

DOLE FOOD COMPANY INC

Form 10-Q

May 10, 2005

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**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 March 26, 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<b>Class</b>	<b>Shares Outstanding at May 9, 2005</b>
Common Stock, \$0.001 Par Value	1,000

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**FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**  
**DOLE FOOD COMPANY, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(In thousands)

	<b>Quarter Ended</b>	
	<b>March 26, 2005</b>	<b>March 27, 2004</b>
Revenues, net	\$ 1,442,133	\$ 1,254,584
Cost of products sold	1,223,471	1,051,678
Gross margin	218,662	202,906
Selling, marketing and general and administrative expenses	114,818	95,418
Operating income	103,844	107,488
Other income (expense), net	1,715	338
Interest income	1,075	922
Interest expense	36,059	34,741
Income before income taxes	70,575	74,007
Income tax expense	53,421	13,173
Net income	\$ 17,154	\$ 60,834

*See Accompanying Notes to Condensed Consolidated Financial Statements*

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**DOLE FOOD COMPANY, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(In thousands, except share data)

	<b>March 26, 2005</b>	<b>January 1, 2005</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 61,850	\$ 79,217
Receivables, net of allowances of \$69,522 and \$65,533, respectively	753,343	617,952
Inventories	539,669	508,891
Prepaid expenses	63,734	63,742
Deferred income tax assets	42,960	43,551
 Total current assets	 1,461,556	 1,313,353
Investments	92,489	94,481
Property, plant and equipment, net of accumulated depreciation of \$619,588 and \$586,800, respectively	1,496,044	1,516,355
Goodwill and intangible assets, net	1,278,950	1,275,356
Other assets, net	135,912	132,072
 <b>Total assets</b>	 <b>\$ 4,464,951</b>	 <b>\$ 4,331,617</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 862,709	\$ 847,982
Current portion of long-term debt	30,958	31,278
Notes payable	630	624
 Total current liabilities	 894,297	 879,884
Long-term debt	1,936,387	1,837,020
Deferred income tax liabilities	408,311	396,622
Other long-term liabilities	520,394	519,994
Minority interests	18,933	20,224
Contingencies (Note 9)		
Shareholders' equity:		
Common stock \$0.001 par value; 1,000 shares authorized, issued and outstanding		
Additional paid-in capital	440,032	440,032
Retained earnings	243,299	226,145
Accumulated other comprehensive income	3,298	11,696
 Total shareholders' equity	 686,629	 677,873
 <b>Total liabilities and shareholders' equity</b>	 <b>\$ 4,464,951</b>	 <b>\$ 4,331,617</b>

*See Accompanying Notes to Condensed Consolidated Financial Statements*

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

	<b>Quarter Ended March 26, 2005</b>	<b>Quarter Ended March 27, 2004</b>
<b>Operating activities</b>		
Net income	\$ 17,154	\$ 60,834
Adjustments to reconcile net income to cash flow used in operating activities:		
Depreciation and amortization	33,466	32,358
Unrealized foreign currency (gain) loss	(493)	1,107
Asset write-offs and net gain on sale of assets	(1,702)	(1,883)
Minority interest and equity earnings, net	(1,480)	(110)
Provision for deferred income taxes	12,748	7,094
Amortization of debt issuance costs	1,935	2,091
Other	1,554	572
Changes in operating assets and liabilities, net of effects from non-cash transactions:		
Receivables	(142,330)	(105,947)
Inventories	(32,008)	(6,781)
Prepaid expenses and other assets	(5,506)	(649)
Accounts payable and accrued liabilities	69,434	(24,857)
Other long-term liabilities	2,287	3,984
Cash flow used in operating activities	(44,941)	(32,187)
<b>Investing activities</b>		
Proceeds from sales of assets	3,093	2,795
Investments and acquisitions	(47,094)	(2,931)
Capital additions	(15,358)	(12,286)
Repurchase of common stock in the going-private merger transaction	(49)	(1,300)
Transaction costs paid in the going-private merger transaction		(226)
Cash flow used in investing activities	(59,408)	(13,948)
<b>Financing activities</b>		
Short-term debt borrowings	322	2,375
Short-term debt repayments	(10,757)	(1,781)
Long-term debt borrowings	299,827	166,360
Long-term debt repayments	(198,023)	(103,925)
Dividends paid to minority shareholders	(1,777)	(352)
Dividends paid		(10,000)
Cash flow provided by financing activities	89,592	52,677

