net	(866)	(2,366)	3,555		323
Interest income	121	227	2,865		3,213
Interest expense	101,047	181	15,592		116,820

Edgar Filing: DOLE FOOD COMPANY INC - Form 10-Q

Income before income taxes	102,380	250,578	182,086	(379,711)	155,333
Income tax (benefit) expense	(31,330)	43,844	9,109		21,623
Net income	\$ 133,710	\$ 206,734	\$ 172,977	\$ (379,711)	\$ 133,710

Table of Contents

DOLE FOOD COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
CONDENSED CONSOLIDATING BALANCE SHEET
As of October 8, 2005

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
<i>(In thousands)</i>					
ASSETS					
<i>Current Assets:</i>					
Cash and cash equivalents	\$ 10,246	\$ (7,828)	\$ 62,043	\$	\$ 64,461
Receivables, net of allowances	119,586	124,981	418,682		663,249
Inventories	101,393	147,517	319,149		568,059
Prepaid expenses	4,415	13,574	42,716		60,705
Deferred income tax assets	19,899	13,904	5,900		39,703
Total current assets	255,539	292,148	848,490		1,396,177
Investments	2,338,177	1,720,345	75,638	(4,056,855)	77,305
Property, plant and equipment, net	302,522	355,112	825,091		1,482,725
Goodwill	18,219	145,687	373,765		537,671
Intangible assets, net	711,430	13,887	4,141		729,458
Other assets, net	35,799	9,585	102,136		147,520
Total assets	\$ 3,661,686	\$ 2,536,764	\$ 2,229,261	\$ (4,056,855)	\$ 4,370,856
LIABILITIES AND SHAREHOLDERS EQUITY					
<i>Current Liabilities:</i>					
Accounts payable and accrued liabilities	\$ 77,977	\$ 326,207	\$ 409,583	\$	\$ 813,767
Dividend payable to parent	3,400				3,400
Current portion of long-term debt	(300)	732	26,065		26,497
Notes payable		858	16		874
Total current liabilities	81,077	327,797	435,664		844,538
Intercompany payables (receivables)	1,046,798	(205,586)	(841,212)		
Long-term debt	1,175,921	1,810	773,834		1,951,565
Deferred income tax liabilities	299,003	34,918	41,677		375,598
Other long-term liabilities	411,474	39,169	79,857		530,500
Minority interests		6,931	14,311		21,242
Total shareholders equity	647,413	2,331,725	1,725,130	(4,056,855)	647,413

Total liabilities and shareholders equity	\$ 3,661,686	\$ 2,536,764	\$ 2,229,261	\$ (4,056,855)	\$ 4,370,856
--	--------------	--------------	--------------	----------------	--------------

Table of Contents

DOLE FOOD COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
CONDENSED CONSOLIDATING BALANCE SHEET
As of January 1, 2005

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
<i>(In thousands)</i>					
ASSETS					
<i>Current Assets:</i>					
Cash and cash equivalents	\$ 9,236	\$ 3,279	\$ 66,702	\$	\$ 79,217
Receivables, net of allowances	194,538	25,750	397,664		617,952
Inventories	65,340	163,799	279,752		508,891
Prepaid expenses	7,239	11,861	44,642		63,742
Deferred income tax assets	24,391	13,427	5,733		43,551
Total current assets	300,744	218,116	794,493		1,313,353
Investments	2,406,115	1,926,079	92,928	(4,330,641)	94,481
Property, plant and equipment, net	303,129	366,142	847,084		1,516,355
Goodwill	18,219	143,794	374,852		536,865
Intangible assets, net	713,613	14,534	10,344		738,491
Other assets, net	49,705	8,836	73,531		132,072
Total assets	\$ 3,791,525	\$ 2,677,501	\$ 2,193,232	\$ (4,330,641)	\$ 4,331,617
LIABILITIES AND SHAREHOLDERS EQUITY					
<i>Current Liabilities:</i>					
Accounts payable and accrued liabilities	\$ 119,405	\$ 285,815	\$ 442,762	\$	\$ 847,982
Current portion of long-term debt	(335)	701	30,912		31,278
Notes payable		624			624
Total current liabilities	119,070	287,140	473,674		879,884
Intercompany payables (receivables)	682,783	(92,030)	(590,753)		
Long-term debt	1,598,674	1,565	236,781		1,837,020
Deferred income tax liabilities	314,121	35,848	46,653		396,622
Other long-term liabilities	399,004	38,581	82,409		519,994
Minority interests		7,600	12,624		20,224
Total shareholders equity	677,873	2,398,797	1,931,844	(4,330,641)	677,873

Total liabilities and shareholders equity	\$ 3,791,525	\$ 2,677,501	\$ 2,193,232	\$ (4,330,641)	\$ 4,331,617
--	--------------	--------------	--------------	----------------	--------------

Table of Contents

DOLE FOOD COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Three Quarters Ended October 8, 2005

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
(In thousands)					
OPERATING ACTIVITIES					
Cash flow provided by operating activities	\$ 533,640	\$ 593,764	\$ 108,637	\$ (1,136,713)	