DOLE FOOD COMPANY INC
Form 10-K
April 01, 2005

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended January 1, 2005

or

o	**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	**99-0035300**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*

One Dole Drive, Westlake Village, California 91362

(Address of principal executive offices)
Registrant s telephone number including area code:
(818) 879-6600
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.001 Par Value	none

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether 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 þ   No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. þ

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

The approximate aggregate market value of voting and non-voting stock held by non-affiliates of the registrant was $0 as of the last business day of the registrant s most recently completed second fiscal quarter.

The number of shares of Common Stock outstanding as of March 31, 2005 was 1,000.

DOCUMENTS INCORPORATED BY REFERENCE

None

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PART I

Item 1. *Business*

Dole Food Company, Inc. was founded in Hawaii in 1851 and was incorporated under the laws of Hawaii in 1894. Dole reincorporated as a Delaware corporation in July 2001. Unless the context otherwise requires, Dole Food Company, Inc. and its consolidated subsidiaries are referred to in this report as the Company, Dole and we.

Dole s principal executive offices are located at One Dole Drive, Westlake Village, California 91362, telephone (818) 874-4000. During fiscal year 2004, we had, on average, approximately 40,000 full-time permanent employees and 24,000 full-time seasonal or temporary employees, worldwide. Dole is the world s largest producer and marketer of high-quality fresh fruit, fresh vegetables and fresh-cut flowers. Dole markets a growing line of packaged and frozen foods and is a produce industry leader in nutrition education and research. Our website address is www.dole.com. Since we have only one stockholder and since our debt securities are not listed or traded on any exchange, we do not make available free of charge, on or through our website, electronically or through paper copies our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, or any amendments to those reports.

Dole s operations are described below. For detailed financial information with respect to Dole s business and its operations, see Dole s Consolidated Financial Statements and the related Notes to Consolidated Financial Statements, which are included in this report.

Overview

We are the world s largest producer of fresh fruit, fresh vegetables and fresh-cut flowers, and we market a growing line of value-added products. We are one of the world s largest producers of bananas and pineapples, a leading marketer of citrus and table grapes worldwide and an industry leader in packaged fruit products, ready-to-eat salads and vegetables. Our most significant products hold the number 1 or number 2 positions in the respective markets in which we compete. For the fiscal year ended January 1, 2005, we generated revenues of approximately $5.3 billion.

We provide wholesale, retail and institutional customers around the world with high quality food products that bear the DOLE® trademarks. The DOLE brand was introduced in 1933 and we believe it is one of the most recognized for fresh and packaged produce in the United States, as evidenced by our 42% unaided consumer brand awareness, twice that of our nearest competitor, according to C.A. Walker and Associates. We utilize product quality, food safety, brand recognition, competitive pricing, customer service and consumer marketing programs to enhance our position within the food industry. Consumer and institutional recognition of the DOLE trademarks and related brands and the association of these brands with high quality food products contribute significantly to our leading positions in the markets that we serve.

We source or sell over 200 products in more than 90 countries. Our fully-integrated operations include sourcing, growing, processing, distributing and marketing our products. Our products are produced both directly on Dole-owned or leased land and through associated producer and independent grower arrangements under which we provide varying degrees of farming, harvesting, packing, storing, shipping, stevedoring and marketing services.

Industry

The worldwide fresh produce industry is characterized by consistent underlying demand and favorable growth dynamics. In recent years, the market for fresh produce has grown at a rate above population growth, supported by ongoing trends including greater consumer demand for healthy, fresh and convenient foods, increased retailer square footage devoted to produce, and increased emphasis on fresh produce as a differentiating factor in attracting customers. According to the Food and Agriculture Organization, worldwide produce production grew 3.6% per annum from 814 million metric tons in 1990 to an estimated 1,244 million in 2002. Total wholesale fresh produce sales in the United States surpassed $80 billion in 2001, up from

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approximately $35 billion in 1987, representing a 6.1% compounded annual growth rate. In the U.S., wholesale fresh produce sales are split roughly evenly between the retail and foodservice channels.

Health conscious consumers are driving much of the growth in demand for fresh produce. Over the past 20 years, the benefits of natural, preservative free foods have become an increasingly prominent element of the public dialogue on health and nutrition. As a result, consumption of fresh fruit and vegetables has increased markedly. According to the USDA, Americans consumed 54 more pounds of fresh fruit and vegetables per capita in 2000 than they did in 1986. Time-starved consumers are also demonstrating continued demand for convenient, ready to eat products. Food manufacturers have responded with new product introductions and packaging innovations in segments such as bagged baby carrots and ready-to-eat salads, contributing to industry growth. For example, the U.S. market for fresh-cut produce has increased from an estimated $3 billion in 1994 to an estimated $11 billion in 2000. According to the International Fresh-Cut Produce Association, growth in the fresh-cut produce market is forecasted to continue at a compound annual rate of 6.4%, reaching approximately $15 billion by 2005.

Retail consolidation and the growing importance of food to mass merchandisers are major factors affecting the food manufacturing and fresh produce industries. As food retailers have grown and expanded, they have sought to increase profitability through value-added product offerings and in-store services. As fresh produce has become a strategic focus, retailers have expanded square footage dedicated to produce departments by almost 7% per annum between 1994 and 1999. This development has led to an increase in produce sales as a percentage of total supermarket sales, from 8.8% in 1987 to 9.8% in 2001, according to the Food Marketing Institute. The fresh produce category is also attractive to retailers due to its higher margins. According to the USDA s Agriculture Information Bulletin No. 758, gross margins for the produce department were 33% compared to a 26% average for the entire store in 1997. Fully integrated produce companies, such as Dole, are well positioned to meet the needs of large retailers through the delivery of consistent, high quality produce, reliable service, competitive pricing and innovative products. Established produce companies have sought to strengthen relationships with leading retailers through value-added services such as banana ripening and distribution, category management, branding initiatives and establishment of long term supply agreements.

Competitive Strengths

Our competitive strengths have contributed to our strong historical operating performance and should enable us to capitalize on future growth opportunities:

Market Share Leader. Our most significant products hold the number 1 or number 2 positions in the respective markets in which we compete. We maintain number 1 market share positions in North American bananas, North American iceberg lettuce, celery, cauliflower, ready-to-eat salads, winter fruits exported from Chile, and packaged fruit products, including our line of plastic fruit cups called FRUIT BOWLS® and FRUIT BOWLS in Gel. In addition, we believe that we are the only fully integrated fresh-cut flower and bouquet supplier of our size in North America.

Strong Global Brand. Consumer and institutional recognition of the DOLE trademark and related brands and the association of these brands with high quality food products contribute significantly to our leading positions in each of the markets that we serve. By implementing a global marketing program, we have made the distinctive red DOLE letters and sunburst a familiar symbol of freshness and quality recognized around the world. We believe that opportunities exist to leverage the DOLE brand through product extensions and new product introductions.

Low-Cost Production Capabilities. We believe we are one of the lowest cost producers of many of our major product lines, including bananas, North American fresh vegetables and ready-to-eat salads and packaged fruit products. Over the last several years we have undertaken various initiatives to achieve this low-cost position, including closing facilities, centralizing our raw material purchasing and leveraging our global logistics infrastructure more efficiently. We plan to maintain these low-cost positions through a continued focus on operating efficiency.

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State-of-the-Art Infrastructure. We have made significant investments in our production, processing, transportation and distribution infrastructure with the goal of efficiently delivering the highest quality and freshest product to our customers. We own or lease over 60 processing, ripening and distribution centers, and the largest dedicated refrigerated containerized shipping fleet in the world, with 22 ships and approximately 12,200 refrigerated containers. The investments in our infrastructure should allow for continued growth in the near term. In addition, our market-leading logistics and distribution capabilities allow us to act as a preferred fresh and packaged food provider to leading global supermarkets and mass merchandisers.

Diversity of Sourcing Locations. We currently source our fresh fruits, vegetables and fresh-cut flowers in more than 75 countries and distribute products in more than 90 countries. We are not dependent on any one country for the sourcing of any of our products. The largest concentration of production is in Ecuador, where we sourced approximately one third of our Latin bananas in 2004. The diversity of our production sources reduces our risk from exposure to natural disasters and political disruptions in any one particular country.

Experienced Management Team. Our management team has a demonstrated history of delivering strong operating results through disciplined execution. The current management team has been instrumental in our continuing drive to transform Dole from a production driven company into a sales and marketing driven one. In addition, the management team has led our recent company-wide initiatives to improve operating efficiency.

Business Strategy

Key elements of our strategy include:

Leveraging our Strong Brand and Market Leadership Position. Our most significant products hold number 1 or number 2 market positions in the respective markets in which we compete. We intend to maintain those positions and continue to expand our leadership both in new product areas and with new customers. We have a history of leveraging our strong brand to successfully enter, and in many cases become the leading player in, value-added food categories. For example, we attained the number 1 market share in the plastic fruit cups category only 3 years after introducing FRUIT BOWLS and FRUIT BOWLS in Gel. We intend to continue to evaluate and to strategically introduce other branded products in the value-added sectors of our business.

Focusing on Value-Added Products. Over the last 10 years, we have successfully shifted our product mix toward value-added food categories and away from commodity fruits and vegetables. For example, we have found major success in our ready-to-eat salad lines, bagged baby carrots, and, most recently, FRUIT BOWLS and FRUIT BOWLS in Gel. These value-added food categories are growing at a faster rate than our traditional commodity businesses and are generating higher margins. Overall, we have significantly increased our percentage of revenue from value-added products. This shift has been most pronounced in our fresh vegetables and packaged foods businesses, where value-added products now account for approximately 58% and 28% of revenue, respectively, of those businesses revenues. We plan to continue to address the growing demand for convenient and innovative products by investing in our higher margin, value-added food businesses.

Further Improving Operating Efficiency and Cash Flow. While we have greatly improved our profitability and cash flow over the last few years, we intend to continue to focus on profit improvement initiatives and maximizing cash flow. We will continue to:

analyze our current customer base and focus on profitable relationships with strategically important customers;

leverage our purchasing power to reduce our costs of raw materials; and

make focused capital investments to improve productivity.

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Business Segments

We have four business segments: fresh fruit, fresh vegetables, packaged foods and fresh-cut flowers. The fresh fruit segment contains several operating divisions that produce and market fresh fruit to wholesale, retail and institutional customers worldwide. The fresh vegetables segment contains two operating divisions that produce and market commodity and fresh-cut vegetables to wholesale, retail and institutional customers, primarily in North America, Europe and Asia. The packaged foods segment contains several operating divisions that produce and market packaged foods including fruit, juices and snack foods. Our fresh-cut flowers segment sources, imports and markets fresh-cut flowers, grown mainly in Colombia, primarily to wholesale florists and retail grocers in the United States. For financial information on the four business segments, see Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 8, Financial Statements and Supplementary Data, Note 13 Business Segments, in this Form 10-K.

Fresh Fruit

Our fresh fruit business segment has four primary operating divisions: bananas, fresh pineapple, European Ripening & Distribution and Dole Chile. We believe that we are the industry leader in growing, sourcing, shipping and distributing consistently high-quality fresh fruit. The fresh fruit business segment represented approximately 67% of 2004 total revenues of the four segments.

Bananas

We are one of the world s largest producers of bananas, growing and selling more than 127 million boxes of bananas annually. We sell most of our bananas under the DOLE brand. We primarily sell bananas to customers in North America, Europe and Asia. We are the number one brand of bananas in both North America (an approximate 35% market share) and Japan (an approximate 29% market share) and the number two brand in Europe (an approximate 17% market share). In Latin America, our bananas are primarily sourced in Honduras, Costa Rica, Ecuador, Colombia, Guatemala and Peru and grown on approximately 36,000 acres of company-owned farms and approximately 70,000 acres of independent producers farms. Bananas produced by us in Latin America are shipped primarily to North America and Europe on our refrigerated and containerized shipping fleet. In Asia, we source our bananas primarily in the Philippines. Bananas accounted for approximately 39% of our fresh fruit business segment revenues in 2004.

Consistent with our strategy to focus on value-added products, we have continued to expand our focus on higher margin, niche bananas. While the traditional green bananas still comprise the majority of our banana sales, we have successfully introduced niche bananas (e.g., organic). We have also improved the profitability of our banana business by focusing on profitable customer relationships and markets.

While bananas are sold year round, there is a seasonal aspect to the banana business. Banana prices and volumes are typically higher in the first and second calendar quarters before there is increased competition from summer fruits. Approximately 80% of our total retail volume in North America is under contract. The contracts are typically one year in duration and help to insulate us from fluctuations in the banana spot market. Our principal competitors in the international banana business are Chiquita Brands International, Inc. and Fresh Del Monte Produce Inc.

European Ripening & Distribution

Our European Ripening & Distribution business distributes DOLE and non-DOLE branded fresh produce in Europe. This business operates 48 sales and distribution centers in nine countries, predominantly in Western Europe. This is a value-added business for us since European retailers generally do not self-distribute or self-ripen. This business assists us in firmly establishing customer relationships in Europe. In December 2004, Saba Trading AB in Sweden became wholly owned by Dole, when we acquired the 40% of Saba that we did not already own. Saba is Scandinavia s leading importer and distributor of fruit, vegetables and flowers, with imports from more than 60 countries. European Ripening & Distribution accounted for approximately 38% of our fresh fruit business segment s revenues in 2004.

Fresh Pineapples

We are the number two global producer of fresh pineapples, growing and selling more than 25 million boxes annually. We sell our pineapples globally and source them from company operated farms and independent growers in Latin America, Hawaii, the Philippines and Thailand. We produce and sell two principal types of pineapples: the Champaka (or green) pineapple and the sweet yellow pineapple. The Champaka pineapple, which traditionally had been the most widely available type of pineapple, is primarily sold to the foodservice sector and is also used in our packaged products. The sweet yellow pineapple was introduced in 1999 under the DOLE PREMIUM SELECT® label. We now market a substantial portion of this fruit under the DOLE TROPICAL GOLD® label. The sweet yellow pineapple sells for a higher price than the Champaka, which translates into a higher margin for us and our customers. Our sweet yellow pineapple has had excellent market acceptance. Unit volume grew by 39% in 2004 as compared with 2003. Our primary competitor in fresh pineapples is Fresh Del Monte Produce Inc. Pineapples accounted for approximately 8% of our fresh fruit business segment s revenues in 2004.

Dole Chile

We began our Chilean operations in 1982 and have grown to become the largest exporter of Chilean fruit. We export grapes, apples, pears, stone fruit (e.g., peaches and plums) and kiwifruit from approximately 4,075 Dole-owned and Dole-leased acres and 29,000 contracted acres. The weather and geographic features of Chile are similar to those of the Western United States, with opposite seasons. Accordingly, Chile s harvest is counter-seasonal to that in the Northern hemisphere, offsetting the seasonality in our other fresh fruit. We primarily export Chilean fruit to North America, Latin America and Europe. Our Dole Chile business division accounted for approximately 7% of our fresh fruit business segment s revenues in 2004.

Fresh Vegetables

Our fresh vegetables business segment operates under two divisions: commodity and value-added. We source our fresh vegetables from company-owned and contracted farms. To satisfy the increasing demand for our products, we have continued to expand production and distribution capabilities of our fresh vegetables segment. Our Yuma, Arizona production facility transitioned from a five-month seasonal operation to a year-round production operation in the fall of 2002 to accommodate growth in this segment. Under our arrangements with independent growers, we purchase fresh produce at the time of harvest and are generally responsible for harvesting, packing and shipping the product to our central cooling and distribution facilities. We have continued to focus on our value-added products, which now account for more than 58% of revenues for this segment. The fresh vegetables business segment accounted for approximately 17% of 2004 total revenues of the four segments.