Effect of foreign exchange rate changes on cash and cash equivalents	(2,610)	(1,953)
(Decrease) increase in cash and cash equivalents	(17,367)	4,589
Cash and cash equivalents at beginning of period	79,217	33,482
Cash and cash equivalents at end of period	\$ 61,850	\$ 38,071

*See Accompanying Notes to Condensed Consolidated Financial Statements*



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**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 as of March 26, 2005 and January 1, 2005; its results of operations for the quarters ended March 26, 2005 and March 27, 2004; and its cash flows for the quarters ended March 26, 2005 and March 27, 2004. The Company operates under a 52/ 53-week year. The quarters ended March 26, 2005 and March 27, 2004 are twelve 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 currency exchange rates in both sourcing and selling locations as well as economic crises and security risks in developing countries.

Certain prior year amounts have been reclassified to conform with the 2005 presentation.

**2. INCOME TAXES**

During October 2004, the American Jobs Creation Act of 2004 ( AJCA ) 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 first fiscal quarter of 2005, the Company completed its evaluation of the effects of the repatriation provision and subsequent to the first quarter, repatriated \$570 million of earnings from its foreign subsidiaries, of which approximately \$476 million qualifies for the 85% dividends received deduction under Section 965. An estimated tax provision of approximately \$38.6 million for the repatriation of certain foreign earnings has been recorded as income tax expense during the first quarter of 2005, in accordance with FASB Staff Position No. 109-2, *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004*.

In addition to the income tax on repatriation of \$38.6 million, income tax expense for the quarter ended March 26, 2005, of \$53.4 million, includes \$14.8 million of income tax expense, which reflects the Company s expected effective income tax rate of approximately 21% for the full fiscal year ending December 31, 2005. The income tax expense of approximately \$13.2 million for the quarter ended March 27, 2004 reflects the Company s then expected effective income tax rate for the full year ended January 1, 2005, of approximately 18%.

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.

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

**3. INVENTORIES**

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

	<b>March 26, 2005</b>	<b>January 1, 2005</b>
Finished products	\$ 259,588	\$ 232,193
Raw materials and work in progress	120,465	119,645
Crop-growing costs	116,235	116,295
Operating supplies and other	43,381	40,758
	<b>\$ 539,669</b>	<b>\$ 508,891</b>

**4. GOODWILL AND INTANGIBLE ASSETS**

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

	<b>Fresh Fruit</b>	<b>Fresh Vegetables</b>	<b>Packaged Foods</b>	<b>Fresh-cut Flowers</b>	<b>Other</b>	<b>Total</b>
Balance as of January 1, 2005	\$ 375,676	\$ 97,663	\$ 63,526	\$	\$	\$ 536,865
Additions			6,340			6,340
Other		(34)				(34)
Balance as of March 26, 2005	\$ 375,676	\$ 97,629	\$ 69,866	\$	\$	\$ 543,171

The additions to goodwill during the quarter ended March 26, 2005 relate primarily to a purchase price adjustment associated with the 2004 acquisition of Wood Holdings, Inc. ( JR Wood ), 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 purchase price is preliminary and changes may occur as additional information becomes available.

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

	<b>March 26, 2005</b>	<b>January 1, 2005</b>
<b>Amortized intangible assets:</b>		
Customer relationships	\$ 38,501	\$ 38,501
Licenses	20,688	20,688
Other amortized intangible assets	9,067	9,132
	<b>68,256</b>	<b>68,321</b>
Accumulated amortization customer relationships	(6,390)	(5,542)
Accumulated amortization licenses	(14,942)	(13,218)

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Other accumulated amortization	(5,663)	(5,588)
Accumulated amortization intangible assets	(26,995)	(24,348)
Intangible assets, net	41,261	43,973
Unamortized intangible assets:		
Trademark, trade names and other related intangibles	694,518	694,518
Total intangible assets, net	\$ 735,779	\$ 738,491

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

Amortization expense of intangible assets for the quarters ended March 26, 2005 and March 27, 2004 totaled \$2.8 million and \$2.5 million, respectively. As of March 26, 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	\$ 9,114
2006	\$ 4,323
2007	\$ 3,677
2008	\$ 3,677
2009	\$ 3,677

