

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.

| Class | Shares Outstanding at May 9, 2005 |
|---------------------------------|--|
| Common Stock, \$0.001 Par Value | 1,000 |

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

| | Quarter Ended | |
|--|---------------------------|---------------------------|
| | March 26, 2005 | March 27, 2004 |
| 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)

| | March 26, 2005 | January 1, 2005 |
|---|---------------------------|----------------------------|
| ASSETS | | |
| 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 |
| Total assets | \$ 4,464,951 | \$ 4,331,617 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| 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 |
| Total liabilities and shareholders' equity | \$ 4,464,951 | \$ 4,331,617 |

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)

| | Quarter Ended March 26, 2005 | Quarter Ended March 27, 2004 |
|---|---|---|
| Operating activities | | |
| 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) |
| Investing activities | | |
| 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) |
| Financing activities | | |
| 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):

| | March 26, 2005 | January 1, 2005 |
|------------------------------------|---------------------------|----------------------------|
| 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 |
| | \$ 539,669 | \$ 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 | | | 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):

| | March 26, 2005 | January 1, 2005 |
|---|---------------------------|----------------------------|
| Amortized intangible assets: | | |
| Customer relationships | \$ 38,501 | \$ 38,501 |
| Licenses | 20,688 | 20,688 |
| Other amortized intangible assets | 9,067 | 9,132 |
| | 68,256 | 68,321 |
| 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 |
| Components of net periodic benefit cost | | | | |
| 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 |
|----|-------|----|-------|----|-------|----|-------|

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):

| | Quarter Ended | |
|--|---------------------------|---------------------------|
| | March 26, 2005 | March 27, 2004 |
| Revenues from external customers: | | |
| 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 |
| | \$ 1,442,133 | \$ 1,254,584 |
| EBIT: | | |
| 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 | \$ 70,575 | \$ 74,007 |

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

| | March 26, 2005 | January 1, 2005 |
|-------------|---------------------------|----------------------------|
| 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

| | Dole Food Company, Inc. | Guarantors | Non Guarantors | Eliminations | Total |
|--|--|-------------------|---------------------------|---------------------|--------------|
| (In thousands) | | | | | |
| 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

| | Dole Food Company, Inc. | Guarantors | Non Guarantors | Eliminations | Total |
|--|--|-------------------|---------------------------|---------------------|--------------|
| (In thousands) | | | | | |
| 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

| | Dole Food Company, Inc. | Guarantors | Non Guarantors | Eliminations | Total |
|--|--|---------------------|---------------------------|-----------------------|---------------------|
| <i>(In thousands)</i> | | | | | |
| ASSETS | | | | | |
| <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 |
| Total current assets | 262,299 | 326,573 | 872,684 | | 1,461,556 |
| 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 |
| Total assets | \$ 4,128,312 | \$ 3,050,356 | \$ 2,255,031 | \$ (4,968,748) | \$ 4,464,951 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | |
| <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 |
| Total current liabilities | 88,885 | 320,226 | 485,186 | | 894,297 |
| 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 |
| Total liabilities and shareholders equity | \$ 4,128,312 | \$ 3,050,356 | \$ 2,255,031 | \$ (4,968,748) | \$ 4,464,951 |

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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

| | 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 and intangible assets, net | 731,832 | 158,328 | 385,196 | | 1,275,356 |
| 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 |

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| | | | | | |
|--|---------------------|---------------------|---------------------|-----------------------|---------------------|
| 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 |

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

| | Dole Food Company, Inc. | Guarantors | Non Guarantors | Eliminations | Total |
|--|-------------------------------|------------|-------------------|--------------|-------------|
| (In thousands) | | | | | |
| OPERATING ACTIVITIES | | | | | |
| Cash flow provided by (used in) operating activities | \$ (71,044) | \$ 7,196 | \$ 18,907 | \$ | \$ (44,941) |
| INVESTING ACTIVITIES | | | | | |
| Proceeds from sales of assets | 38 | 17 | 3,038 | | 3,093 |
| Investments and acquisitions | | | (47,094) | | (47,094) |
| Capital additions | (805) | (4,348) | (10,205) | | (15,358) |
| Repurchase of common stock in the going-private merger transaction | (49) | | | | (49) |
| Cash flow used in investing activities | (816) | (4,331) | (54,261) | | (59,408) |
| FINANCING ACTIVITIES | | | | | |
| Short-term debt borrowings | | 322 | | | 322 |
| Short-term debt repayments | | (10,757) | | | (10,757) |
| Long-term debt borrowings | 223,900 | 127 | 75,800 | | 299,827 |
| Long-term debt repayments | (143,900) | (121) | (54,002) | | (198,023) |
| Dividends paid to minority shareholders | | (1,546) | (231) | | (1,777) |
| Cash flow provided by (used in) financing activities | 80,000 | (11,975) | 21,567 | | 89,592 |
| Effect of foreign exchange rate changes on cash and | | | (2,610) | | (2,610) |