Commodity Vegetables

We source, harvest, cool, distribute and market more than 20 different types of fresh vegetables, including iceberg lettuce, red and green leaf lettuce, romaine lettuce, butter lettuce, celery, cauliflower, broccoli, carrots, brussels sprouts, green onions, asparagus, snow peas and artichokes. We sell our commodity vegetable products primarily in North America, Asia and, to a lesser extent, Western Europe. In North America, we are the number one provider of lettuce, celery and cauliflower. Our primary competitors in this category include: Tanimura & Antle, Nunes, Growers Vegetable Express, Mann Packing and Ocean Mist. In October 2004, we acquired Coastal Berry Company, LLC, subsequently renamed as Dole Berry Company, LLC, as a result of which, Dole became the third largest producer of strawberries in North America.

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Value-Added

Our value-added vegetable products include ready-to-eat salads, bagged baby carrots, broccoli florets, and cauliflower florets. Our unit market share of the ready-to-eat salads category reported by A.C. Nielsen was approximately 40.6% for the 12-week period ended January 1, 2005. The ready-to-eat salad category in the U.S. experienced a compound annual growth rate of approximately 20% from 1994 through 2004, reflecting the consumer s increasing preference for convenience and healthy eating, with higher growth rates in the earlier years, and is currently expected to be approximately 4%, reflecting household penetration getting closer to its maximum. Our value-added products typically have more stable margins than commodity vegetables, thereby helping to reduce our exposure to commodity price fluctuations. New product development continues to be a key driver in the growth of this segment. Our primary competitor in this segment is Fresh Express, a subsidiary of Performance Food Group Company, which announced in the first quarter of 2005 that it had entered into a contract to sell Fresh Express and two other businesses to Chiquita Brands International, Inc.

Packaged Foods

Our packaged foods segment produces canned pineapple, canned pineapple juice, fruit juice concentrate and fruit in plastic cups, jars and pouches. All of our significant packaged food products hold the number one branded market position in North America. We continue to dominate the plastic fruit cup category with six of the top ten items in this category. Fruit for our packaged food products is sourced primarily in the Philippines, Thailand and the United States and packed in our three Asian canneries, two in Thailand and one in the Philippines. We have continued to focus on our value-added packaged food products which now account for approximately 28% of the segment s revenues.

Our FRUIT BOWLS products were introduced in 1998 and continue to exceed our volume and share expectations. The trend towards convenience and healthy snacking has been responsible for the explosive growth in the plastic fruit cup category. The plastic fruit cup category is now larger than the apple sauce cup and shelf-stable gelatin cup categories. In an effort to keep up with this demand, we have made significant investments in our Asian canneries. We have significantly increased our FRUIT BOWL capacity in the past four years. These investments should ensure our position as an industry innovator and low cost producer. We are now producing more plastic cups than traditional cans. In April 2003, Dole introduced fruit in a 24.5 oz. plastic jar. This growing business achieved a 35% market share for 2004.

In June 2004, Dole acquired Wood Holdings, Inc. and its operating company, J.R. Wood, Inc. (subsequently renamed Dole Packaged Frozen Foods, Inc.), a frozen fruit producer and manufacturer, in order to further leverage the DOLE brand and strengthen our existing product portfolio.

With a broader line of convenience-oriented products, we are gaining expanded distribution in non-grocery channels. These channels are growing faster than the grocery channel and the cost of gaining new distribution in them is lower. We have gained significant new distribution in these alternative channels, including an increasingly strong No. 1 presence in the club store snack cup business.

Our packaged foods segment accounted for approximately 13% of 2004 revenues of the four segments.

Fresh-Cut Flowers

We entered the fresh-cut flowers business in 1998 and are now the largest producer of fresh-cut flowers in Latin America with over 90% of our Latin American flowers shipped into North America. Our products include over 800 varieties of fresh-cut flowers such as roses, carnations and alstroemeria. The fresh-cut flowers business fits our core competencies including:

- expertise in perishable products,
- strong relationships with and knowledge of the grocery channel,
- the ability to manage production in the southern hemisphere, and
- sophisticated logistics capabilities.

We are the only flower importer with guaranteed daily deliveries by air. Immediately after harvesting, our flowers are flown to our Miami facility where temperatures are maintained within one-half degree of required levels in all warehouse and production operations. Maintaining the cold chain enables us to deliver the freshest and healthiest flowers to the market.

In December 2001, in an effort to increase efficiencies and reduce costs, we consolidated our fresh-cut flowers operations, previously housed in seven separate buildings, into a new worldwide headquarters facility in Miami, Florida. A new management team assumed responsibility for the fresh-cut flower business in 2002. The new management team has implemented initiatives to reduce costs, improve customer profitability and improve demand planning. The customer profitability initiatives included SKU rationalization, customer rationalization and, most importantly, a new strategic focus on the retail grocery channel. In the fresh-cut flowers business, the retail grocery channel is a higher margin market that exhibits less seasonality than the wholesale market. The emphasis on demand planning has given the fresh-cut flowers segment a sales and market focus instead of a production focus. Our fresh-cut flowers segment accounted for approximately 3% of 2004 revenues of the four segments.

Global Logistics

We have significant owned and operated food sourcing and related operations in Chile, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, the Philippines, Thailand and the United States. We also source food products in Algeria, Argentina, Australia, Brazil, Cameroon, China, Greece, Italy, Ivory Coast, Mexico, New Zealand, Peru, South Africa, South Korea, Spain, Syria, Tunisia and Turkey. Significant volumes of Dole s fresh fruit and packaged products are marketed in Canada, Western Europe, Japan and the United States, with lesser volumes marketed in Australia, China, Hong Kong, New Zealand, South Korea, and other countries in Asia, Eastern Europe, Scandinavia, the Middle East and Central and South America.

The produce that we distribute internationally is transported primarily by 22 owned or leased ocean-going vessels. We ship our tropical fruit in owned or chartered refrigerated vessels. All of our tropical fruit shipments into the North American and core European markets are delivered using pallets or containers. This increases efficiency and minimizes damage to the product from handling. Most of the vessels are equipped with controlled atmosphere technology, which improves product quality. Backhauling services, transporting third-party cargo primarily from North America and Europe to Latin America, reduce net transportation costs. We use vessels that are both owned or operated under long-term leases, as well as vessels chartered under contracts that typically last one year. Our fresh-cut flowers are transported via chartered flights.

Customers

Our top 10 customers in 2004 accounted for approximately 29% of total sales. No one customer accounted for more than 6% of total 2004 sales. Our customer base is highly diversified, both geographically and in terms of product mix. Each of our segments largest customers accounted for less than 29% of that segment s revenues. Our largest customers are leading global and regional mass merchandisers and supermarkets in North America, Europe and Asia.

Sales and Marketing

We sell and distribute our fruit and vegetable products through a network of fresh produce operations in North America, Europe and Asia. Some of these operations involve the sourcing, distribution and marketing of fresh fruits and vegetables while others involve only distribution and marketing. We have regional sales organizations to service major retail and wholesale customers. We also use the services of brokers in certain regions, primarily for sales of packaged foods and ready-to-eat salads. Retail customers include large chain stores with which Dole enters into product and service contracts, typically for a one or two-year term. Wholesale customers include large distributors in North America, Europe and Asia. We use consumer advertising and promotion support, together with trade spending, to support awareness of new items to maintain and grow our exceptional brand awareness, as well as to increase nutrition and health awareness.

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Competition

The global fresh and packaged produce markets are intensely competitive, and are generally dominated by a small number of global producers and filled out with independent growers, packers and middlemen. Our large, international competitors are Chiquita, Fresh Del Monte Produce and Del Monte Foods. In some product lines, we compete with smaller national producers. In fresh vegetables, a limited number of grower shippers in the United States and Mexico supply a significant portion of the United States market, with numerous smaller independent distributors also competing. We also face competition from grower cooperatives and foreign government sponsored producers. Competition in the various markets in which we operate is based on reliability of supply, product quality, brand recognition and perception, price and the ability to satisfy changing customer preferences through innovative product offerings.

Employees

During fiscal year 2004, we had on average approximately 40,000 full-time permanent employees and 24,000 full-time seasonal or temporary employees, worldwide. This represents an increased work force from 2003 due largely to acquisitions in North America. Approximately 33% of our employees work under collective bargaining agreements, some of which expire in 2005, subject to automatic renewals unless a notice of non-extension is given by us or the union. We have not received any notice yet that a union intends not to extend a collective bargaining agreement. We believe our relations with our employees are generally good.

Research and Development

Our research and development programs concentrate on sustaining the productivity of our agricultural lands, food safety, product quality of existing products and the development of new value-added products, as well as agricultural research and packaging design. Agricultural research is directed toward sustaining and improving product yields and product quality by examining and improving agricultural practices in all phases of production (such as development of specifically adapted plant varieties, land preparation, fertilization, cultural practices, pest and disease control, post-harvesting, handling, packing and shipping procedures), and includes onsite technical services and the implementation and monitoring of recommended agricultural practices. Research efforts are also directed towards integrated pest management and biological pest control. Specialized machinery is developed for various phases of agricultural production and packaging that reduces labor costs, improves productivity and efficiency and increases product quality. Agricultural research is conducted at field facilities primarily in California, Hawaii, Latin America and Asia. We also sponsor research related to environmental improvements and the protection of worker and community health. The aggregate amounts we spent on research and development in each of the last three years have not been material in any of such years.

Trademark Licenses

We have an agreement with Ice Cream Partners USA, LLC, pursuant to which we have licensed to Nestle our rights to market and manufacture processed products in key segments of the frozen novelty business in the United States and certain other countries, including FRUIT N JUICE® bars. DOLEWHIP®, a soft-serve, non-dairy dessert, is manufactured and marketed by Precision Foods, Inc. under license from us. In connection with the sale of the majority of our juice business to Tropicana Products, Inc. in May of 1995, we received cash payments up front and granted to Tropicana a license, requiring no additional future royalty payments, to use certain DOLE trademarks on certain beverage products. We continue to market DOLE canned pineapple juice and pineapple juice blend beverages. We have a number of additional license arrangements worldwide, none of which is material to Dole and its subsidiaries, taken as a whole.

Environmental and Regulatory Matters

Our agricultural operations are subject to a broad range of evolving environmental laws and regulations in each country in which we operate. In the United States, these laws and regulations include the Food Quality Protection Act of 1996, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery

Act, the Federal Insecticide, Fungicide and Rodenticide Act and the Comprehensive Environmental Response, Compensation and Liability Act.

Compliance with these foreign and domestic laws and related regulations is an ongoing process that is not currently expected to have a material effect on our capital expenditures, earnings or competitive position. Environmental concerns are, however, inherent in most major agricultural operations, including those conducted by us, and there can be no assurance that the cost of compliance with environmental laws and regulations will not be material. Moreover, it is possible that future developments, such as increasingly strict environmental laws and enforcement policies thereunder, and further restrictions on the use of agricultural chemicals, could result in increased compliance costs.

Our food operations are also subject to regulations enforced by, among others, the U.S. Food and Drug Administration and state, local and foreign equivalents and to inspection by the U.S. Department of Agriculture and other federal, state, local and foreign environmental, health and safety authorities. The U.S. Food and Drug Administration enforces statutory standards regarding the labeling and safety of food products, establishes ingredients and manufacturing procedures for certain foods, establishes standards of identity for foods and determines the safety of food substances in the United States. Similar functions are performed by state, local and foreign governmental entities with respect to food products produced or distributed in their respective jurisdictions.

In the United States, portions of our fresh fruit and vegetable farm properties are irrigated by surface water supplied by local government agencies using facilities financed by federal or state agencies, as well as from underground sources. Water received through federal facilities is subject to acreage limitations under the 1982 Reclamation Reform Act. Worldwide, the quantity and quality of water supplies varies depending on weather conditions and government regulations. We believe that under normal conditions these water supplies are adequate for current production needs.

Legal Proceedings

See Item 3, Legal Proceedings, in this Form 10-K.

Trade Issues

Our foreign operations are subject to risks of expropriation, civil disturbances, political unrest, increases in taxes and other restrictive governmental policies, such as import quotas. Loss of one or more of our foreign operations could have a material adverse effect on our operating results. We strive to maintain good working relationships in each country where we operate. Because our operations are a significant factor in the economies of certain countries, our activities are subject to intense public and governmental scrutiny and may be affected by changes in the status of the host economies, the makeup of the government or even public opinion in a particular country.

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 Dole are entitled to licenses under the changed rules and are using the licenses in such a way as to maintain and maximize license rights. 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. On January 31, 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. Following this announcement, Latin producing countries have until April 1, 2005 to request arbitration from the World Trade Organization to lower the tariff. It is too early to predict whether arbitration will occur and, if so, what specific tariff level will result from such arbitration.

Exports of our products to certain countries or regions, particularly China, Japan, New Zealand, Russia, South Korea, Taiwan and the Middle East, are subject to various restrictions that may be increased or reduced in response to international economic, currency and political factors, thus affecting our ability to compete in these markets.

We distribute our products in more than 90 countries throughout the world. Our international sales are usually transacted in U.S. dollars and major European and Asian currencies, while certain costs are incurred in currencies different from those that are received from the sale of products. Results of operations may be affected by fluctuations in currency exchange rates in both the sourcing and selling locations.

Seasonality

Our sales volumes remain relatively stable throughout the year. We experience seasonal earnings characteristics, predominantly in the fresh fruit segment, because fresh fruit prices traditionally are lower in the second half of the year, when summer fruits are in the markets, than in the first half of the year. Our fresh vegetables segment experiences some seasonality as reflected by higher earnings in the first half of the year. Our packaged foods and fresh-cut flowers segments experience peak demand during certain well-known holidays and observances; the impact is less than in the fresh fruit segment.

GOING-PRIVATE MERGER TRANSACTION

On March 28, 2003, following stockholder approval, Dole completed the going-private merger transaction pursuant to which David H. Murdock acquired the approximately 76% of Dole s common stock that he and his affiliates did not already own for $33.50 per share in cash. Upon completion of the merger, Dole became wholly owned by Mr. Murdock through DHM Holding Company, Inc.

RISK FACTORS

In addition to the risk factors described elsewhere in this Form 10-K, you should consider the following risk factors. The risks and uncertainties described below are not the only ones facing our company. Additional risks and uncertainties not presently known or that we currently believe to be less significant may also adversely affect us.

Adverse weather conditions and crop disease can impose costs on our business.

Fresh produce, including produce used in canning and other packaged food operations, is vulnerable to adverse weather conditions, including windstorms, floods, drought and temperature extremes, which are quite common but difficult to predict. Unfavorable growing conditions can reduce both crop size and crop quality. In extreme cases, entire harvests may be lost in some geographic areas. These factors can increase costs, decrease revenues and lead to additional charges to earnings, which may have a material adverse effect on our business, results of operations and financial condition.

Fresh produce is also vulnerable to crop disease and to pests, which may vary in severity and effect, depending on the stage of production at the time of infection or infestation, the type of treatment applied and climatic conditions. For example, black sigatoka is a fungal disease that affects banana cultivation in most areas where they are grown commercially. The costs to control this disease and other infestations vary depending on the severity of the damage and the extent of the plantings affected. These infestations can increase costs, decrease revenues and lead to additional charges to earnings, which may have a material adverse effect on our business, results of operations and financial condition.

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Our business is highly competitive and we cannot assure you that we will maintain our current market share.

Many companies compete in our different businesses. However, only a few well-established companies operate on both a national and a regional basis with one or several branded product lines. We face strong competition from these and other companies in all our product lines.

Important factors with respect to our competitors include the following:

Some of our competitors may have greater operating flexibility and, in certain cases, this may permit them to respond better to changes in the industry or to introduce new products and packaging more quickly and with greater marketing support.

Several of our packaged food product lines are sensitive to competition from national or regional brands, and many of our product lines compete with imports, private label products and fresh alternatives.

We cannot predict the pricing or promotional actions of our competitors or whether those actions will have a negative effect on us.