**5. LONG-TERM DEBT**

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

	March 26, 2005	January 1, 2005
Unsecured debt:		
8.625% notes due 2009	\$ 400,000	\$ 400,000
7.25% notes due 2010	400,000	400,000
8.875% notes due 2011	475,000	475,000
8.75% debentures due 2013	155,000	155,000
Secured debt:		
Revolving credit facility	110,000	
Term loan facility	335,158	341,619
Contracts and notes due 2005 - 2010, at a weighted-average interest rate of 6.67% (7.84% in 2004)	2,315	2,801
Capital lease obligations	91,457	95,539
Unamortized debt discount	(1,585)	(1,661)
	1,967,345	1,868,298
Current maturities	(30,958)	(31,278)
	\$ 1,936,387	\$ 1,837,020

The Company amortized deferred debt issuance costs of \$1.9 million and \$2.1 million during the quarters ended March 26, 2005 and March 27, 2004, respectively. Weighted-average interest rates on the revolving credit and term loan facilities were approximately 5.05% and 5.18%, respectively, at March 26, 2005. At March 26, 2005, the Company had approximately \$97.8 million available under the \$300 million revolving credit portion of the senior secured credit facilities.

At March 26, 2005, the Company was in compliance with all applicable covenants under the senior secured credit facilities and the indentures to the Company's senior notes and debentures.

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

**6. SHAREHOLDERS EQUITY***Comprehensive Income*

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

	Quarter Ended	
	March 26, 2005	March 27, 2004
Net income	\$ 17,154	\$ 60,834
Unrealized foreign currency translation loss, net	(7,646)	(6,510)
Reclassification of realized cash flow hedging (gains) losses to net income	(106)	3,784
Unrealized net gain (loss) on cash flow hedging instruments	(646)	755
Comprehensive income	\$ 8,756	\$ 58,863

*Dividends*

The Company did not declare or pay any dividends during the quarter ended March 26, 2005. During the quarter ended March 27, 2004, the Company declared and paid dividends of \$10 million to its parent company, Dole Holding Company, LLC. Dole Holding Company, LLC is a Delaware limited liability company and a direct, wholly owned subsidiary of DHM Holding Company, Inc. The Company's ability to declare future dividends is restricted under the terms of its senior secured credit facilities and bond indentures. Refer to Note 10 for discussion on dividends declared in May 2005.

**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	
	March 26, 2005	March 27, 2004	March 26, 2005	March 27, 2004
<b>Components of net periodic benefit cost</b>				
Service cost	\$ 1,328	\$ 1,617	\$ 19	\$ 23
Interest cost	5,375	5,450	1,169	1,284
Expected return on plan assets	(4,249)	(4,754)		
Amortization of:				
Unrecognized net loss	233	58	5	6
Unrecognized prior service cost (benefit)	16	(13)	(25)	(57)
Unrecognized net transition obligation	12	9		

\$	2,715	\$	2,367	\$	1,168	\$	1,256
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The Company made \$3 million in voluntary pension contributions during the first quarter of 2005 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 are voluntary and can change depending on the Company's operating performance.

#### **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.

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

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.

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

	<b>Quarter Ended</b>	
	<b>March 26, 2005</b>	<b>March 27, 2004</b>
<b>Revenues from external customers:</b>		
Fresh fruit	\$ 939,527	\$ 873,322
Fresh vegetables	253,606	200,083
Packaged foods	190,290	127,573
Fresh-cut flowers	52,719	49,559
Other operating segments	5,991	4,047
	<b>\$ 1,442,133</b>	<b>\$ 1,254,584</b>
<b>EBIT:</b>		
Fresh fruit	\$ 76,509	\$ 81,367
Fresh vegetables	19,204	22,606
Packaged foods	17,927	13,044
Fresh-cut flowers	4,558	4,658
Other operating segments	75	(115)
Total operating segments	118,273	121,560
Corporate and other	(11,639)	(12,812)
Interest expense	36,059	34,741
Income before income taxes	<b>\$ 70,575</b>	<b>\$ 74,007</b>

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

	<b>March 26, 2005</b>	<b>January 1, 2005</b>
Fresh fruit	\$ 2,351,570	\$ 2,285,924

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Fresh vegetables	469,966	428,851
Packaged foods	586,460	563,306
Fresh-cut flowers	152,630	144,137
Other operating segments	11,547	11,886
Total operating segments	3,572,173	3,434,104
Corporate and other	892,778	897,513
	\$ 4,464,951	\$ 4,331,617



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**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 March 26, 2005, these guarantees of \$4.5 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 March 26, 2005 total letters of credit and bonds outstanding were \$114.3 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 \$143.9 million of its subsidiaries' obligations to their suppliers and other third parties as of March 26, 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.