cash equivalents

**Increase (decrease) in
cash and cash
equivalents**

8,140 (9,110) (16,397) (17,367)

Cash and cash equivalents
at beginning of period

9,236 3,279 66,702 79,217

**Cash and cash
equivalents at end of
period**

\$ 17,376 \$ (5,831) \$ 50,305 \$ 61,850

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DOLE FOOD COMPANY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Quarter Ended March 27, 2004

| | Dole Food Company, Inc. | Guarantors | Non Guarantors | Eliminations | Total |
|--|--|-------------------|---------------------------|---------------------|--------------|
| (In thousands) | | | | | |
| OPERATING ACTIVITIES | | | | | |
| Cash flow provided by (used in) operating activities | \$ (63,586) | \$ 9,160 | \$ 22,239 | \$ | \$ (32,187) |
| INVESTING ACTIVITIES | | | | | |
| Proceeds from sales of assets | 907 | 97 | 1,791 | | 2,795 |
| Investments and acquisitions | | | (2,931) | | (2,931) |
| Capital additions | (1,557) | (2,242) | (8,487) | | (12,286) |
| Repurchase of common stock in the going-private merger transaction | (1,300) | | | | (1,300) |
| Transaction costs paid in the going-private merger transaction | (226) | | | | (226) |
| Cash flow used in investing activities | (2,176) | (2,145) | (9,627) | | (13,948) |
| FINANCING ACTIVITIES | | | | | |
| Short-term debt borrowings | | 218 | 2,157 | | 2,375 |
| Short-term debt repayments | | (342) | (1,439) | | (1,781) |
| Long-term debt borrowings | 166,100 | 219 | 41 | | 166,360 |
| Long-term debt repayments | (92,300) | (151) | (11,474) | | (103,925) |
| Dividends paid to minority shareholders | | | (352) | | (352) |
| Dividends paid | (10,000) | | | | (10,000) |
| | 63,800 | (56) | (11,067) | | 52,677 |

**Cash flow provided
by (used in) financing
activities**

| | | | | | |
|--|----------|-------------|-----------|----|-----------|
| Effect of foreign exchange rate changes on cash and cash equivalents | | | (1,953) | | (1,953) |
| Increase (decrease) in cash and cash equivalents | (1,962) | 6,959 | (408) | | 4,589 |
| Cash and cash equivalents at beginning of period | 7,424 | (20,498) | 46,556 | | 33,482 |
| Cash and cash equivalents at end of period | \$ 5,462 | \$ (13,539) | \$ 46,148 | \$ | \$ 38,071 |

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DOLE FOOD COMPANY, INC.
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

In the first quarter of 2005, revenues for Dole Food Company, Inc. and its consolidated subsidiaries (Dole or the Company) increased 15% from the prior year, reflecting strong growth in the majority of the Company's lines of business, as well as the impact of acquisitions in 2004. For the quarter, operating income decreased 3% compared to the prior year. These results reflect the impact of higher production costs and an increase in selling and marketing expenses. Higher production costs were driven by significantly higher commodity costs and the weakness of the U.S. dollar versus many of the currencies in which the Company sources its production. Net income was \$17.2 million for the first quarter of 2005 compared to \$60.8 million in the first quarter of 2004. The decrease was primarily due to an income tax provision of \$38.6 million on the repatriation of \$570 million of foreign earnings pursuant to The American Jobs Creation Act (AJCA).

In April 2005, the Company completed an amendment to its existing Senior Secured Credit Facilities. 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. The amendment resulted in the Company obtaining funds under \$1,050 million of new senior secured credit facilities (consisting of \$750 million of term loan facilities and \$300 million of revolving credit facilities). These funds have been used to repay the outstanding term loans under the Company's existing senior secured credit facilities. In addition, on April 18, 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.