There can be no assurance that we will continue to compete effectively with our present and future competitors, and our ability to compete could be adversely affected by our leveraged position. See Business Competition.

Our earnings are sensitive to fluctuations in market prices and demand for our products.

Excess supplies often cause severe price competition in our industry. Growing conditions in various parts of the world, particularly weather conditions such as windstorms, floods, droughts and freezes, as well as diseases and pests, are primary factors affecting market prices because of their influence on the supply and quality of product.

Fresh produce is highly perishable and generally must be brought to market and sold soon after harvest. Some items, such as lettuce, must be sold more quickly, while other items can be held in cold storage for longer periods of time. The selling price received for each type of produce depends on all of these factors, including the availability and quality of the produce item in the market, and the availability and quality of competing types of produce.

In addition, general public perceptions regarding the quality, safety or health risks associated with particular food products could reduce demand and prices for some of our products. To the extent that consumer preferences evolve away from products that we produce for health or other reasons, and we are unable to modify our products or to develop products that satisfy new consumer preferences, there will be a decreased demand for our products. However, even if market prices are unfavorable, produce items which are ready to be, or have been, harvested must be brought to market promptly. A decrease in the selling price received for our products due to the factors described above could have a material adverse effect on our business, results of operations and financial condition.

Our earnings are subject to seasonal variability.

Our earnings may be affected by seasonal factors, including:

the seasonality of our supplies and consumer demand;

the ability to process products during critical harvest periods; and

the timing and effects of ripening and perishability.

Although banana production tends to be relatively stable throughout the year, banana pricing is seasonal because bananas compete against other fresh fruit that generally comes to market beginning in the summer. As a result, banana prices are typically higher during the first half of the year. Our fresh vegetables segment experiences some seasonality as reflected by higher earnings in the first half of the year. Also, there is a

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seasonal aspect to our fresh-cut flower business, with peak demand generally around Valentine s Day and Mother s Day.

Currency exchange fluctuations may impact the results of our operations.

We distribute our products in more than 90 countries throughout the world. Our international sales are usually transacted in U.S. dollars, and European and Asian currencies. Our results of operations are affected by fluctuations in currency exchange rates in both sourcing and selling locations. Although we enter into foreign currency exchange forward contracts from time to time to reduce our risk related to currency exchange fluctuation, our results of operations may still be impacted by foreign currency exchange rates, primarily the yen-to-U.S. dollar and euro-to-U.S. dollar exchange rates. For instance, we currently estimate that a 1% change in the exchange rate of the U.S. dollar to the yen, the euro and the Swedish krona would impact our EBIT by approximately $2.7 million before accounting for foreign exchange hedges. Because we do not hedge against all of our foreign currency exposure, our business will continue to be susceptible to foreign currency fluctuations.

We face risks related to our former use of the pesticide DBCP.

We formerly used dibromochloropropane, or DBCP, a nematocide that was used on a variety of crops throughout the world. The registration for DBCP with the U.S. government was cancelled in 1979 based in part on an apparent link to male sterility among factory workers. There are a number of pending lawsuits in the United States and other countries against the manufacturers of DBCP and the growers, including us, who used it in the past. The cost to defend or settle these lawsuits, and the costs to pay any judgments or settlements resulting from these lawsuits, or other lawsuits which might be brought, could have a material adverse effect on our business, financial condition or results of operations. See Item 3, Legal Proceedings, in this Form 10-K.

Our substantial indebtedness could adversely affect our operations, including our ability to perform our obligations under the notes and our other debt obligations.

We have a substantial amount of indebtedness. As of January 1, 2005, we had approximately $342 million in senior secured indebtedness and other structurally senior indebtedness, $1,430 million in senior unsecured indebtedness, including outstanding senior notes and debentures, and approximately $96 million in capital leases. In April 2005, we expect to complete an amendment of our existing senior secured credit facilities. We expect to obtain funds under $1 billion of the amended senior secured credit facilities (consisting of $700 million of term loan facilities and $300 million of revolving credit facilities). These funds will be used in part to repay the outstanding term loans under our existing senior secured credit facilities. In addition, we expect to tender for some of our outstanding senior notes. If the amendments to our senior secured credit facilities and our intended repurchase of senior notes had been completed on March 26, 2005, we would have had approximately $782 million in senior secured indebtedness and other structurally senior indebtedness, $1,155 million in senior unsecured indebtedness, including outstanding senior notes and debentures, and approximately $92 million in capital leases.

Our substantial indebtedness could have important consequences. For example, it could:

- make it more difficult for us to satisfy our obligations;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, which would reduce the availability of our cash flow to fund future working capital, capital expenditures, acquisitions and other general corporate purposes;
- expose us to the risk of increased interest rates, as certain of our borrowings are at variable rates of interest;
- require us to sell assets to reduce indebtedness or influence our decisions about whether to do so;
- increase our vulnerability to general adverse economic and industry conditions;

- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restrict us from making strategic acquisitions or pursuing business opportunities;
- place us at a competitive disadvantage compared to our competitors that have relatively less indebtedness; and
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds. Failing to comply with those covenants could result in an event of default which, if not cured or waived, could have a material adverse effect on our business, financial condition and results of operations.

The financing arrangements for the going-private merger transactions may increase our exposure to tax liability.

A portion of our senior secured credit facility has been incurred by our foreign subsidiaries and was used to fund the going-private merger transactions. Although we believe, based in part upon the advice of our tax advisors, that our intended tax treatment of such transactions is appropriate, it is possible that the Internal Revenue Service could seek to characterize the going-private merger transactions in a manner that could result in the immediate recognition of taxable income by us. Any such immediate recognition of taxable income would result in a material tax liability, which could have a material adverse effect on our business, results of operations and financial condition.

Restrictive covenants in our debt instruments restrict or prohibit our ability to engage in or enter into a variety of transactions, which could adversely affect us.

The indentures governing our senior notes due 2009, our senior notes due 2010, our senior notes due 2011, our debentures due 2013 and our senior secured credit facility contain various restrictive covenants that will limit our discretion in operating our business. In particular, these agreements limit our ability to, among other things:

- incur additional indebtedness;
- make restricted payments (including paying dividends on, redeeming or repurchasing our capital stock);
- issue preferred stock of subsidiaries;
- make certain investments or acquisitions;
- create liens on our assets to secure debt;
- engage in transactions with affiliates;
- merge, consolidate or transfer substantially all of our assets; and
- transfer and sell assets.

In addition, our senior secured credit facility requires us to maintain specified financial ratios and limits our ability to make capital expenditures. These covenants and ratios could have a material adverse effect on our business by limiting our ability to take advantage of financing, merger and acquisition or other corporate opportunities and to fund our operations. Any future debt could also contain financial and other covenants more restrictive than those imposed under the indentures governing our senior notes due 2009, our senior notes due 2010, our senior notes due 2011, our debentures due 2013 and our senior secured credit facility.

A breach of a covenant or other provision in any debt instrument governing our current or future indebtedness could result in a default under that instrument and, due to cross-default and cross-acceleration provisions, could result in a default under our other debt instruments. Upon the occurrence of an event of default under the senior secured credit facility or any other debt instrument, the lenders could elect to declare

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all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders could proceed against the collateral granted to them, if any, to secure the indebtedness. If the lenders under our current or future indebtedness accelerate the payment of the indebtedness, we cannot assure you that our assets or cash flow would be sufficient to repay in full our outstanding indebtedness.

We face other risks in connection with our international operations.

Our operations are heavily dependent upon products grown, purchased and sold internationally. In addition, our operations are a significant factor in the economies of many of the countries in which we operate, increasing our visibility and susceptibility to regulatory changes. These activities are subject to risks that are inherent in operating in foreign countries, including the following:

- foreign countries could change regulations or impose currency restrictions and other restraints;
- in some countries, there is a risk that the government may expropriate assets;
- some countries impose burdensome tariffs and quotas;
- political changes and economic crises may lead to changes in the business environment in which we operate;
- international conflict, including terrorist acts, could significantly impact our financial condition and results of operations;
- in some countries, our operations are dependent on leases and other agreements; and
- economic downturns, political instability and war or civil disturbances may disrupt production and distribution logistics or limit sales in individual markets.

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 Dole are entitled to licenses under the changed rules and are using the licenses in such a way as to maintain and maximize license rights. 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. On January 31, 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. Following this announcement, Latin producing countries have until April 1, 2005 to request arbitration from the World Trade Organization to lower the tariff. It is too early to predict whether arbitration will occur and, if so, what specific tariff level will result from such arbitration.

Terrorism and the uncertainty of war may have a material adverse effect on our operating results.

Terrorist attacks, such as the attacks that occurred in New York and Washington, D.C. on September 11, 2001, the subsequent response by the United States in Afghanistan, Iraq and other locations, and other acts of violence or war in the United States or abroad may affect the markets in which we operate and our operations and profitability. From time to time in the past, our operations or personnel have been the targets of terrorist or criminal attacks, and the risk of such attacks impacts our operations and results in increased security costs. Further terrorist attacks against the United States or operators of United States-owned businesses outside the United States may occur, or hostilities could develop based on the current international situation. The potential near-term and long-term effect these attacks may have on our business operations, our customers, the markets for our products, the United States economy and the economies of other places we source or sell our products is uncertain. The consequences of any terrorist attacks, or any armed conflicts, are unpredictable, and we may not be able to foresee events that could have an adverse effect on our markets or our business.

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Our worldwide operations and products are highly regulated in the areas of food safety and protection of human health and the environment.

Our worldwide operations are subject to a broad range of foreign, federal, state and local environmental, health and safety laws and regulations, including laws and regulations governing the use and disposal of pesticides and other chemicals. These regulations directly affect day-to-day operations, and violations of these laws and regulations can result in substantial fines or penalties. There can be no assurance that these fines or penalties would not have a material adverse effect on our business, results of operations and financial condition. To maintain compliance with all of the laws and regulations that apply to our operations, we have been and may be required in the future to modify our operations, purchase new equipment or make capital improvements. Actions by regulators may require operational modifications or capital improvements at various locations. In addition, we have been and in the future may become subject to private lawsuits alleging that our operations caused personal injury or property damage.

We are subject to the risk of product liability claims.

The sale of food products for human consumption involves the risk of injury to consumers. Such injuries may result from tampering by unauthorized third parties, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents, or residues introduced during the growing, storage, handling or transportation phases. We have from time to time been involved in product liability lawsuits, none of which were material to our business. While we are subject to governmental inspection and regulations and believe our facilities comply in all material respects with all applicable laws and regulations, we cannot be sure that consumption of our products will not cause a health-related illness in the future or that we will not be subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or injury could adversely affect our reputation with existing and potential customers and our corporate and brand image. Moreover, claims or liabilities of this sort might not be covered by our insurance or by any rights of indemnity or contribution that we may have against others. We maintain product liability insurance in an amount that we believe is adequate. However, we cannot be sure that we will not incur claims or liabilities for which we are not insured or that exceed the amount of our insurance coverage.

We are subject to transportation risks.

An extended interruption in our ability to ship our products could have a material adverse effect on our business, financial condition and results of operations. Similarly, any extended disruption in the distribution of our products could have a material adverse effect on our business, financial condition and results of operations. While we believe we are adequately insured and would attempt to transport our products by alternative means if we were to experience an interruption due to strike, natural disaster or otherwise, we cannot be sure that we would be able to do so or be successful in doing so in a timely and cost-effective manner.

The use of herbicides and other hazardous substances in our operations may lead to environmental damage and result in increased costs to us.

We use herbicides and other hazardous substances in the operation of our business. We may have to pay for the costs or damages associated with the improper application, accidental release or the use or misuse of such substances. Our insurance may not be adequate to cover such costs or damages or may not continue to be available at a price or under terms that are satisfactory to us. In such cases, payment of such costs or damages could have a material adverse effect on our business, results of operations and financial condition.

Events or rumors relating to the DOLE brand could significantly impact our business.

Consumer and institutional recognition of the DOLE trademarks and related brands and the association of these brands with high quality and safe food products are an integral part of our business. The occurrence of any events or rumors that cause consumers and/or institutions to no longer associate these brands with high quality and safe food products may materially adversely affect the value of the DOLE brand name and demand for our products. We have licensed the DOLE brand name to several affiliated and unaffiliated companies for use in the United States and abroad. Acts or omissions by these companies over which we have no control may also have such adverse effects.

A portion of our workforce is unionized and labor disruptions could decrease our profitability.

As of January 1, 2005, approximately 33% of our employees worked under various collective bargaining agreements. Some of our collective bargaining agreements will expire in fiscal 2005, although each agreement is subject to automatic renewals unless we or the union party to the agreement provides notice otherwise. Our other collective bargaining agreements will expire in later years. While we believe that our relations with our employees are good, we cannot assure you that we will be able to negotiate these or other collective bargaining agreements on the same or more favorable terms as the current agreements, or at all, and without production interruptions, including labor stoppages. A prolonged labor dispute, which could include a work stoppage, could have a material adverse effect on the portion of our business affected by the dispute, which could impact our business, results of operations and financial condition.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

(Cautionary Statements Under the Private Securities Litigation Reform Act of 1995)

Some of the information included in this Form 10-K and other materials filed or to be filed by us with the Commission contains or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements can be identified by the fact that they do not relate strictly to historical or current facts and may include the words may, will, could, should, would, believe, expect, anticipate, estimate, intend, plan or other words or ex meaning. We have based these forward-looking statements on our current expectations about future events. The forward-looking statements include statements that reflect management s beliefs, plans, objectives, goals, expectations, anticipations and intentions with respect to our financial condition, results of operations, future performance and business, including statements relating to our business strategy and our current and future development plans.

The potential risks and uncertainties that could cause our actual financial condition, results of operations and future performance to differ materially from those expressed or implied in this Form 10-K include those set forth under the heading Risk Factors in this Item 1.

We urge you to review carefully this Form 10-K, particularly the section Risk Factors, for a more complete discussion of the risks to our business.

From time to time, oral or written forward-looking statements are also included in our reports on Forms 10-K, 10-Q and 8-K, press releases and other materials released to the public. Although we believe that at the time made, the expectations reflected in all of these forward-looking statements are and will be reasonable, any or all of the forward-looking statements in this Form 10-K, our reports on Forms 10-K, 10-Q and 8-K and any other public statements that are made by us may prove to be incorrect. This may occur as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties. Many factors discussed in this Form 10-K, certain of which are beyond our control, will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from forward-looking statements. In light of these and other uncertainties, you should not regard the inclusion of a forward-looking statement in this Form 10-K, or other public communications that we might make, as a representation by us that our plans and objectives will be achieved, and you should not place undue reliance on such forward-looking statements.

Item 2. ***Properties***

We own our executive office facility in Westlake Village, California. We also maintain divisional offices in Salinas, California and Miami, Florida, which are owned by us. We own our Latin American regional headquarters building in San Jose, Costa Rica, as well as offices in Bogota/ Santa Marta, Colombia and

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La Ceiba, Honduras. We also maintain offices in Chile, Costa Rica and Ecuador, which are leased from third parties. We maintain our European headquarters in Paris, France and regional offices in Antwerp, Belgium, Athens, Greece, Hamburg, Germany, Milan, Italy, Stockholm, Sweden and Cape Town, South Africa, which are leased from third parties. We own our offices in Madrid, Spain, Rungis, France and Lübeck, Germany. We maintain offices in Japan, China, the Philippines, Thailand, Hong Kong and South Korea, which are leased from third parties. The inability to renew any of the above office leases by us would not have a material adverse effect on our operating results. We believe that our property and equipment are generally well maintained, in good operating condition and adequate for our present needs.

The following is a description of our significant properties.

North America

Our Hawaii pineapple operations for the fresh produce market are located on the island of Oahu and total approximately 3,100 acres, which we own.