Currently there are 591 lawsuits, in various stages of proceedings, alleging injury as a result of exposure to DBCP. Sixteen of these lawsuits are currently pending in various jurisdictions in the United States, including

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

three new cases pending in the Superior Court for the County of Los Angeles with 2,669 total Honduran, Panamanian and Guatemalan plaintiffs seeking unspecified damages. The remaining cases are pending in Latin America and the Philippines, including 451 labor cases pending in Costa Rica under that country's national insurance program and a case recently filed in the civil court in Honduras brought by 788 claimants seeking \$236.4 million. Claimed damages in DBCP cases worldwide total approximately \$19 billion, with the lawsuits in Nicaragua representing approximately 73% 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, 106 cases have been filed, with the majority 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.

Fifteen cases filed in a civil trial court 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; and \$27.7 million (one case with approximately 39 claimants) on March 17, 2005. In addition to three recently served cases, active cases are currently pending in civil trial courts in Managua (9), Chinendega (8) and Puerto Cabezas (2). In all of those cases but one in Chinendega which has been ordered to mediation and the three recently served cases, the Company has sought to have the cases returned to the United States pursuant to Law 364. Notwithstanding, the Chinendega court denied the Company's request in seven of the cases pending there; the Managua court denied the Company's request with respect to two 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 the remaining two cases in Managua are still pending. The Company has appealed the two decisions of the court in Puerto Cabezas and the two decisions of the court in Managua and will appeal the seven decisions of the court in Chinendega once the Company has been served with those decisions.

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 appealed that decision to the United States Court of Appeals for the Ninth Circuit. Dole expects to prevail in that appeal.

Claimants have also indicated their intent to seek enforcement of the Nicaraguan judgments in Ecuador, Venezuela and other countries in Latin America and elsewhere. In Ecuador, the claimants have attempted to enforce the five Nicaraguan judgments issued between December 11, 2002 through June 15, 2004. The First, Second and Third Chambers of the Ecuador Supreme Court have issued rulings refusing to consider these enforcement actions on the ground that the Supreme Court was not a court of competent jurisdiction for enforcement of a foreign judgment. The plaintiffs have subsequently refiled these five enforcement actions in the civil court in Guayaquil, Ecuador.

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,



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

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.

**10. SUBSEQUENT EVENTS**

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 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.

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

In addition, in April 2005, the Company completed a tender offer to purchase for cash \$325 million aggregate principal amount of the Company's outstanding debt securities at a premium of \$32.1 million.

In May 2005, the Company declared dividends of \$74 million to its parent company, Dole Holding Company, LLC. As planned, the dividends are a return of the capital contribution made to the Company by Dole Holding Company, LLC, in 2004. It is estimated that approximately \$12.3 million of the dividend will be paid in the second quarter of 2005, with the balance of \$61.7 million to be paid in the third quarter of 2005.

**11. GUARANTOR FINANCIAL INFORMATION**

In connection with the issuance of the 2011 Notes in March 2003 and the 2010 Notes in May 2003, the Company and all of its wholly-owned domestic subsidiaries (Guarantors) have fully and unconditionally guaranteed, on a joint and several basis, the Company's obligations under the related indentures (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 operations of the Company for the quarters ended March 26, 2005 and March 27, 2004; condensed consolidating balance sheets as of March 26, 2005 and January 1, 2005; and condensed consolidating statements of cash flows for the quarters ended March 26, 2005 and March 27, 2004.