Results of Operations

Selected results of operations for the quarters ended March 26, 2005 and March 27, 2004 were as follows (in thousands):

| | Quarter Ended | |
|---|---------------------------|---------------------------|
| | March 26, 2005 | March 27, 2004 |
| Revenues, net | \$ 1,442,133 | \$ 1,254,584 |
| Operating income | \$ 103,844 | \$ 107,488 |
| Interest income and other income (expense), net | \$ 2,790 | \$ 1,260 |
| Interest expense | \$ 36,059 | \$ 34,741 |
| Income tax expense | \$ 53,421 | \$ 13,173 |
| Net income | \$ 17,154 | \$ 60,834 |

Revenues

For the quarter ended March 26, 2005, revenues increased to \$1.44 billion from \$1.25 billion in the quarter ended March 27, 2004. The increase is due to higher worldwide banana pricing, expanded business activity in the European ripening and distribution businesses, and higher sales in the vegetables, packaged foods and fresh-cut flowers businesses. In addition, revenues benefited from favorable U.S. dollar exchange rates and the acquisitions of Wood Holdings, Inc. (JR Wood) and Coastal Berry Company, LLC (Coastal Berry) in the second and fourth quarters of 2004, respectively. Overall, favorable U.S. exchange rates positively impacted revenues, primarily in the fresh fruit segment, by approximately \$10.4 million. JR Wood and Coastal Berry contributed \$63.9 million to first quarter revenues.

Operating Income

For the quarter ended March 26, 2005, operating income decreased to \$103.8 million from \$107.5 million in the quarter ended March 27, 2004. The decrease was primarily attributable to lower operating results from the Company's

fresh fruit and fresh vegetables segments, partially offset by improved operating results in the

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packaged foods segment. Operating results were adversely impacted by significantly higher commodity costs (including container board, tin plate, plastic resins, agricultural chemicals and fuel). Overall, favorable U.S. dollar exchange rates benefited the quarter by approximately \$1.0 million, net of current year hedge losses. Operating income for JR Wood and Coastal Berry was \$4.2 million in the first quarter.

Interest Income and Other Income (Expense), Net

For the quarter ended March 26, 2005, interest income and other income (expense), net was \$2.8 million compared to \$1.3 million in the prior year. The increase was due to higher equity earnings and lower minority interest expense, as a result of the Company's purchase of the 40% minority interest in Saba Trading AB (Saba) in December 2004.

Interest Expense

Interest expense for the quarter ended March 26, 2005 was \$36.1 million compared to \$34.7 million in the quarter ended March 27, 2004. Interest expense increased primarily as a result of higher average debt balances, driven primarily by the issuance of additional debt to finance the purchase of JR Wood in June 2004.

Income Tax Expense

Income tax expense for the quarter ended March 26, 2005 of \$53.4 million reflects the Company's expected effective income tax rate of approximately 21% on earnings for the full fiscal year ending December 31, 2005, and income tax expense of \$38.6 million on the repatriation of \$570 million of foreign earnings in accordance with AJCA. These foreign earnings were previously considered indefinitely invested and accordingly no income tax had been provided. 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 on current year earnings 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.

Segment Results of Operations

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.

The Company's 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 of America (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.

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

| | Quarter Ended | |
|-----------------------------------|-------------------|-------------------|
| | March 26, 2005 | March 27, 2004 |
| Revenues from external customers: | | |
| 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 |
| | \$ 1,442,133 | \$ 1,254,584 |
| EBIT: | | |
| 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 | \$ 70,575 | \$ 74,007 |

Fresh Fruit

Fresh fruit revenues in the quarter ended March 26, 2005 increased 8% to \$939.5 million from \$873.3 million in the quarter ended March 27, 2004. The increase in fresh fruit revenues was primarily due to the following: favorable foreign currency exchange rates versus the U.S. dollar, improved banana pricing in North America, Europe and Asia, improved volumes of Tropical Gold® Pineapples sold in North America and Europe, higher commercial cargo rates and volumes and expanded activity in the Europe ripening and distribution businesses. These benefits were partially offset by lower pineapple pricing in North America and Europe, lower worldwide deciduous volumes and lower sales of citrus in Asia.

Fresh fruit EBIT in the quarter ended March 26, 2005 decreased 6% to \$76.5 million from \$81.4 million in the quarter ended March 27, 2004. EBIT decreased primarily as a result of significantly higher product costs, higher shipping costs and higher selling and marketing costs. Higher product costs were driven by higher commodity prices and unfavorable foreign exchanges rates due to the strengthening of the Chilean peso against the U.S. dollar. Higher shipping costs were driven by higher fuel costs. The net impact of exchange rates was a benefit of \$2.0 million.