We own approximately 1,400 acres of farmland in California and Arizona, and lease approximately 15,000 acres of farmland in California and another 4,000 acres in Arizona in connection with our vegetable and berry operations. The majority of this acreage is farmed under joint growing arrangements with independent growers, while the remainder is farmed by us. We own cooling, packing and shipping facilities in Yuma, Arizona and the following California cities: Marina, Gonzales and Huron. Additionally, we have partnership interests in facilities in Yuma, Arizona and Salinas, California, and leases in facilities in the following California cities: Coachella, Oceanside, Oxnard and Watsonville. We own and operate state-of-the-art, ready-to-eat salad and vegetable plants in Yuma, Arizona, Soledad, California and Springfield, Ohio.

We produce almonds from approximately 600 acres, pistachios from approximately 2,000 acres, olives from approximately 900 acres and citrus from approximately 2,700 acres on orchards in the San Joaquin Valley through agricultural partnerships in which we have an interest. We also produce citrus on approximately 120 acres of owned property in the San Joaquin Valley.

Our Florida based fresh-cut flowers distribution operates from a new 328,000 square foot building completed in 2001, which we own. Approximately 200,000 square feet of this facility is refrigerated. Our fresh-cut flowers business also operates another cooling and distribution facility in the Miami area, which we own. We also operate a leased facility in Los Angeles, California and have sales offices in Dallas, Texas and Bentonville, Arkansas.

We own approximately 3,000 acres of peach orchards in California, which we farm. We own and operate a plant in Atwater, California that produces individually quick frozen fruit.

Latin America

We produce bananas directly from owned plantations in Costa Rica, Colombia, Ecuador and Honduras as well as through associated producers or independent growing arrangements in those countries and others, including Guatemala. We own approximately 2,300 acres in Colombia, 33,700 acres in Costa Rica, 5,100 acres in Ecuador and 25,600 acres in Honduras, all related to banana production, although some of the acreage is not presently under production. We own a 50% interest in a Guatemala banana producer which owns or controls approximately 7,100 acres in that country.

We own approximately 8,500 acres of land in Honduras, 6,500 acres of land in Costa Rica and 2,900 acres of land in Ecuador, all related to pineapple production, although some of the acreage is not presently under production. Pineapple is grown primarily for the fresh produce market. We own a juice concentrate plant in Honduras for pineapple and citrus. Coconuts are produced on approximately 500 acres of owned land in Honduras.

We grow grapes, stone fruit, kiwi and pears on approximately 4,075 acres owned or leased by us in Chile. We own and operate 11 packing and cold storage facilities, a corrugated box plant and a wooden box plant in Chile. We also operate a fresh-cut salad plant and a small local fruit distribution company in Chile.

We also own and operate corrugated box plants in Colombia, Costa Rica, Ecuador and Honduras and a value-added vegetable plant in Costa Rica.

We formally accepted a new Ecuadorian port (Bananapuerto) on September 6, 2002. We indirectly own 35% of Bananapuerto and operate the port pursuant to a port services agreement, the term of which is up to 30 years.

Dole Latin America operates a fleet of seven refrigerated container ships, of which four are owned, two are long-term chartered and one is chartered for a year. In addition, Dole Latin America operates a fleet of 15 breakbulk refrigerated ships, of which nine are owned, five are long-term chartered and one is chartered for one year. We also cover part of our requirements under contracts with existing liner services and occasionally charter vessels for short periods on a time or voyage basis as and when required. We own or lease approximately 12,200 refrigerated containers, 2,600 dry containers, 5,000 chassis and 3,600 generator sets.

We produce flowers on approximately 1,400 acres in Colombia and Ecuador. We own and operate packing and cooling facilities at each of our flower farms and lease a facility in Bogota, Colombia for bouquet construction.

Asia

We operate a pineapple plantation of approximately 31,000 leased acres in the Philippines. Approximately 20,200 acres of the plantation are leased to us by a cooperative of our employees that acquired the land pursuant to agrarian reform law. The remaining 10,800 acres are leased from individual land owners. A multi-fruit cannery, freezer, juice concentrate plant, a box forming plant, a can and drum manufacturing plant, warehouses, wharf and a fresh fruit packing plant, each owned by us, are located at or near the pineapple plantation.

We own and operate a multi-fruit cannery, can manufacturing plant and juice concentrate plant located in central Thailand and a second multi-fruit cannery in southern Thailand. In Thailand, Dole grows pineapple on approximately 3,700 acres of leased land of which 2,300 acres are under cultivation.

We operate 18 fresh-cut fruit and vegetable distribution facilities in Japan through joint ventures with local distributors. Three of the distribution centers are located in Tokyo. Through independent growing arrangements, we source products from over 1,200 Japanese farmers.

We produce bananas and asparagus from leased lands in the Philippines and also source these products through associated producers or independent growing arrangements in the Philippines. A plastic extruding plant and a box forming plant, all owned by us, are located near the banana plantations. We also operate banana ripening and distribution centers in Hong Kong, South Korea, China and the Philippines.

Europe

We operate thirteen banana ripening, produce and flower distribution centers in Sweden, nine in France, five in Spain, four in Italy, one in Belgium, one in Austria and three in Germany; with the exception of two owned facilities in Sweden, six owned facilities in France, three owned facilities in Spain, three owned facilities in Germany and one owned facility in Italy, these facilities are leased. We have a minority interest in a French company that owns a majority interest in banana and pineapple plantations in Cameroon and the Ivory Coast. We own a minority interest in a banana ripening and fruit distribution company with three facilities in the United Kingdom. We are the majority owner in a company operating a port terminal and distribution facility in Livorno, Italy. We own a banana ripening and fruit distribution facility near Istanbul, Turkey.

We wholly own Saba Fresh Cuts AB, which owns and operates a state-of-the-art, ready-to-eat salad and vegetable plant in Helsingborg, Sweden.

Item 3. ***Legal Proceedings***

Dole is involved from time to time in claims and legal actions incidental to its operations, both as plaintiff and defendant. Dole 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 Dole is a party are not expected to have a material adverse effect, individually or in the aggregate, on our financial condition or results of operations.

A significant portion of our 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. Dole 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. Dole 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 570 lawsuits, in various stages of proceedings, alleging injury as a result of exposure to DBCP. Thirteen of these lawsuits are currently pending in various jurisdictions in the United States, including one case recently remanded to the Superior Court for the County of Los Angeles by the U.S. District Court, Central District of California involving 2,624 Costa Ricans seeking unspecified damage. In one of the lawsuits pending in the Dallas County (116(th) Judicial District) Texas state court now involving 369 Costa Ricans, after dismissal of nine plaintiffs, a trial set for March 2005 of an initial panel of five plaintiffs was vacated by the trial court and a new trial date set for October 17, 2005 with a new panel of plaintiffs. The remaining cases are pending in Latin America and the Philippines, including 435 labor cases pending in Costa Rica under that country s national insurance program and one reported new case filed in the civil court in Honduras on behalf of approximately 700 claimants seeking approximately $137 million. Claimed damages in DBCP cases worldwide total approximately $18.6 billion, with the lawsuits in Nicaragua representing approximately 75% of this amount. In almost all of the non-labor cases, Dole 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 Dole.

In Nicaragua, 105 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 36 claimants) on March 8, 2005. Active cases are currently pending in civil trial courts in Managua (4), Chinendega (7) and Puerto Cabezas (2). In all of those cases, Dole has sought to

have the cases returned to the United States pursuant to Law 364. Notwithstanding, the Chinendega court denied Dole s request in cases pending there; the Managua court denied Dole s request with respect to two of the four cases pending there; and the court in Puerto Cabezas denied Dole s request with respect to the two cases there. Dole s requests as to the remaining three cases in Managua are still pending and Dole has appealed the two decisions of the court in Puerto Cabezas.

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.

The claimants have attempted to enforce the other five Nicaraguan judgments in Ecuador. 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.

We believe 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, Dole 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 our financial condition or results of operations.

Item 4. ***Submission of Matters to a Vote of Security Holders***

There were no matters submitted to a vote of security holders during the fiscal quarter ended January 1, 2005.

PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

All 1,000 authorized shares of Dole s common stock are held by one stockholder, Dole Holding Company, LLC, which itself is a direct, wholly-owned subsidiary of DHM Holding Company, Inc., of which David H. Murdock is the 100% beneficial owner. There are no other Dole equity securities. There is no market for Dole s equity securities. In connection with the March 28, 2003 going-private merger transaction, Dole ended all of its equity compensation plans.

Dole paid a regular quarterly dividend of $0.10 per share of its common stock from 1991 until December 2001. Dole increased its quarterly dividend rate to $0.15 per share for the quarter ending in March 2002 and subsequent quarters. The last such dividend was for the fiscal quarter ended March 23, 2003. The going-private merger transaction occurred on March 28, 2003.

Additional information required by Item 5 is contained in Note 12 Shareholders Equity, to Dole s Consolidated Financial Statements in this Form 10-K.

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Item 6. ***Selected Financial Data***

Results of Operations and Selected Financial Data

	Year Ended January 1, 2005	Three Quarters Ended January 3, 2004	Quarter Ended March 22, 2003	2002	2001	2000
	Successor	**Successor**	**Predecessor**	**Predecessor**	**Predecessor**	**Predecessor**
			(In millions, except per share data)			
Revenues, net	$ 5,316	$ 3,700	$ 1,073	$ 4,392	$ 4,314	$ 4,400
Cost of products sold	4,581	3,219	895	3,697	3,884	3,931
Gross margin	735	481	178	695	430	469
Selling, marketing and general and administrative expenses	425	321	89	421	383	388
Hurricane Mitch (insurance proceeds) charge net						(43)
Operating income	310	160	89	274	47	124
Interest expense net	149	120	17	69	65	76
Other income (expense) net	(2)	(10)	2	5	10	8
Income (loss) from continuing operations before income taxes and cumulative effect of a change in accounting principle	159	30	74	210	(8)	56
Income taxes	25	7	13	54	29	20
Income (loss) from continuing operations, net of income taxes	134	23	61	156	(37)	36
Income from discontinued operations, net of income taxes					19	32
Gain on disposal of discontinued operations, net of income taxes					168	
Income before cumulative effect of a change in accounting principle	134	23	61	156	150	68
				120		

Cumulative effect of a change in accounting principle						
Net income	$ 134	$ 23	$ 61	$ 36	$ 150	$ 68
Other Statistics						
Working capital	$ 433	$ 279		$ 715	$ 586	$ 377
Total assets	4,332	3,988		3,037	2,768	2,801
Long-term debt	1,837	1,804		882	816	1,135
Total debt	1,869	1,851		1,125	843	1,180
Total shareholders equity	678	456		745	736	555
Cash dividends	20		$ 8	34	22	22
Capital additions	102	102	4	234	120	111
Depreciation and amortization	145	107	25	107	117	125

Note: As a result of the going-private merger transaction, the Company s Consolidated Financial Statements present the results of operations, financial position and cash flows prior to the date of the merger transaction as the Predecessor. The merger transaction and the Company s results of operations, financial position and cash flows thereafter are presented as the Successor. Predecessor results have not been aggregated with those of the Successor in accordance with accounting principles generally accepted in the U.S. and accordingly the Company s Consolidated Financial Statements do not show the results of operation or cash flows for the year ended January 3, 2004.

Income from continuing operations for the year ended January 1, 2005 includes a restructuring charge of $8.8 million. Income from continuing operations for the three quarters ended January 3, 2004 includes charges related to the write-off of debt issuance costs of $12.6 million, settlement of litigation of $6.9 million and purchase accounting charges related to inventory of $59.3 million. Loss from continuing operations for 2001 includes pretax charges of $133 million of reconfiguration charges and a pretax non-operating gain of $8 million related to the sale of available-for-sale securities. In 2001, Dole divested its Honduran Beverage operations. Operating results of this business have been accounted for as a discontinued operation. Income from continuing operations for 2000 includes a pretax charge of $46 million, net insurance proceeds of $43 million and a pretax gain of $9 million related to asset sales.

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

2004 Overview

For the year ended January 1, 2005, Dole Food Company, Inc. and its consolidated subsidiaries (Dole or the Company) achieved revenues of $5.3 billion reflecting double-digit revenue growth from the prior year. The Company also achieved operating income of $310 million, up from $248 million in 2003, and generated operating cash flows of $217 million.

Although operating income increased 25% from the prior year, 2003 results included privatization and purchase accounting related expenses that did not recur in 2004. If the impact of these expenses is excluded from the prior year, 2004 operating income was down slightly from 2003. Current year results were achieved despite challenging operating conditions impacting all four of the Company s operating segments. These conditions included weakening of banana pricing in North America, weakening of the U.S. dollar against many of the currencies in which the Company s production occurs and significantly higher commodity costs. In addition, 2004 was impacted by an $8.8 million employee-related restructuring charge in Ecuador.

Banana Pricing: During 2004, average North American banana pricing fell approximately 3% compared to the prior year. Lower North American pricing, which has been driven by competitive pressures, impacted earnings by approximately $18 million in 2004.

Exchange Rates: In 2004, the Company s revenues benefited from a weaker U.S. dollar versus the euro, Japanese yen and Swedish krona. Generally a weaker U.S. dollar results in a favorable impact on earnings; however, this benefit was offset through a combination of hedging losses and a declining U.S. dollar against many currencies in the Company s sourcing locations. A stronger Chilean peso and South African rand adversely impacted fresh fruit costs. Packaged foods costs were negatively impacted by a stronger euro and Thai baht, and fresh-cut flowers was negatively impacted by a stronger Colombian peso. As a result, despite the benefit of favorable exchange rates on revenues, overall exchange rates had a negative impact on pre-tax earnings of approximately $5 million for the year.

Commodity Costs: In 2004, the Company experienced significant cost increases in many of the commodities it uses in production, including containerboard, tinplate, resin and agricultural chemicals. In addition, higher average fuel prices resulted in higher shipping and distribution costs. Overall, higher commodity costs impacted EBIT by approximately $12 million. The Company implemented fuel hedges and renegotiated certain commodity supply contracts to partly mitigate its exposure to further commodity cost increases.

New Products: In 2004, the Company continued to expand its product offerings. In packaged foods, the Company added additional fruit bowl flavors and expanded its line of fruit in plastic jars. The Company also continued to assess and introduce new banana varieties and experienced success with its organic banana and pineapple programs. The Company also continued to enhance the mix, packaging and sizes of its existing products.

Acquisitions: During the year, the Company also made strategic acquisitions to further leverage the Dole brand and strengthen its existing product portfolio. The Company acquired Wood Holdings, Inc. (JR Wood), a frozen fruit producer and manufacturer, in June 2004, and Coastal Berry Company, LLC (Coastal Berry), a producer of fresh berries, in October 2004. In December 2004, the Company completed the acquisition of the remaining shares in Saba Trading AB (Saba), in which the Company previously held a 60% majority ownership. Saba is the leading importer and distributor of fruit, vegetables and flowers in Scandinavia.

Market Share: The Company continued a leadership position in the key markets in which it operates. Most notably, in 2004 the Company increased its market share in the North American fresh pineapple, canned pineapple, packaged salad and fruit bowl markets and in the Japanese banana and pineapple markets. The Company s North American banana volume market share declined slightly to 33.4% from 33.8% in 2003.

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Going-Private Merger Transaction

In March 2003, the Company completed a going-private merger transaction. The privatization resulted from the acquisition by David H. Murdock, the Company s Chairman and Chief Executive Officer, of the approximately 76% of the Company that he and his affiliates did not already own for $33.50 per share in cash. As a result of the transaction, the Company became wholly owned by Mr. Murdock through DHM Holding Company, Inc. (HoldCo).