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**DOLE FOOD COMPANY, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)  
**CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS**  
**For the Quarter Ended March 26, 2005**

	<b>Dole Food Company, Inc.</b>	<b>Guarantors</b>	<b>Non Guarantors</b>	<b>Eliminations</b>	<b>Total</b>
<b>(In thousands)</b>					
Revenues, net	\$ 127,259	\$ 583,433	\$ 1,036,999	\$ (305,558)	\$ 1,442,133
Cost of products sold	95,496	519,636	911,441	(303,102)	1,223,471
Gross margin	31,763	63,797	125,558	(2,456)	218,662
Selling, marketing and general and administrative expenses	32,287	27,924	57,063	(2,456)	114,818
Operating income (loss)	(524)	35,873	68,495		103,844
Equity in subsidiary income	86,357	65,570		(151,927)	
Other income (expense), net	(294)	201	1,808		1,715
Interest income	27	58	990		1,075
Interest expense	31,945	41	4,073		36,059
Income before income taxes	53,621	101,661	67,220	(151,927)	70,575
Income tax expense	36,467	15,036	1,918		53,421
Net income	\$ 17,154	\$ 86,625	\$ 65,302	\$ (151,927)	\$ 17,154

**For the Quarter Ended March 27, 2004**

	<b>Dole Food Company, Inc.</b>	<b>Guarantors</b>	<b>Non Guarantors</b>	<b>Eliminations</b>	<b>Total</b>
<b>(In thousands)</b>					
Revenues, net	\$ 107,615	\$ 479,707	\$ 943,908	\$ (276,646)	\$ 1,254,584
Cost of products sold	82,447	420,714	825,163	(276,646)	1,051,678
Gross margin	25,168	58,993	118,745		202,906
Selling, marketing and general and administrative expenses	26,612	22,228	46,578		95,418

Operating income (loss)	(1,444)	36,765	72,167		107,488
Equity in subsidiary income	88,968	64,603		(153,571)	
Other income (expense), net	(243)	(38)	619		338
Interest income	47	73	802		922
Interest expense	29,645	43	5,053		34,741
Income before income taxes	57,683	101,360	68,535	(153,571)	74,007
Income tax expense	(3,151)	13,436	2,888		13,173
Net income	\$ 60,834	\$ 87,924	\$ 65,647	\$ (153,571)	\$ 60,834

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**DOLE FOOD COMPANY, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
As of March 26, 2005

	<b>Dole Food Company, Inc.</b>	<b>Guarantors</b>	<b>Non Guarantors</b>	<b>Eliminations</b>	<b>Total</b>
<i>(In thousands)</i>					
<b>ASSETS</b>					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 17,376	\$ (5,831)	\$ 50,305	\$	\$ 61,850
Receivables, net of allowances	140,988	141,984	470,371		753,343
Inventories	72,597	163,331	303,741		539,669
Prepaid expenses	8,008	12,756	42,970		63,734
Deferred income tax assets	23,330	14,333	5,297		42,960
<b>Total current assets</b>	<b>262,299</b>	<b>326,573</b>	<b>872,684</b>		<b>1,461,556</b>
Investments	2,783,075	2,187,455	90,707	(4,968,748)	92,489
Property, plant and equipment, net	303,174	363,008	829,862		1,496,044
Goodwill and intangible assets, net	731,176	164,440	383,334		1,278,950
Other assets, net	48,588	8,880	78,444		135,912
<b>Total assets</b>	<b>\$ 4,128,312</b>	<b>\$ 3,050,356</b>	<b>\$ 2,255,031</b>	<b>\$ (4,968,748)</b>	<b>\$ 4,464,951</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>					
<i>Current Liabilities</i>					
Accounts payable and accrued liabilities	\$ 89,220	\$ 318,867	\$ 454,622	\$	\$ 862,709
Current portion of long-term debt	(335)	729	30,564		30,958
Notes payable		630			630
<b>Total current liabilities</b>	<b>88,885</b>	<b>320,226</b>	<b>485,186</b>		<b>894,297</b>
Intercompany payables (receivables)	945,127	(127,242)	(817,885)		
Long-term debt	1,678,751	1,558	256,078		1,936,387
Deferred income tax liabilities	328,906	35,131	44,274		408,311
	400,014	38,578	81,802		520,394

Other long-term liabilities					
Minority interests		6,080	12,853		18,933
Total shareholders equity	686,629	2,776,025	2,192,723	(4,968,748)	686,629
<b>Total liabilities and shareholders equity</b>	<b>\$ 4,128,312</b>	<b>\$ 3,050,356</b>	<b>\$ 2,255,031</b>	<b>\$ (4,968,748)</b>	<b>\$ 4,464,951</b>



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

	<b>Dole Food Company, Inc.</b>	<b>Guarantors</b>	<b>Non Guarantors</b>	<b>Eliminations</b>	<b>Total</b>
<i>(In thousands)</i>					
<b>ASSETS</b>					
<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		