Fresh Vegetables

Fresh vegetables revenues for the quarter ended March 26, 2005 increased 27% to \$253.6 million from \$200.1 million in the quarter ended March 27, 2004. The increase was due to higher volumes and pricing of both commodity vegetables and packaged salads in North America, as well as the acquisition of Coastal Berry, a producer of fresh berries, in October 2004. Coastal Berry's revenues were \$25.6 million in the first quarter of 2005.

Fresh vegetables EBIT for the quarter ended March 26, 2005 decreased 15% to \$19.2 million from \$22.6 million in the quarter ended March 27, 2004. The decrease in EBIT was attributable to lower commodity vegetable and packaged salads earnings. The decrease in commodity vegetable earnings was driven by higher vegetable growing costs in North America and Asia and higher distribution expenses, partially offset

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by Coastal Berry earnings of \$3.9 million. The decrease in packaged salads EBIT was primarily due to significantly higher product costs as a result of higher vegetable costs, higher co-pack costs and increased labor and packing material costs.

Packaged Foods

Packaged foods revenues for the quarter ended March 26, 2005 increased 49% to \$190.3 million from \$127.6 million in the quarter ended March 27, 2004. The increase in revenues was primarily attributable to JR Wood, a frozen fruit producer and manufacturer, which was acquired in June 2004. JR Wood (renamed Dole Packaged Frozen Foods) had revenues of \$38.3 million in the first quarter of 2005. The increase in revenues was also driven by higher volumes of fruit bowls, canned pineapple and fruit in plastic jars in North America and higher sales of concentrate in Japan and Europe.

EBIT in the packaged foods segment for the quarter ended March 26, 2005 increased 37% to \$17.9 million from \$13.0 million in the quarter ended March 27, 2004. EBIT for the quarter increased primarily due to the same factors that drove the increase in revenues, partially offset by higher advertising expenses. Dole Packaged Frozen Foods had EBIT of \$0.4 million in the first quarter of 2005.

Fresh-Cut Flowers

Fresh-cut flowers revenues for the quarter ended March 26, 2005 increased 6% to \$52.7 million from \$49.6 million in the quarter ended March 27, 2004. The increase in revenues was due to higher volumes sold to the retail market.

EBIT in the fresh-cut flowers segment for the quarter ended March 26, 2005 decreased to \$4.6 million from \$4.7 million in the quarter ended March 27, 2004. The decrease in EBIT was primarily due to higher product costs, primarily resulting from unfavorable currency exchange rates and higher third party flower purchases. The strengthening of the Colombian peso against the U.S. dollar adversely impacted EBIT by approximately \$2.8 million. The decrease in EBIT was partially offset by lower general and administration expenses.

Corporate and Other

Corporate and other EBIT was a loss of \$11.6 million in the quarter ended March 26, 2005, slightly improving from a loss of \$12.8 million in the quarter ended March 27, 2004. The change in EBIT for the quarter is due to lower general and administrative costs.

Liquidity and Capital Resources

In the quarter ended March 26, 2005, the Company used cash flows in operating activities of \$44.9 million compared to cash flows used in operating activities of \$32.2 million in the quarter ended March 27, 2004. Cash used in operating activities was \$12.7 million higher, primarily due to lower net income, higher receivables associated with higher sales during the first quarter of 2005, and higher inventories, primarily in the packaged foods business, to meet higher anticipated sales. These factors were partially offset by significantly higher payables, primarily due to the accrual of income taxes payable related to the provision on repatriated foreign earnings, as well as the timing of payments.

Cash flows used in investing activities was approximately \$59.4 million in the quarter ended March 26, 2005, compared to cash flow used of \$13.9 million in the quarter ended March 27, 2004. The increase in cash outflow during the first quarter of 2005 was primarily due to the settlement of the \$47.1 million payable to Saba's minority shareholders and higher capital expenditures of \$3.1 million, offset by the absence of investments and acquisitions of \$2.9 million from the first quarter of 2004.

Cash flows from financing activities increased to \$89.6 million in the quarter ended March 26, 2005 compared to cash flows from financing activities of \$52.7 million in the quarter ended March 27, 2004. The increase is mainly due to higher net long-term debt borrowings of \$39.4 million during the first quarter of 2005, primarily to finance first quarter working capital needs.