The purchase price of all of the outstanding common stock of the Company not already owned by Mr. Murdock, plus transaction costs, was approximately $1.55 billion. The funds necessary to purchase these shares of the Company consisted of a $125 million capital contribution by HoldCo, funds borrowed under $1.125 billion of new senior secured credit facilities (consisting of $825 million of term loan facilities and $300 million of revolving credit facilities) and the issuance of $475 million principal amount of 8.875% Senior Notes due 2011. The going-private merger transaction was accounted for as a purchase at the HoldCo level with the related purchase accounting pushed down to the Company as of the date of the transaction.

Results of Operations

As a result of the going-private merger transaction, the Company s Consolidated Financial Statements present the results of operations, financial position and cash flows prior to the date of the merger transaction as the Predecessor. The merger transaction and the Company s results of operations, financial position and cash flows thereafter are presented as the Successor. Predecessor results have not been aggregated with those of the Successor in accordance with accounting principles generally accepted in the U.S. and accordingly the Company s Consolidated Financial Statements do not show results of operations or cash flows for the year ended January 3, 2004. However, in order to facilitate an understanding of the Company s results in comparison with the years ended January 1, 2005 and December 28, 2002, the results of operations of the Predecessor for the quarter ended March 22, 2003 and the Successor for the three quarters ended January 3, 2004, are presented combined (Combined).

Selected results of operations for the years ended January 1, 2005, January 3, 2004 and December 28, 2002 were as follows (in thousands):

	Year Ended January 1, 2005	Three Quarters Ended January 3, 2004	Quarter Ended March 22, 2003	Year Ended January 3, 2004	Year Ended December 28, 2002
	Successor	Successor	Predecessor	Combined	Predecessor
Revenues, net	$ 5,316,202	$ 3,699,971	$ 1,073,170	$ 4,773,141	$ 4,392,073
Operating income	310,105	159,518	88,790	248,308	274,515
Interest income and other income (expense), net	2,508	(5,398)	4,745	(653)	16,362
Interest expense	152,704	124,491	19,647	144,138	80,890
Income taxes	25,491	6,512	13,100	19,612	53,789
Cumulative effect of a change in accounting principle					119,917
Net income	134,418	23,117	60,788	83,905	36,281

Revenues

For the year ended January 1, 2005, revenues increased 11% to $5.3 billion from $4.8 billion in the prior year. The most significant revenue drivers were favorable U.S. dollar exchange rates, primarily versus the euro, Swedish krona and Japanese yen, and the acquisition of JR Wood in the second quarter of 2004. These factors benefited 2004 revenues by approximately $190 million and $78 million, respectively. Revenues also benefited from higher worldwide sales of fresh fruit, particularly pineapples and deciduous fruit and expanded European ripening and distribution and commercial cargo activity. In addition, there were higher sales of packaged salads and packaged foods products. The increase in revenues was partially offset by one less week in the current year as a result of a 52-week year in 2004 compared to a 53-week year in 2003. The impact on revenues of this additional week was approximately $73 million in the prior year. Revenues were also impacted by lower banana pricing in North America, lower commodity vegetable sales and the disposal of Fabrica, a Honduran palm oil business, in the prior year. Fabrica s revenues were $18 million in 2003.

For the year ended January 3, 2004, revenues increased 9% to $4.8 billion from $4.4 billion in 2002. This increase was primarily due to favorable U.S. dollar exchange rates versus the euro, Swedish krona and Japanese yen, which positively impacted revenues, primarily in the fresh fruit segment, by approximately $250 million. In addition, there were overall improved volumes in the fresh fruit, fresh vegetables and packaged foods segments. The increase in revenues was also due to an additional week as a result of a 53-week year in 2003 compared to a 52-week year in 2002. These increases were partially offset by lower pricing in the packaged foods segment, lower pricing in the fresh vegetables packaged salads product line and the divestiture of certain businesses in 2003 and 2002. Divested businesses accounted for a decline in revenues of approximately $81 million in 2003.

Operating Income

For the year ended January 1, 2005, operating income increased to $310.1 million from $248.3 million in 2003. The increase was primarily attributable to the absence of purchase accounting adjustments to inventory of $59.3 million and nonrecurring privatization expenses of $9.1 million, which were incurred in 2003. Operating income also benefited from increased commercial cargo activity and higher pineapple and pistachio earnings. These increases were partially offset by lower banana earnings, lower earnings from fresh vegetables, packaged foods and fresh-cut flowers, and an employee-related restructuring charge in Ecuador of $8.8 million. Earnings were also impacted by higher production costs of $14 million as a result of a weaker U.S. dollar versus many of the Company s production currencies and $9.7 million of losses on debt denominated in British pounds and intercompany notes denominated in euro and Swedish krona. The unfavorable exchange rate impact on the Company s production costs was partially offset by favorable exchange rates in the Company s foreign selling locations, primarily Europe and Japan, which, net of current year hedge losses, benefited 2004 by approximately $19 million.

For the year ended January 3, 2004, operating income decreased 10% to $248.3 million from $274.5 million in the year ended December 28, 2002. The decrease was primarily attributable to increased expenses of $88 million as a result of privatization related purchase accounting adjustments to inventory of $59.3 million, property, plant and equipment of $18.3 million, amortizable intangibles of $7.9 million and foreign currency related items of $2.5 million. In addition, the Company incurred a $2.4 million loss on the sale of Fabrica. The loss on the sale of Fabrica excludes $8 million of foreign currency related losses that were eliminated in purchase accounting. The decline in operating income from the previous year was also attributable to privatization related expenses of $15.5 million and lower earnings from the Company s fresh vegetables segment. These decreases were partially offset by improved earnings in the fresh fruit, packaged foods and fresh-cut flowers segments and lower corporate expenses. Earnings also improved due to favorable U.S. dollar exchange rates versus the euro, the Swedish krona and the Japanese yen, which, net of hedge gains and losses, benefited 2003 by approximately $22 million. In addition, the Company incurred a $5.9 million foreign exchange loss on debt denominated in British pounds. The impact of the additional week in 2003 on operating income was not significant.

Interest Income and Other Income (Expense), Net

For the year ended January 1, 2005, interest income decreased to $4.2 million from $7.1 million in 2003. Higher interest income in the prior year was generated primarily in the first quarter of 2003 when the Company had a significant cash balance. Most of this cash was used in the financing of the going-private merger transaction in March 2003.

Other income (expense), net improved to an expense of $1.7 million in 2004 from an expense of $7.7 million in 2003. The improvement was primarily due to lower write-offs of deferred debt issuance costs of $2.7 million in 2004 compared to $12.6 million in 2003. These write-offs were associated with accelerated debt repayments.

For the year ended January 3, 2004, interest income decreased to $7.1 million from $12 million in 2002. The decline was due to lower average cash balances during 2003 as a result of cash used in the going-private merger transaction. Other income (expense), net decreased to an expense of $7.7 million in 2003 from income of $4.4 million in 2002. The decrease was primarily due to the write-off of deferred debt issuance costs in 2003 of $12.6 million.

Interest Expense

Interest expense for the year ended January 1, 2005 was $152.7 million compared to $144.1 million in 2003. The increase was primarily due to the issuance of additional debt in the second quarter of 2003 to finance the going-private merger transaction, as well as additional interest expense on vessel lease obligations capitalized due to the adoption of Financial Accounting Standards Board (FASB) Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities,* in the fourth quarter of 2003.

Interest expense for the year ended January 3, 2004 was $144.1 million compared to $80.9 million in 2002. Interest expense in 2003 increased primarily as a result of higher average debt balances due to the issuance of additional debt to finance the going-private merger transaction, as well as the amortization of deferred debt issuance costs of $7.2 million.

Income Taxes

Income tax expense for the year ended January 1, 2005 increased to $25.5 million from $19.6 million in 2003. The Company s effective tax rate fell to 15.9% in 2004 from 18.9% in 2003. The reduction in the effective income tax rate in the current year is primarily due to a change in the mix of taxable earnings, resulting in part from lower domestic earnings and higher earnings in Europe and Asia. For all periods presented, the effective income tax rate differs from the U.S. federal statutory rate primarily due to earnings from operations being taxed in foreign jurisdictions at lower net effective rates than the U.S. rate.

For 2004, 2003 and 2002, no U.S. taxes were provided on unremitted foreign earnings from operations because such earnings were intended to be indefinitely invested outside the U.S.

On October 22, 2004, The American Jobs Creation Act (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 repatriated foreign earnings equals 5.25%. Taxpayers may elect to apply this provision to a qualified earnings repatriation made during calendar year 2005.

During March 2005, the Company completed its evaluation of the effects of the repatriation provision and currently expects to repatriate approximately $560 million of earnings from its foreign subsidiaries under Section 965. The related income tax expense from this repatriation is approximately $42 million. Consistent 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,* the Company will record this expense in March 2005. If this amount had been recorded in 2004, recorded income tax expense and net income would have been $67.5 million and $92.4 million, respectively.

Income tax expense for the year ended January 3, 2004 decreased to $19.6 million from $53.8 million in 2002. The Company s effective tax rate fell to 18.9% in 2003 from 25.6% in 2002. The reduction in the effective income tax rate in 2003 was primarily due to a change in the mix of taxable earnings, due in part to significantly higher domestic interest expense.

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Cumulative Effect of a Change in Accounting Principle

During the second quarter of 2002, the Company completed the two-step process of the transitional goodwill impairment test prescribed in Statement of Financial Accounting Standards No. 142 (FAS 142), *Goodwill and Other Intangible Assets.* The transitional goodwill impairment test resulted in the Company recognizing a non-cash transitional goodwill impairment charge of $119.9 million related entirely to the fresh-cut flowers reporting segment. As required by FAS 142, the $119.9 million charge was retroactively reflected as a cumulative effect of a change in accounting principle in the Company s Consolidated Statement of Operations for the year ended December 28, 2002.

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 all companies do not calculate EBIT in the same fashion.

	2004	2003	2002
	Successor	Combined	Predecessor
		(In thousands)	
Revenues from external customers			
Fresh fruit	$ 3,535,666	$ 3,134,144	$ 2,772,758
Fresh vegetables	887,409	850,584	825,559
Packaged foods	691,780	587,226	588,991
Fresh-cut flowers	169,845	168,086	173,927
Other operating segments	31,502	33,101	30,838
	$ 5,316,202	$ 4,773,141	$ 4,392,073

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	2004 Successor	2003 Combined	2002 Predecessor
		(In thousands)	
EBIT			
Fresh fruit	$ 257,880	$ 235,181	$ 217,844
Fresh vegetables	58,645	63,452	82,699
Packaged foods	64,191	35,112	64,905
Fresh-cut flowers	1,853	792	(5,925)
Other operating segments	306	354	713
Total operating segments	382,875	334,891	360,236
Corporate and other EBIT	(70,262)	(87,236)	(69,359)
Interest expense	152,704	144,138	80,890
Income before income taxes and cumulative effect of a change in accounting principle	$ 159,909	$ 103,517	$ 209,987

2004 Compared with 2003

Fresh Fruit: Fresh fruit revenues increased 13% to $3.5 billion in 2004 from $3.1 billion in 2003. The increase in fresh fruit revenues was primarily due to favorable currency exchange rates, higher worldwide revenues from bananas, pineapples, and deciduous fruit, expanded operations in the Europe ripening and distribution businesses, higher commercial cargo activity and revenues from pistachios, which are harvested every other year. A weaker U.S. dollar versus the euro, the Swedish krona and the Japanese yen benefited revenues by $90 million, $44 million and $43 million, respectively. In addition to the benefit of foreign exchange rates, higher worldwide banana revenues reflected higher European and Asian sales due mainly to higher local pricing, partially offset by lower North American sales due to lower volumes and pricing. Higher pineapple revenues were driven by higher sales in North America and Asia. Higher North American sales resulted from higher volumes of Dole Tropical Gold® pineapple and lower pineapple pricing, while higher pineapple sales in Asia reflected both higher volumes and higher local pricing. These increases were partially offset by lower European pineapple revenues, primarily due to lower pricing. Deciduous revenues increased as a result of higher volumes in Latin America, Europe, the Middle East and Japan.

Fresh fruit EBIT increased 10% to $257.9 million in 2004 from $235.2 million in 2003. EBIT increased primarily due to higher sales and the absence of inventory related purchase accounting charges of $17.6 million incurred as a result of the privatization in the prior year. These increases were partially offset by a restructuring charge in Ecuador of $8.8 million, as well as higher product costs, higher fuel prices, and higher selling, general and administrative costs. Higher product costs were primarily attributable to the impact of the weaker U.S. dollar against many currencies in which the Company sources its production and the impact of significantly higher commodity costs. The net impact of exchange rates, after accounting for current year hedge losses and losses on foreign denominated vessel loans, was a benefit to fresh fruit EBIT of approximately $6.9 million in 2004.

From a product perspective, excluding the impact of the Ecuador restructuring in 2004 of $8.8 million and the inventory related purchase accounting charges of $17.6 million in 2003, the increase in fresh fruit EBIT of $13.8 million was driven by commercial cargo ($10.3 million), pistachios ($6.7 million), worldwide pineapple ($3.8 million) and worldwide deciduous ($2.3 million). The growth in these products was partially offset by lower EBIT in bananas ($7.8 million) and Asia citrus ($1.5 million).

Fresh Vegetables: Fresh vegetables revenues for 2004 increased 4% to $887.4 million from $850.6 million in 2003. The increase in revenues was driven by higher packaged salads sales ($67.5 million), partially offset by lower commodity vegetable sales ($30.7 million). Higher packaged salad sales were driven primarily by higher volumes, partially offset by lower pricing due to increased competition. The decrease in commodity vegetable sales was driven by lower pricing of iceberg lettuce and cauliflower, partially offset by higher pricing of celery. Lower iceberg lettuce pricing reflected a return to normal pricing levels following an industry-wide lettuce shortage in 2003. The impact of the acquisition of Coastal Berry in October 2004 was not significant to revenues.

Fresh vegetables EBIT for 2004 decreased 8% to $58.6 million from $63.5 million in 2003. The decrease in EBIT for 2004 was attributable to lower commodity vegetable earnings ($11.2 million), partially offset by higher packaged salads earnings ($6.5 million). Lower commodity vegetable earnings resulted from lower sales, higher transportation costs, lower Asia commodity earnings and a loss from Coastal Berry ($2.5 million). These factors were partially offset by lower iceberg lettuce growing costs and lower purchase accounting related expenses of $1.4 million. The increase in packaged salads earnings was driven primarily by higher sales. This increase was partially offset by higher product costs, due in part to a change in product mix, higher selling and marketing costs, and higher distribution costs due to higher freight rates.

Packaged Foods: Packaged foods revenues for 2004 increased 18% to $691.8 million from $587.2 million in 2003. The increase in revenues was primarily attributable to JR Wood. JR Wood generated revenues of $78.4 million since its acquisition in June 2004. In addition, the following contributed to revenue growth: higher volumes of Fruit in Plastic Jars and fruit bowls in North America, higher volumes of fruit bowls and higher volumes and pricing of concentrate in Europe, and higher sales of canned product in Asia. These increases were partially offset by the sale of Fabrica in the prior year and higher trade spending in North America. Fabrica revenues were $17.6 million in 2003.

Packaged foods EBIT in 2004 increased 83% to $64.2 million from $35.1 million in 2003. The increase in EBIT was primarily due to the absence of $36.1 million of privatization-related purchase accounting expenses incurred in 2003 related to the step-up of inventory. EBIT in 2004 was impacted by lower overall margins and higher selling and marketing expenses in Europe and Asia. Lower margins were attributable to unfavorable currency exchange rates on product costs, as well as higher fruit costs and higher shipping and distribution expenses. EBIT in 2004 was also impacted by the absence of Fabrica earnings, which were $1.3 million in 2003.

JR Wood EBIT was a loss of $0.1 million since acquisition. This loss includes a non-cash charge of $4.2 million relating to purchase accounting adjustments to inventory in the allocation of the JR Wood purchase price.