As of March 26, 2005, the Company had outstanding balances under its senior secured credit facilities of approximately \$445.2 million, consisting of approximately \$335.2 million in term loans and \$110 million

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outstanding under revolving credit facilities. 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.

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 ratios, minimum fixed charge coverage ratios, minimum quarterly earnings and maximum permitted leverage ratios, 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 March 26, 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). Under the Amended and Restated Credit Agreement, the Company obtained financing through term loan borrowings (Term Loan A and Term Loan B), consisting of approximately \$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.

The Company believes that its existing cash balance and available borrowings under the revolving credit facility of \$61.9 million and \$97.8 million, respectively, at March 26, 2005, together with its future cash flow from operations and access to capital markets will enable it to meet its working capital, capital expenditure, debt maturity and other commitments and funding requirements. Factors impacting the Company's cash flow from operations include such items as commodity prices, interest rates and foreign currency exchange rates, among other things, as set forth in the Company's Form 10-K for the fiscal year ended January 1, 2005 and in subsequent SEC filings.

Other Matters

Financial Instruments: The Company's derivative instruments consist of Colombian peso denominated foreign currency exchange forward contracts, bunker fuel hedges and euro collars. These instruments are designated as effective hedges of cash flows as defined by Statement of Financial Accounting Standards No. 133 (FAS 133), *Accounting for Derivative Instruments and Hedging Activities* and as amended by FASB Statement of Financial Accounting Standards No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities - An Amendment of FASB Statement No. 133*. The Company enters into foreign currency exchange forward contracts to reduce its risk related to anticipated dollar equivalent foreign currency cash flows. The fair value of outstanding foreign currency exchange forwards and euro collars was a loss position of \$(2.2) million as of March 26, 2005. At March 26, 2005, the outstanding notional amount of the Company's foreign exchange forwards and euro collars totaled \$89.7 million. The Company enters into bunker fuel hedges to reduce its risk related to price fluctuations on anticipated bunker fuel purchases. At March 26, 2005, bunker fuel hedges had a fair value and an aggregate outstanding notional amount of \$1.7 million and \$5.6 million, respectively. The fair value of all instruments designated as of March 26, 2005, has been included as a component of accumulated other comprehensive income in shareholders' equity. Settlement of these contracts will occur in 2005 and 2006.

European Union Quota: The European Union (EU) maintains banana regulations that impose quotas and tariffs on bananas. In April 2001, the EU reached agreements with the United States and Ecuador to implement a tariff-only import system no later than January 1, 2006. After reaching these agreements, the EU adjusted applicable quotas and amended rules for allocation of licenses for an interim regime preceding the future tariff-only regime. This interim regime began on July 1, 2001. Subsidiaries of the Company are entitled to licenses under the changed rules and are using the licenses in such a way as to maintain and maximize license rights.

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Following the 2001 agreement with the United States and Ecuador, the EU is committed to replace the quota system with a tariff-only system no later than January 1, 2006. In January 2005, the EU formally notified the World Trade Organization of its intent to apply as of January 1, 2006 a single import duty of 230 euro per metric ton of bananas imported from Latin America to the EU. On March 31, 2005, Latin producing countries formally requested arbitration from the World Trade Organization to lower the tariff. On May 2, 2005, the World Trade Organization appointed a three member arbitration panel and so arbitration will begin shortly. It is too early to predict what specific tariff level will result from such arbitration.

Subsequent Events

Senior Secured Credit Facilities: As described in Liquidity and Capital Resources above, in April 2005, the Company amended its Senior Secured Credit Facilities in order 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.

Dividend declaration: 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.

Supplemental Financial Information

The following financial information has been presented, as management believes that it is useful information to some readers of the Company's condensed consolidated financial statements (in thousands):

| | March 26, 2005 | January 1, 2005 |
|---|-------------------|--------------------|
| Balance Sheet Data: | | |
| Total working capital (current assets less current liabilities) | \$ 567,259 | \$ 433,469 |
| Total assets | \$ 4,464,951 | \$ 4,331,617 |
| Total debt | \$ 1,967,975 | \$ 1,868,922 |
| Total shareholders' equity | \$ 686,629 | \$ 677,873 |

| | Quarter Ended | |
|-------------------------------|-------------------|-------------------|
| | March 26, 2005 | March 27, 2004 |
| Other Financial Data: | | |
| Net income | \$ 17,154 | \$ 60,834 |
| Interest expense | 36,059 | 34,741 |
| Income taxes | 53,421 | 13,173 |
| Depreciation and amortization | 33,466 | 32,358 |
| EBITDA | \$ 140,100 | \$ 141,106 |
| EBITDA margin | 9.7% | 11.2% |
| Capital expenditures | \$ 15,358 | \$ 12,286 |

EBITDA is defined as earnings before interest expense, income taxes, and depreciation and amortization. EBITDA margin is defined as the ratio of EBITDA, as defined, relative to net revenues. EBITDA is reconciled to net income in the condensed consolidated financial statements in the tables above. EBITDA and EBITDA margin fluctuated primarily due to the same factors that impacted the changes in operating income and segment EBIT

discussed earlier.

The Company presents EBITDA and EBITDA margin because management believes, similar to EBIT, EBITDA is a useful performance measure for the Company. In addition, EBITDA is presented because management believes it is frequently used by securities analysts, investors and others in the evaluation of companies, and because certain debt covenants on the Company's recently issued Senior Notes are tied to EBITDA. EBITDA and EBITDA margin should not be considered in isolation from or as a substitute for net

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income and other consolidated income statement data prepared in accordance with GAAP or as a measure of profitability. Additionally, the Company's computation of EBITDA and EBITDA margin may not be comparable to other similarly titled measures computed by other companies, because all companies do not calculate EBITDA and EBITDA margin in the same manner.

This Management's Discussion and Analysis contains forward-looking statements that involve a number of risks and uncertainties. Forward-looking statements, which are based on management's assumptions and describe the Company's future plans, strategies and expectations, are generally identifiable by the use of terms such as "anticipate", "will", "expect", "believe", "should" or similar expressions. The potential risks and uncertainties that could cause the Company's actual results to differ materially from those expressed or implied herein include weather-related phenomena; market responses to industry volume pressures; product and raw materials supplies and pricing; electrical power supply and pricing; changes in interest and currency exchange rates; economic crises in developing countries; quotas, tariffs and other governmental actions and international conflict.

**ITEM 3. QUANTITATIVE AND QUALITATIVE
DISCLOSURES ABOUT MARKET RISK**

In the quarter ended March 26, 2005, no material changes have occurred in the market risk disclosure presented in the Company's Annual Report on Form 10-K for the year ended January 1, 2005.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation was carried out as of March 26, 2005 under the supervision and with the participation of Dole's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as defined in Rule 15d-15(e) under the Securities Exchange Act (Act). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that Dole's disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports we file under the Act is recorded, processed, summarized and reported by management of Dole on a timely basis in order to comply with Dole's disclosure obligations under the Act and the SEC rules thereunder.

Changes in Internal Control Over Financial Reporting

There were no changes in Dole's internal control over financial reporting during the quarter ended March 26, 2005 that have materially affected, or are reasonably likely to materially affect, Dole's internal control over financial reporting.

**PART II.
OTHER INFORMATION
DOLE FOOD COMPANY, INC.**

Item 1. Legal Proceedings

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

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(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 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

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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, 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.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

**Exhibit
Number**

- | | |
|-------|--|
| 31.1* | Certification by the Chairman and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act. |
| 31.2* | Certification by the Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act. |
| 32.1 | Certification by the Chairman and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act. |
| 32.2 | Certification by the Vice President and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act. |

* Filed herewith
Furnished herewith

(b) Reports on Form 8-K:

On February 4, 2005, Dole Food Company, Inc. filed a Current Report on Form 8-K to disclose the discretionary bonuses paid to named executive officers as well as announce the approval of the issuance of a Form 1 Change of Control Agreement to a named executive.

On March 24, 2005, Dole Food Company, Inc. filed a Current Report on Form 8-K which presented selected financial information released to potential lenders for the fiscal year ended January 1, 2005 related to the contemplated debt refinancing and tender offer to purchase up to \$275 million of outstanding senior notes.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

May 10, 2005

DOLE FOOD COMPANY, INC.
REGISTRANT

By: /s/ Joseph S. Tesoriero

Joseph S. Tesoriero
*Vice President and
Chief Financial Officer*

By: /s/ Yoon J. Hugh

Yoon J. Hugh
*Vice President, Controller and
Chief Accounting Officer
(Principal Accounting Officer)*

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