Fresh-cut Flowers: Fresh-cut flowers revenues in 2004 increased to $169.8 million from $168.1 million in 2003. The increase in revenues was primarily due to higher overall pricing as a result of a favorable volume shift from the wholesale to the retail market. Management is continuing to focus on shifting volume into the retail market since average pricing in the retail market is significantly higher than in wholesale.

EBIT in the fresh-cut flowers segment in 2004 improved to $1.9 million from $0.8 million in 2003. EBIT increased primarily due to the absence of $5.2 million of inventory-related purchase accounting expenses incurred as a result of the privatization in 2003. EBIT also benefited from higher sales, income of $2.3 million related to Andean Trade Preference Act duty refunds and lower product purchases from third parties. These benefits were partially offset by higher product costs due to unfavorable currency exchange rates, higher labor and material costs, and higher shipping and distribution costs. The strengthening of the Colombian peso versus the U.S. dollar negatively impacted fresh-cut flowers EBIT for 2004 by approximately $6.3 million.

Corporate and Other: Corporate and other EBIT includes general and administrative costs not allocated to operating segments. Corporate and other EBIT in 2004 was a loss of $70.3 million compared to a loss of $87.2 million in 2003. The improvement in 2004 EBIT resulted from lower write-offs of debt issuance costs due to lower accelerated debt repayments and the absence of a $6.9 million legal settlement incurred in 2003. The Company wrote off debt issuance costs of $2.7 million in 2004 as compared to $12.6 million in 2003.

2003 Compared with 2002

Fresh Fruit: Fresh fruit revenues increased 13% to $3.1 billion in 2003 from $2.8 billion in 2002. The increase in fresh fruit revenues was primarily due to favorable currency exchange rates, higher volumes of bananas sold in North America, Europe and Asia and significantly higher Tropical Gold pineapple volumes sold in North America, Europe and Asia. In addition, the Company experienced higher volumes and pricing of

Chilean deciduous fruit, as well as expanded activity in the European ripening and distribution business. The net impact of exchange rates on year-over-year revenues was approximately $247 million. This impact was due primarily to a weaker U.S. dollar versus the euro, the Swedish krona and the Japanese yen, which impacted revenues by $123 million, $81 million and $38 million, respectively. The increase in revenues was partially offset by lower local currency pricing of bananas in Europe and Asia, in response to stronger local currencies, as well as lower banana pricing in North America and the winding down of the California deciduous operations in 2002. The exiting of the California deciduous operations accounted for a reduction in revenues of approximately $14 million in 2003 versus 2002.

Fresh fruit EBIT increased 8% to $235.2 million in 2003 from $217.8 million in 2002. EBIT increased primarily due to the same factors that drove the increase in revenues, as well as lower unit cost of fruit resulting from higher production volumes and other cost reduction initiatives. In addition, the exiting of the California deciduous and Pacific Northwest apples operations benefited EBIT in 2003 due to the absence of approximately $8.1 million in operating losses and shutdown expenses incurred by these operations in 2002. Favorable exchange rates, net of hedge gains and losses and losses on foreign currency denominated debt, benefited EBIT by approximately $16 million in 2003. The increase in EBIT was partially offset by $29.9 million of purchase accounting related expenses, mainly from the step-up of inventory and property, plant and equipment, as well as the absence of hedge gains recognized in 2002 of $10.1 million. Higher third party purchased pineapple and higher fuel prices further negatively impacted fresh fruit EBIT in 2003.

Fresh Vegetables: Fresh vegetables revenues for 2003 increased 3% to $850.6 million from $825.6 million in 2002. The increase in revenues was primarily driven by higher volumes of packaged salads and higher volumes and pricing of commodity vegetables. This increase was partially offset by the disposition of the Company s interest in Pascual Hermanos in the third quarter of 2002. Pascual Hermanos revenues were $26.4 million in 2002.

Fresh vegetables EBIT for 2003 decreased to $63.5 million from $82.7 million in 2002. EBIT for 2003 was impacted by higher product costs, purchase accounting related expenses of $3.9 million and higher distribution costs, in part due to higher fuel prices. Higher product costs resulted primarily from higher purchases of lettuce from non-contracted growers due to a shortage in the fourth quarter of 2003. These factors were partially offset by higher sales. Pascual Hermanos related EBIT, excluding a $4.3 million gain on disposal, was $4 million in 2002.

Packaged Foods: Packaged foods revenues in 2003 decreased slightly to $587.2 million from $589 million in 2002. The decrease in revenues was mainly due to the sale of Fabrica in the third quarter of 2003 and the sale of Saman in the third quarter of 2002. These factors were partially offset by higher worldwide volumes of canned pineapple and pineapple concentrate and the introduction of Fruit in Plastic Jars. Fabrica revenues were $17.6 million and $24.5 million in 2003 and 2002, respectively. Saman revenues were $27.1 million in 2002.

Packaged foods EBIT in 2003 decreased to $35.1 million from $64.9 million in 2002. EBIT decreased in 2003 primarily due to the impact of purchase accounting, which resulted in additional depreciation and amortization and inventory costs of approximately $41.5 million. The Company also incurred a loss, net of purchase accounting, of $2.4 million on the sale of its 81% interest in Fabrica. These factors were partially offset by higher sales from ongoing businesses, the absence of losses from Saman, which was sold in 2002, and lower marketing expenses. Excluding the loss on sale of Fabrica, Fabrica EBIT was $1.3 million and $1.5 million in 2003 and 2002, respectively. Saman-related EBIT, excluding a loss on disposal of $4.1 million, was a loss of approximately $3.7 million in 2002.

Fresh-cut Flowers: Fresh-cut flowers revenues in 2003 decreased to $168.1 million from $173.9 million in 2002. The decrease in revenues was attributable to lower pricing, primarily in the wholesale channel.

EBIT in the fresh-cut flowers segment in 2003 improved to $0.8 million from a loss of $5.9 million in 2002. EBIT in 2003 benefited from favorable foreign currency exchange rates, lower import duties as a result of the reinstatement of the Andean Trade Preference Act, lower operating costs due to the closure of five farms in Colombia and one in Mexico, and lower third party purchases. These cost improvements were

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partially offset by lower sales and the impact of purchase accounting, primarily related to the step up of inventory, of approximately $5.2 million.

Corporate and Other: Corporate and other EBIT in 2003 was a loss of $87.2 million compared to a loss of $69.4 million in 2002. The increase was primarily due to $29.1 million of going-private merger transaction and refinancing expenses and lower interest income in 2003, partially offset by approximately $9 million of higher legal expenses in 2002. The most significant components of the going-private merger transaction and refinancing expenses relate to the write-off of debt issuance costs and the settlement of shareholder litigation.

Liquidity and Capital Resources

CASH REQUIREMENTS:

The following tables summarize the Company s contractual obligations and commitments at January 1, 2005:

	Payments Due by Period				
	Total	**Less Than 1 Year**	**1-2 Years**	**3-4 Years**	**After 4 Years**
			(In thousands)		
Contractual obligations					
Fixed rate debt	$ 1,430,911	$ 280	$ 538	$ 400,193	$ 1,029,900
Variable rate debt	341,848	25,948	51,798	264,102	
Capital lease obligations	95,539	5,050	8,195	7,321	74,973
Operating lease commitments	425,861	73,031	105,323	72,966	174,541
Purchase obligations	1,837,349	547,755	726,380	431,220	131,994
Interest payments on fixed and variable rate debt	789,494	139,506	274,445	230,921	144,622
Total contractual cash obligations	$ 4,921,002	$ 791,570	$ 1,166,679	$ 1,406,723	$ 1,556,030

Long-Term Debt: Details of amounts included in long-term debt can be found in Note 10 of the Consolidated Financial Statements. The table assumes that long-term debt is held to maturity.

Capital Lease Obligations: Included in the Company s capital lease obligations is $91.9 million related to two vessel leases. The obligations under these leases, which continue through 2024, are denominated in British pounds. The lease payment commitments are presented in U.S. dollars at the exchange rate in effect on January 1, 2005 and therefore will change as exchange rates fluctuate.

Operating Lease Commitments: The Company has obligations under non-cancelable operating leases, primarily for land, as well as for certain equipment and office facilities. The leased assets are used in the Company s operations where leasing offers advantages of operating flexibility and is less expensive than alternate types of funding. Lease payments under a significant portion of the Company s operating leases are fixed. Lease payments are charged to operations, primarily through cost of products sold. Total rental expense, including rent related to cancelable and non-cancelable leases, was $101.4 million, $98.4 million and $109.3 million (net of sublease income of $15.1 million, $15.1 million and $14.7 million) for 2004, 2003 and 2002, respectively.

Included in operating lease commitments is a residual value guarantee obligation under an aircraft lease agreement. The Company s maximum potential undiscounted future payments under this residual value guarantee amounts to approximately $8.2 million. This payment would occur if the fair value of the aircraft was less than

$20 million at the termination of the lease in 2010.

Purchase Obligations: In order to secure sufficient product to meet demand and to supplement the Company s own production, the Company enters into non-cancelable agreements with independent growers, primarily in Latin America, to purchase substantially all of their production subject to market demand and product quality. Prices under these agreements are generally fixed and contract terms range from one to nine years. Total purchases under these agreements amounted to $340.1 million, $298.6 million and $269.6 million for 2004, 2003 and 2002, respectively.

In order to ensure a steady supply of packing supplies and to maximize volume incentive rebates, the Company enters into contracts with certain suppliers for the purchase of packing supplies at formula-based prices over periods of up to six years. Purchases under these contracts for 2004, 2003 and 2002 were approximately $181.8 million, $151.9 million and $122.7 million, respectively.

Interest payments on fixed and variable rate debt: Commitments for interest expense on debt, including capital lease obligations, were determined based on anticipated annual average debt balances, after factoring in mandatory debt repayments. Interest expense on variable-rate debt has been based on the prevailing interest rates at January 1, 2005.

Other Obligations and Commitments: The Company has obligations with respect to its pension and other postretirement benefit (OPRB) plans (Note 11 to the Consolidated Financial Statements). Assuming no change in the pension and OPRB assumptions, the Company expects to make contributions to its funded plans and payments to its unfunded and OPRB plans of $12.9 million in 2005.

In connection with the Company s acquisition of a 60% interest in Saba Trading AB in 1998, each minority shareholder had the right to require the Company to purchase its shareholder interest in Saba (the put option). In December 2004, the minority shareholders of Saba exercised the put option. Title to the Saba minority shares was transferred to the Company effective December 30, 2004. The purchase price of $47.1 million, which was paid in February 2005, was included in accounts payable on the Consolidated Balance Sheet as of January 1, 2005.

The Company has numerous collective bargaining agreements with various unions covering approximately 33% of the Company s hourly full time and seasonal employees. Of the unionized employees, 22% are covered under a collective bargaining agreement that will expire within one year and the remaining 78% are covered under collective bargaining agreements expiring beyond the upcoming year. These agreements are subject to periodic negotiation and renewal. Failure to renew any of these collective bargaining agreements may result in a strike or work stoppage; however management does not expect that the outcome of these negotiations and renewals will materially adversely affect the Company s financial condition or results of operations.

SOURCES AND USES OF CASH:

	2004	2003	2002
	Successor	**Combined**	**Predecessor**
		(In thousands)	
Cash flow provided by (used in):			
Operating activities	$ 217,392	$ 338,924	$ 227,168
Investing activities	(281,584)	(1,595,413)	(170,376)
Financing activities	107,571	636,823	224,608
Foreign currency impact	2,356	6,181	4,241
Increase (decrease) in cash	$ 45,735	$ (613,485)	$ 285,641

Operating Activities: The primary drivers of the Company s operating cash flows are operating earnings, adjusted for cash generated from or used in net working capital, interest paid and taxes paid or refunded. The Company defines net working capital as the sum of receivables, inventories, prepaid expenses and other assets less accounts payable and accrued liabilities. Factors that impact the Company s operating earnings that do not impact cash flows include depreciation and amortization, gains and losses on the sale of assets and purchase accounting expenses.

Changes in working capital generally correspond to operating activity. For example, as revenues increase, a larger investment in working capital is typically required. Management attempts to keep the Company s investment in net working capital to a reasonable minimum by closely monitoring inventory levels and matching production to expected market demand, keeping tight control over collection of receivables and optimizing payment terms on its trade and other payables. Debt levels and interest rates impact interest payments, and tax payments are impacted by tax rates, the tax jurisdiction of earnings and the availability of tax operating losses.

Cash flows generated by operating activities was $217.4 million in 2004 compared to $338.9 million in 2003. The decrease in 2004 was due primarily to an increase in net working capital of $100.9 million driven principally by higher accounts receivable, a greater investment in inventory and lower accounts payable and accrued liabilities. The increase in accounts receivables of $27.1 million was driven mainly by higher sales. The increase in inventory of $50.1 million was attributable to seasonal investments in JR Wood and Coastal Berry inventories, as well as higher overall balances to support higher revenues. Lower accounts payable and accrued liabilities of $22.6 million was primarily due to payments made on JR Wood and Coastal Berry payables, which were overdue when these companies were acquired in 2004. In contrast, 2003 operating cash flows benefited from a decrease in net working capital of $41.9 million. This decrease was due to significantly higher accounts payable and accrued liabilities, due mainly to the timing of payments, and lower inventory balances, particularly packaged foods inventory, due to a build-up of FRUIT BOWLS and FRUIT BOWLS in Gel inventory in 2002 to support higher sales volumes. These benefits were partially offset by higher receivables driven by higher sales.

Operating cash flows in 2004 were also lower than the prior year due to lower tax refunds and higher interest payments. In 2004, the Company received net tax refunds of approximately $0.3 million compared to net tax refunds $18.4 million in 2003. The Company paid interest of $141.2 million in 2004 and $125.9 million in 2003.

Investing Activities: Cash flows used in investing activities decreased to $281.6 million in 2004 from $1.595 billion in the prior year. In 2004, investing activities related mainly to capital additions of $101.7 million and cash payments related to business acquisitions (primarily JR Wood and Coastal Berry) of $189.7 million. In 2003, cash flows used in investing activities related primarily to cash used in the going-private merger transaction of $1.538 billion, as well as capital expenditures and business acquisitions of $118.7 million. Included in the $118.7 million is the purchase of $31 million of containers that were previously leased under operating leases, and $10.2 million related to the acquisition of Costa Rican pineapple farmland. This use of cash in 2003 was partially offset by proceeds from the sale of assets, including $36 million from the sale of two corporate aircraft, and proceeds from the sale of businesses, primarily Fabrica, of $7.8 million.

With the exception of the purchase of JR Wood, which was funded through borrowings, 2004 capital expenditures and payments for acquisitions were funded by operating cash flows. The Company expects that 2005 capital expenditures will be approximately $138 million.

Financing Activities: Cash flows from financing activities decreased to $107.6 million in 2004 from $636.8 million in 2003. During 2004, the Company raised a new $175 million term loan to fund the acquisition of JR Wood and repaid approximately $141.8 million of pre-existing short and long-term borrowings. In addition, cash dividends of $20 million were paid to Dole Holding Company, LLC and dividends of $5.6 million were paid to minority shareholders (primarily the Saba minority shareholders). Financing activities in 2004 also included a $100 million contribution from the Company s parent, Dole Holding Company, LLC. These funds were raised by Dole Holding Company, LLC as part of a $150 million borrowing under a Second Lien Senior Credit Agreement. It is anticipated that all or substantially all of the $100 million contribution will, by the end of 2005, be distributed by the Company back to Dole Holding Company, LLC for further distribution to HoldCo for investment in a subsidiary for the development of a wellbeing center.

The majority of the cash from financing activities in 2003 resulted from the issuance, net of repayments, of $860.8 million of additional long-term debt in the going-private merger and refinancing transaction, as well as an equity contribution of $125 million also in connection with the going-private merger transaction. These increases were partially offset by additional debt repayments, net of additional borrowings, of $276.5 million

and the payment of dividends of $14 million ($5.6 million of which was paid to minority shareholders). The Company financed the additional debt repayments using cash generated from operations.

At January 1, 2005, the Company had outstanding long-term borrowings of $1.868 billion, consisting of $1.43 billion of unsecured senior notes and debentures due 2009 to 2013 and $438 million of secured debt (primarily term loans and capital lease obligations). Secured borrowings of $31.3 million are due in 2005. Refer to Note 10 of the Consolidated Financial Statements for additional details of the Company s outstanding debt.

In connection with the going-private merger transaction, the Company obtained financing under a senior secured credit facility agreement (consisting of term loans and $300 million of revolving credit facilities). As of January 1, 2005, there were no outstanding borrowings under the Company s $300 million revolving credit facilities. The revolvers expire in March 2008. Funds available under the revolving credit facilities may be utilized for borrowings to finance short-term working capital needs of the Company or for the issuance of letters of credit and bank guarantees. The Company has the ability to issue up to $232.5 million of letters of credit and bank guarantees under the facility, which if utilized, reduce available borrowings under these facilities. At January 1, 2005, after taking into account approximately $92.9 million of outstanding letters of credit and bank guarantees drawn against these facilities, the Company had approximately $207.1 million available under these revolvers.

In addition to amounts available under the $300 million revolving credit facilities, the Company s subsidiaries have uncommitted lines of credit of approximately $146.4 million at various local banks, of which $135.9 million was available at January 1, 2005. These lines of credit lines are used primarily for overdrafts, foreign exchange settlement and the issuance of letters of credit or bank guarantees. The Company s uncommitted lines of credit do not have an expiration date, and may be cancelled at any time by the Company or the banks.

The Company believes that available borrowings under the revolving credit facility and subsidiaries uncommitted lines of credit, together with its existing cash balance of $79.2 million at January 1, 2005, 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. These factors are set forth under Risk Factors in Item 1 of this Form 10-K, in the Market Risk section below and elsewhere in this Form 10-K.

GUARANTEES, CONTINGENCIES AND DEBT COVENANTS:

The Company is a guarantor of indebtedness of some of its key fruit suppliers and other entities integral to the Company s operations. At January 1, 2005, guarantees of $2.5 million consisted primarily of amounts advanced under third party bank agreements to independent growers that supply the Company with product. 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 January 1, 2005, total letters of credit and bonds outstanding were $115.9 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 $142.6 million of its subsidiaries obligations to their suppliers and other third parties as of January 1, 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 going-private merger transaction did not trigger the change of control provisions as outlined in these agreements.

As disclosed in Note 15 to the Consolidated Financial Statements, the Company is subject to legal actions, most notably related to the Company s prior use of the agricultural chemical dibromochloropropane, or DBCP . 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.

Provisions under the senior secured credit facilities and the indentures to the senior notes and debentures require the Company to comply with certain covenants. These covenants include financial performance measures, such as a minimum required interest coverage ratio, a minimum fixed charge coverage ratio, 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. The most significant covenant that restricts the Company s ability to undertake additional financing relates to the leverage ratio in the credit agreement. The leverage ratio is defined in the credit agreement as the ratio of consolidated debt to EBITDA (both terms as defined). Under current conditions, the Company could borrow approximately an additional $500 million at January 1, 2005 and remain within this and its other covenants. The leverage ratio declines over the term of the facilities. At January 1, 2005, the Company was in compliance with all applicable covenants.

In February 2004, the Company executed a fourth amendment to its senior secured credit facility agreement. Under the fourth amendment, HoldCo transferred all of the outstanding capital stock of the Company to Dole Holding Company, LLC. The fourth amendment also permitted Dole Holding Company, LLC to issue up to $250 million of senior notes that would be structurally subordinated to Dole s existing senior notes and debentures. The proceeds of any such senior note offerings would be required to promptly be either: (a) contributed or loaned to the Company to repay its revolving loans or for its other working capital or general corporate purposes, or (b) loaned or dividended to DHM Holding Company, Inc. for investment in a company formed by DHM Holding Company, Inc. for the development, construction and operation of a wellbeing center/hotel/spa/conference center/studio and reasonably related extensions thereof. In addition, among other provisions, the amendment permits the Company to pay dividends, subject to certain restrictions, as defined in the amendment.

In May 2004, the Company executed a fifth amendment to its senior secured revolving credit facility agreement. The fifth amendment: (a) permitted the Company to enter into a new $175 million term loan (Term Loan E) to finance the acquisition of JR Wood, (b) reduced the interest rate by 25 basis points on the pre-existing term loan, (c) increased the permitted acquisition basket and the incremental term loan size, and (d) increased the bank debt leverage ratio. Term Loan E matures in September 2008 and has substantially the same terms as the pre-existing term loan, except that the term loan is repayable in a lump sum on the maturity date.

In July 2004, Dole Holding Company, LLC borrowed $150 million under a Second Lien Senior Credit Agreement. As collateral for borrowing under this agreement, Dole Holding Company, LLC granted a second lien on the Company s capital stock.

In July 2004 and December 2004, the Company executed sixth and seventh amendments, respectively, to its senior secured credit facility agreement. These amendments were not significant to the overall credit agreement and had no impact on the Company s covenant requirements.

In April 2005, the Company expects to complete an amendment to its existing Senior Secured Credit Facilities. The Company expects to obtain funds under $1 billion of new senior secured credit facilities (consisting of $700 million of term loan facilities and $300 million of revolving credit facilities). These funds will be used to repay the outstanding term loans under the Company s existing senior secured credit facilities. In addition, on March 18, 2005, the Company announced the commencement of a tender offer to purchase for cash up to $275 million aggregate principal amount of the Company s outstanding Notes.

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The terms and covenants under the new senior secured credit facilities are expected to be similar to those under the existing senior secured credit facilities. The new term loan borrowings of $700 million are expected to be comprised of $350 million Term Loan A, denominated in Japanese yen, and $350 million Term Loan B, denominated in U.S. dollars.

The purpose of the amendment is to lower the Company s overall effective interest rate. The Company plans to repatriate foreign earnings pursuant to the American Jobs Creation Act in connection with the amendment.

Critical Accounting Estimates

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that affect reported amounts. These estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and on other factors that management believes are reasonable. Estimates and assumptions include, but are not limited to, the areas of customer and grower receivables, inventories, impairment of assets, useful lives of property, plant and equipment, intangible assets, marketing programs, income taxes, self-insurance reserves, retirement benefits, financial instruments and commitments and contingencies.

The Company believes that the following represent the areas where more critical estimates and assumptions are used in the preparation of the Consolidated Financial Statements. Refer to Note 2 of the Consolidated Financial Statements for a summary of the Company s significant accounting policies.

Application of Purchase Accounting: The Company makes strategic acquisitions of entities to enhance its product portfolio and to leverage the Dole® brand. These acquisitions require the application of purchase accounting in accordance with Statement of Financial Accounting Standards No. 141 (FAS 141), *Business Combinations.* This results in tangible and identifiable intangible assets and liabilities of the acquired entity being recorded at fair value. The difference between the purchase price and the fair value of net assets acquired is recorded as goodwill. In addition to acquisitions, the consummation of the going-private merger transaction in 2003 also resulted in the application of purchase accounting to the Company s consolidated balance sheet as of the transaction date.

In determining the fair values of assets and liabilities acquired in a business combination, the Company uses a variety of valuation methods including present value, depreciated replacement cost, market values (where available) and selling prices less costs to dispose. Valuations are performed by either independent valuation specialists or by Company management, where appropriate.

Assumptions must often be made in determining fair values, particularly where observable market values do not exist. Assumptions may include discount rates, growth rates, cost of capital, royalty rates, tax rates and remaining useful lives. These assumptions can have a significant impact on the value of identifiable assets and accordingly can impact the value of goodwill recorded. Management believes that the assumptions used in the application of purchase accounting to the acquisitions in the current year and the privatization in 2003 are appropriate and consistent with observable market comparables. Different assumptions could have resulted in materially different values being attributed to assets and liabilities. Since these values impact the amount of annual depreciation and amortization expense, different assumptions could also significantly impact the Company s statement of operations and could impact the results of future impairment reviews.

Grower Advances: The Company makes advances to third party growers primarily in Latin America and Asia for various farming needs. Some of these advances are secured with property or other collateral owned by the growers. The Company monitors these receivables on a regular basis and records an allowance for these grower receivables based on estimates of the growers ability to repay advances and the fair value of the collateral. These estimates require significant judgment because of the inherent risks and uncertainties underlying the growers ability to repay these advances. These factors include weather-related phenomena, government-mandated fruit prices, market responses to industry volume pressures, grower competition, fluctuations in local interest rates, economic crises, security risks in developing countries, political instability, outbreak of incurable plant disease, inconsistent or poor farming practices of growers and foreign currency fluctuations. The aggregate amounts of grower advances made during fiscal years 2004, 2003 and 2002 were approximately $146.6 million, $133.3 million and $113.8 million, respectively. Net grower advances receivable were $39.2 million and $36.7 million at January 1, 2005 and January 3, 2004, respectively.

Long-Lived Assets: The Company s long-lived assets consist of 1) property, plant and equipment and amortized intangibles and 2) goodwill and unamortized intangible assets.

1) Property, Plant and Equipment and Amortized Intangibles: The Company depreciates property, plant and equipment and amortizes intangibles principally by the straight-line method over the estimated useful lives of these assets. Estimates of useful lives are based on the nature of the underlying assets as well as the Company s experience with similar assets and intended use. Estimates of useful lives can differ from actual useful lives due to the inherent uncertainty in making these estimates. This is particularly true for the Company s significant long-lived assets such as land improvements, buildings, farming machinery and equipment, vessels and customer relationships. Factors such as the conditions in which the assets are used, availability of capital to replace assets, frequency of maintenance, changes in farming techniques and changes to customer relationships can influence the useful lives of these assets. Refer to Notes 8 and 9 of the Consolidated Financial Statements for a summary of useful lives by major asset category and for further details on the Company s intangible assets, respectively. The Company incurred depreciation expense of approximately $133.3 million, $123.6 million and $106.6 million in 2004, 2003 and 2002, respectively, and amortization expense of approximately $11.6 million and $8 million in fiscal 2004 and 2003, respectively. There was no amortization expense in 2002.

The Company reviews property, plant and equipment and amortizable intangibles to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an evaluation of recoverability is required, the estimated total undiscounted future cash flows directly associated with the asset is compared to the asset s carrying amount. If this comparison indicates that there is an impairment, the amount of the impairment is calculated by comparing the carrying value to the discounted expected future cash flows expected to result from the use of the asset and its eventual disposition or comparable market values, depending on the nature of the asset. Changes in commodity pricing, weather-related phenomena and other market conditions are events that have historically caused the Company to assess the carrying amount of its long-lived assets.

2) Goodwill and Unamortized Intangible Assets: The Company s unamortized intangible assets consist primarily of trademark and trade names, which includes the Dole brand with a carrying value of $694.5 million. In determining whether intangible assets have indefinite lives, the Company considers the expected use of the asset, legal or contractual provisions that may limit the life of the asset, length of time the intangible has been in existence, as well as competitive, industry and economic factors. The determination as to whether an intangible asset is indefinite-lived or amortizable could have a significant impact on the Company s statement of operations in the form of amortization expense and potential future impairment charges.

Goodwill and unamortized intangible assets are tested for impairment annually and whenever events or circumstances indicate that an impairment may have occurred. Indefinite-lived intangibles are tested for impairment by comparing the fair value of the asset to the carrying value. The fair value of the Dole brand was determined using a discounted cash flow methodology, which is most sensitive to the royalty rate assumption of 3%; a 0.5 percentage point change to the royalty rate would have impacted the original valuation by approximately $110 million.

Goodwill is tested for impairment by comparing the fair value of a reporting unit with its net book value including goodwill. The fair value of reporting units is determined using a discounted cash flow methodology, which requires making estimates and assumptions including pricing and volumes, industry growth rates, future business plans, profitability, tax rates and discount rates. If the fair value of the reporting unit exceeds its carrying amount, then goodwill of that reporting unit is not considered to be impaired. If the carrying amount of the reporting unit exceeds its fair value, then the implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination is determined. An impairment loss is recognized if the implied fair value of goodwill exceeds its carrying amount. Changes to assumptions and estimates can significantly impact the fair values determined for reporting units and the implied value of

goodwill, and consequently can impact whether or not an impairment charge is recognized, and if recognized, the size thereof. Management believes that the assumptions used in the Company s annual impairment review are appropriate.

Income Taxes: Deferred income taxes are recognized for the income tax effect of temporary differences between financial statement carrying amounts and the income tax bases of assets and liabilities. The Company regularly reviews its deferred income tax assets to determine whether future taxable income will be sufficient to realize the benefits of these assets. A valuation allowance is provided for deferred income tax assets for which it is deemed more likely than not that future taxable income will not be sufficient to realize the related income tax benefits from these assets. The amount of the net deferred income tax asset that is considered realizable could, however, be adjusted if estimates of future taxable income are adjusted.

The Company believes its tax positions comply with the applicable tax laws and that it is adequately provided for all tax related matters. The Company is subject to examination by taxing authorities in the various jurisdictions in which it files tax returns. Matters raised upon audit may involve substantial amounts and could result in material cash payments if resolved unfavorably; however, management does not believe that any material payments will be made related to these matters in the upcoming fiscal year. Management considers it unlikely that the resolution of these matters will have a material adverse effect on its results of operations.

Pension and Other Postretirement Benefits: The Company has qualified and non-qualified defined benefit pension plans covering some of its full-time employees. Benefits under these plans are generally based on each employee s eligible compensation and years of service, except for hourly plans, which are based on negotiated benefits. In addition to pension plans, the Company has OPRB plans that provide health care and life insurance benefits for eligible retired employees. Covered employees may become eligible for such benefits if they fulfill established requirements upon reaching retirement age. Pension and OPRB costs and obligations are calculated based on actuarial assumptions including discount rates, health care cost trend rates, compensation increases, expected return on plan assets, mortality rates and other factors.

Pension obligations and expenses are most sensitive to the expected return on pension plan assets and discount rate assumptions. OPRB obligations and expenses are most sensitive to discount rate assumptions and health care cost trend rates. The Company determines the expected return on pension plan assets based on an expectation of average annual returns over an extended period of years. This expectation is based, in part, on the actual returns achieved by the Company s pension plans over the prior ten-year period. The Company also considers the weighted-average historical rate of returns on securities with similar characteristics to those in which the Company s pension assets are invested. In the absence of a change in the Company s asset allocation or investment philosophy, this estimate is not expected to vary significantly from year to year. The Company s 2004 and 2003 pension expense was determined using an expected rate of return on U.S. plan assets of 8.75%. The Company s 2005 pension expense will be determined using an expected rate of return on U.S. plan assets of 8.50%. At January 1, 2005, the actual ten-year return on the Company s U.S. pension assets approximated 10%. At January 1, 2005, the Company s U.S. pension plan investment portfolio was invested approximately 58% in equity securities, 38.2% in fixed income securities and 3.8% in alternative investments. A one-percentage point increase or decrease in the long-term return on pension plan asset assumption would increase or decrease annual pension expense by $2.2 million.

The Company s U.S. pension plans discount rate of 5.75% in 2004 and 6.25% in 2003 was determined based on a hypothetical portfolio of high-quality, non-callable, zero-coupon bond indices with maturities that approximate the duration of the liabilities in the Company s pension plans. A one-percentage point decrease in the assumed discount rate would increase the projected benefit obligation by $26 million and increase the annual expense by $1.2 million. A one-percentage point increase in the assumed discount rate would decrease the projected benefit obligation by $26 million and increase the annual expense by $0.7 million.

While management believes that the assumptions used are appropriate, actual results may differ materially from these assumptions. These differences may impact the amount of pension and other postretirement obligations and future expense. Refer to Note 11 of the Consolidated Financial Statements for additional details of the Company s pension and other postretirement benefits.

Litigation: 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. Changes in accruals, both up and down, are part of the ordinary, recurring course of business, in which management, after consultation with legal counsel, is required to make estimates of various amounts for business and strategic planning purposes, as well as for accounting and SEC reporting purposes. These changes are reflected in the reported earnings of the Company each quarter. The litigation accruals at any time reflect updated assessments of the then existing pool of claims and legal actions. Actual litigation settlements could differ materially from these accruals.

Recently Issued Accounting Pronouncements

In November 2004, the FASB issued FASB Statement of Financial Accounting Standards No. 151 (FAS 151), *Inventory Costs.* This standard amends the guidance in Accounting Research Bulletin No. 43 (ARB 43), Chapter 4, *Inventory Pricing*, to clarify the accounting for abnormal amounts of idle facility expense, freight handling costs and spoilage. FAS 151 requires these items to be recognized as a current period expense. FAS 151 also requires that the allocation of fixed production overhead to inventory be based on normal production capacity. The provisions of FAS 151 are effective for inventory costs incurred during fiscal years beginning after June 15, 2005 and will therefore be applicable to the Company in fiscal 2006. The Company has assessed the likely impact of the adoption of FAS 151 and has concluded that this standard will not have a material affect on the Company s results of operations.

Market Risk

As a result of its global operating and financing activities, the Company is exposed to market risks including changes in commodity pricing, fluctuations in interest rates and fluctuations in foreign currency exchange rates in both sourcing and selling locations. Commodity pricing exposures include the potential impacts of weather phenomena and their effect on industry volumes, prices, product quality and costs. The Company manages its exposure to commodity price risk primarily through its regular operating activities, however, significant commodity price fluctuations, particularly for bananas and pineapples, could have a material impact on the Company s results of operations. The use of derivative financial instruments has been restricted to foreign currency forward contracts related to firm purchase commitments and sales. In addition, the Company makes limited use of bunker fuel hedges to hedge its exposure to fluctuating fuel prices. The Company has not utilized derivatives for trading or other speculative purposes.

Interest Rate Risk: As a result of its normal borrowing and leasing activities, the Company s operating results are exposed to fluctuations in interest rates, which the Company manages primarily through its regular financing activities. The Company generally maintains limited investments in cash equivalents and has occasionally invested in marketable securities or debt instruments with original maturities greater than 90 days.

The Company has short-term and long-term debt with both fixed and variable interest rates. Short-term debt is primarily comprised of the current portion of long-term debt maturing twelve months from the balance sheet date. Short-term debt also includes unsecured notes payable to banks and bank lines of credit used to finance working capital requirements. Long-term debt represents publicly held unsecured notes and debentures, as well as amounts outstanding under the Company s senior secured credit facilities and secured notes payable to banks.

Generally, the Company s short-term debt is at variable interest rates, while its long-term debt, with the exception of amounts outstanding under the Company s senior secured credit facilities, is at fixed interest rates.

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As of January 1, 2005, the Company had $1.435 billion of fixed-rate debt with a weighted-average interest rate of 8.34% and a fair value of $1.536 billion. As of January 3, 2004, the Company had $1.435 billion of fixed-rate debt with a weighted-average interest rate of 8.33% and a fair value of $1.533 billion. The Company currently estimates that a 100 basis point change in prevailing market interest rates would impact the fair value of its fixed-rate debt by approximately $56.8 million.

As of January 1, 2005, the Company had the following variable-rate arrangements: $341.6 million of variable-rate debt with a weighted-average interest rate of 4.71% and $91.9 million of variable-rate capital lease obligations with a weighted-average interest rate of 4.93%. As of January 3, 2004, the Company had the following variable-rate arrangements: $326.5 million of variable-rate debt with a weighted-average interest rate of 4.13% and $89.6 million of variable-rate capital lease obligations with a weighted-average interest rate of 3.73%. Interest expense under the majority of these arrangements is based on LIBOR. The Company currently estimates that a 100 basis point change in LIBOR would impact its related pretax income by $4.3 million.

Foreign Currency Risk: The Company has production, processing, distribution and marketing operations worldwide in more than 90 countries. Its international sales are usually transacted in U.S. dollars and major European and Asian currencies. Some of the Company s costs are incurred in currencies different from those received from the sale of products. Results of operations may be affected by fluctuations in currency exchange rates in both sourcing and selling locations.

The Company sources the majority of its products in foreign locations and accordingly is exposed to changes in exchange rates between the U.S. dollar and currencies in these sourcing locations. The Company s exposure to exchange rate fluctuations in these sourcing locations is partially mitigated by entering into U.S. dollar denominated contracts for third party purchased product and most other major supply agreements, including shipping contracts. However, the Company is still exposed to those costs that are denominated in local currencies. The most significant production currencies to which the Company has exchange rate risk are the Colombian peso, Chilean peso, Thai baht, Philippine peso, South African rand and the euro. During 2004, the weakening of the dollar against these currencies impacted EBIT by approximately $14 million.

The Company has significant Japanese sales denominated in Japanese yen as well as European sales denominated primarily in euro and Swedish krona. Product and shipping costs associated with a portion of these sales are U.S. dollar-denominated. During 2004, the weakening of the dollar, primarily against the Japanese yen and major European currencies, positively impacted 2004 revenues by approximately $190 million. This favorable revenue impact to EBIT was partially offset by Japanese yen, euro and Swedish krona denominated sales, marketing and general and administrative costs, as well as by the impact of hedges. For 2004, the weakening of the dollar against the major currencies in which the Company sells its products, net of current year hedge losses, positively impacted EBIT by $19 million.

In 2004, the Company had approximately $680 million of annual sales denominated in Japanese yen, approximately $1 billion of annual sales denominated in euro and approximately $440 million of annual sales denominated in Swedish krona. The Company currently estimates that a 1% change in the exchange rate of the U.S. dollar to the Japanese yen, the euro and the Swedish krona would impact EBIT by approximately $3.3 million before accounting for foreign exchange hedges.

The Company also has euro and Swedish krona denominated intercompany notes and British pound denominated debt obligations. At January 1, 2005, the euro and Swedish krona denominated intercompany notes amounted to $11.7 million and $19.3 million, respectively. In 2004, changes in the exchange rate between the U.S. dollar and the euro and Swedish krona resulted in losses on these notes of $2.8 million. The British pound denominated debt is primarily related to capital lease obligations, which are owed by subsidiaries whose functional currency is the U.S. dollar. These lease obligations amounted to $91.9 million at January 1, 2005. Fluctuations in the British pound to U.S. dollar exchange rate result in gains and losses that are recognized through results of operations. In 2004, the Company recognized $6.9 million in exchange losses relating to these obligations.

The ultimate impact of future changes to these and other currency exchange rates on 2005 revenues, operating income, net income, equity and comprehensive income is not determinable at this time.

Some of the Company s divisions operate in functional currencies other than the U.S. dollar. The net assets of these divisions are exposed to foreign currency translation gains and losses, which are included as a component of accumulated other comprehensive loss in shareholders equity. Such translation resulted in unrealized gains of $16.4 million in 2004. The Company has historically not attempted to hedge this equity risk.

Commodity Risk: The Company uses a number of commodities in its operations including tinplate in its canned products, plastic resins in its fruit bowls, containerboard in its packaging containers and bunker fuel for its vessels. The Company is most exposed to market fluctuations in prices of containerboard and fuel. The Company currently estimates that a one-percent change in the price of containerboard would impact EBIT by approximately $1.5 million and a one-percent change in the price of bunker fuel per ton would impact EBIT by approximately $0.4 million annually.

Other Matters

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.

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. Following this announcement, Latin producing countries have until April 1, 2005 to request arbitration from the World Trade Organization to lower the tariff. It is too early to predict whether arbitration will occur and, if so, what specific tariff level will result from such arbitration.

Medicare Modernization Act: The Medicare Prescription Drug, Improvements and Modernization Act of 2003 (the Act) was signed into law in December 2003. The Act introduces a prescription drug benefit under Medicare (Medicare Part D), as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a prescription drug benefit that is at least actuarially equivalent to Medicare Part D. In May 2004, the FASB issued Staff Position No. 106-2 (FSP 106-2), *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003.* FSP 106-2 is effective for interim or annual periods beginning after June 15, 2004. The Company has determined that the benefits provided by certain of its postretirement health care plans are actuarially equivalent to Medicare Part D and thus qualify for the subsidy under the Act. However, the Company concluded that the enactment of the Act was not a significant event pursuant to Statement of Financial Accounting Standards No. 106 (FAS 106), *Employers Accounting for Postretirement Benefits Other than Pensions*, and therefore the effects of the Act were not recognized during 2004. As a result there was no impact to the 2004 OPRB expense. The anticipated benefits under the Act have been incorporated in the year-end measurement of plan assets and obligations and accordingly the Company recorded a reduction in the accumulated post-retirement benefit obligation of $8.1 million. It is anticipated that benefits under the Act will reduce the Company s 2005 benefit expense by approximately $0.5 million.

Financial Instruments: The Company s financial instruments are primarily comprised of short-term trade and grower receivables, trade payables, notes receivable and long and short-term notes payable, as well as long-term grower receivables, term loans and debentures. For short-term instruments, the historical carrying amount is a reasonable estimate of fair value. Fair values for long-term financial instruments not readily marketable are estimated based upon discounted future cash flows at prevailing market interest rates.

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Based on these assumptions, with the exception of the Company s fixed rate long-term debt discussed under Interest Rate Risk above, management believes the fair market values of the Company s financial instruments are not materially different from their recorded amounts as of January 1, 2005 and January 3, 2004.

During 2004, the Company s derivative instruments, 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*, consisted of euro and Japanese yen denominated foreign currency exchange forwards and bunker fuel hedges. The Company enters into foreign currency exchange forward contracts to reduce its risk related to anticipated dollar equivalent foreign currency cash flows. Prior to January 1, 2005, all foreign currency exchange forwards were settled. The fair value of outstanding foreign currency exchange forwards totaled $(16) million as of January 3, 2004. The Company enters into bunker fuel hedges to reduce its risk related to price fluctuations on anticipated bunker fuel purchases. At January 1, 2005, bunker fuel hedges in an aggregate outstanding notional amount of $6.4 million, were designated and effective as hedges of future cash flows under FAS 133. The fair value of outstanding bunker fuel hedges, which totaled $0.2 million as of January 1, 2005, was included as a component of accumulated other comprehensive income in shareholders equity. Settlement of these contracts will occur in 2005. There were no outstanding bunker fuel hedges as of January 3, 2004.

The counterparties to the foreign currency exchange forward contracts consist of a number of major international financial institutions. The Company has established counterparty guidelines and regularly monitors its positions and the financial strength of these institutions. While counterparties to hedging contracts expose the Company to credit-related losses in the event of a counterparty s non-performance, the risk would be limited to the unrealized gains on such affected contracts. The Company does not anticipate any such losses. The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

Related Party Transactions: In September 1998, the Company acquired 60% of Saba. On December 30, 2004, the Company acquired the remaining 40% minority interest of Saba (See Note 5 to the Consolidated Financial Statements). Prior to the Company s acquisition of the minority interest, the 40% minority interest was held 25% by another Swedish company and 15% by a Swedish co-op. As part of its normal operations, Saba routinely sells fresh fruit, vegetables and flowers to entities in which these minority shareholders are principal owners. Revenues from these entities were $349.6 million, $327 million and $211 million during 2004, 2003 and 2002, respectively. The Company does not anticipate any significant changes to ongoing revenues from these entities as a result of the Company s acquisition of the Saba minority interest.

On March 28, 2003, the Company completed the going-private merger transaction with DHM Holding Company, Inc. and became wholly owned by David H. Murdock, the Company s Chairman and Chief Executive Officer, through DHM Holding Company, Inc.

Mr. Murdock owns Castle & Cooke, Inc. (Castle) as well as a transportation equipment leasing company, a private dining club and a private country club, which supply products and provide services to numerous customers and patrons. During 2004, 2003 and 2002, the Company paid Mr. Murdock s companies an aggregate of approximately $5.2 million, $5 million and $4 million, respectively, primarily for the rental of truck chassis, generator sets and warehousing services. Castle purchased approximately $0.4 million of products from the Company in each of 2004, 2003 and 2002, respectively.

The Company and Castle are responsible for 68% and 32%, respectively, of all obligations under an aircraft lease arrangement. The Company and Castle have agreed that each party would be responsible for the direct costs associated with its use of this aircraft, and that all other indirect costs would be shared in proportion to each party s lease obligation percentage. During 2004, 2003 and 2002, the Company s proportionate share of the direct and indirect costs for this aircraft was $2.3 million, $2 million and $0.9 million, respectively.

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In 2003, the Company and Castle began operating their risk management departments on a joint basis. This arrangement enables the Company and Castle to leverage their buying power to optimize their position in the insurance market and take advantage of the market relationships that both companies developed over the years. The Company and Castle share insurance procurement and premium costs based on the relative risk borne by each company as determined under methodologies used by the insurance underwriters. Administrative costs of the risk management department are shared on a 50-50 basis. The Company s share of the risk management department s costs during each of the years 2004 and 2003 was approximately $0.1 million.

The Company retains risk for commercial property losses sustained by the Company and Castle totaling $7.5 million in aggregate and up to $5 million per occurrence, above which the Company has coverage provided through third party insurance carriers. The arrangement, entered into on October 1, 2003 and expiring April 1, 2005, provides for premiums to be paid to the Company by Castle quarterly beginning March 31, 2004 in exchange for the Company s retained risk. The Company received approximately $1 million from Castle during 2004. No amounts were paid by Castle under this arrangement during 2003. The Company paid approximately $0.3 million to Castle for property losses sustained in 2004.

On September 14, 2004, the Company and Castle entered into a tax-free real estate exchange agreement. Under this agreement, the Company transferred unimproved and improved real properties located in California and Hawaii, having an independently appraised aggregate fair market value of approximately $17.3 million, for Castle s unimproved real property located in Westlake Village, California having substantially the same, independently appraised fair market value. Since the exchange of land was between two entities under common control, no gain was recognized on the exchange. The Company subsequently leased the land to a subsidiary of HoldCo for use in the construction of a wellbeing center. Due to its terms, the lease is treated for accounting purposes as a distribution of land and reflected as a non-cash dividend of $6.3 million to Dole Holding Company, LLC in the Company s consolidated financial statements. The non-cash dividend represents the tax adjusted value of the land.

The Company had outstanding net accounts payable of $0.4 million and $0.3 million to Castle at January 1, 2005 and January 3, 2004, respectively.

The Company holds a 40% equity ownership in Compagnie Fruitière, a French company that owns a majority interest in banana and pineapple plantations in Cameroon and the Ivory Coast. Purchases from this entity during 2004, 2003 and 2002 were $84 million, $87 million and $85 million, respectively. The Company s outstanding accounts payable to Compagnie Fruitière amounted to $1.4 million and $2.8 million as of January 1, 2005 and January 3, 2004, respectively.

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 Consolidated Financial Statements (in thousands):

	January 1, 2005	January 3, 2004
	Successor	Successor
	(In thousands)	
Balance Sheet Data:		
Total working capital (current assets less current liabilities)	$ 433,469	$ 279,356
Total assets	$ 4,331,617	$ 3,987,884
Total debt	$ 1,868,922	$ 1,851,100
Total shareholders equity	$ 677,873	$ 456,428

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	Year Ended January 1, 2005	Three Quarters Ended January 3, 2004	Quarter Ended March 22, 2003	Year Ended January 3, 2004	Year Ended December 28, 2002
	Successor	Successor	Predecessor	Combined	Predecessor
			(In thousands)		
Other Financial Data:					
Net income	$ 134,418	$ 23,117	$ 60,788	$ 83,905	$ 36,281
Interest expense	152,704	124,491	19,647	144,138	