DOLE FOOD COMPANY INC
Form 10-Q
May 08, 2006

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

(Mark One)

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

**For the quarterly period ended March 25, 2006**
**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)** | **(I.R.S. Employer Identification No.)** |

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer o Non-accelerated filer þ

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

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

| **Class** | **Shares Outstanding at May 5, 2006** |
|---|---|
| Common Stock, $0.001 Par Value | 1,000 |

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

| | Quarter Ended | |
|---|---|---|
| | **March 25, 2006** | **March 26, 2005** |
| Revenues, net | $ 1,400,006 | $ 1,442,133 |
| Cost of products sold | 1,269,545 | 1,226,186 |
| Gross margin | 130,461 | 215,947 |
| Selling, marketing and general and administrative expenses | 107,466 | 114,818 |
| Operating income | 22,995 | 101,129 |
| Other income (expense), net | (1,086) | 2,950 |
| Interest income | 1,474 | 1,075 |
| Interest expense | 34,425 | 36,059 |
| Income (loss) before income taxes, minority interests and equity earnings | (11,042) | 69,095 |
| Income taxes | (4,218) | 53,421 |
| Minority interests, net of income taxes | 617 | 499 |
| Equity in earnings of unconsolidated subsidiaries, net of income taxes | (1,522) | (1,979) |
| Net income (loss) | $ (5,919) | $ 17,154 |

*See Accompanying Notes to Condensed Consolidated Financial Statements*

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**DOLE FOOD COMPANY, INC.**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
(Unaudited)
(In thousands, except share data)

| | March 25, 2006 | December 31, 2005 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 53,940 | $ 48,812 |
| Receivables, net of allowances of $56,239 and $58,585, respectively | 732,066 | 637,636 |
| Inventories | 650,273 | 623,497 |
| Prepaid expenses | 66,877 | 58,864 |
| Deferred income tax assets | 37,595 | 34,756 |
| Total current assets | 1,540,751 | 1,403,565 |
| Investments | 77,883 | 76,753 |
| Property, plant and equipment, net of accumulated depreciation of $742,509 and $705,115, respectively | 1,498,832 | 1,508,597 |
| Goodwill | 540,280 | 540,280 |
| Intangible assets, net | 725,671 | 726,700 |
| Other assets, net | 153,194 | 153,832 |
| **Total assets** | $ 4,536,611 | $ 4,409,727 |
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | |
| Accounts payable and accrued liabilities | $ 832,494 | $ 842,488 |
| Current portion of long-term debt | 25,001 | 25,020 |
| Notes payable | 51,876 | 1,394 |
| Total current liabilities | 909,371 | 868,902 |
| Long-term debt | 2,056,046 | 2,000,843 |
| Deferred income tax liabilities | 353,484 | 355,647 |
| Other long-term liabilities | 551,267 | 546,305 |
| Minority interests | 21,424 | 21,487 |
| Contingencies (Note 9) | | |
| Shareholders equity | | |
| Common stock $0.001 par value; 1,000 shares authorized, issued and outstanding | | |
| Additional paid-in capital | 468,422 | 440,032 |
| Retained earnings | 183,672 | 192,991 |
| Accumulated other comprehensive loss | (7,075) | (16,480) |
| Total shareholders equity | 645,019 | 616,543 |
| **Total liabilities and shareholders equity** | $ 4,536,611 | $ 4,409,727 |

*See Accompanying Notes to Condensed Consolidated Financial Statements*

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

| | Quarter Ended | |
|---|---|---|
| | **March 25, 2006** | **March 26, 2005** |
| **Operating activities** | | |
| Net income (loss) | $ (5,919) | $ 17,154 |
| Adjustments to reconcile net income (loss) to cash flow used in operating activities: | | |
| Depreciation and amortization | 32,962 | 33,466 |
| Unrealized foreign currency exchange loss (gain) | 1,044 | (493) |
| Asset write-offs and gain on sale of assets, net | 123 | (1,702) |
| Minority interests and equity earnings, net | (905) | (1,480) |
| Deferred income taxes | (5,127) | 12,748 |
| Pension expense | 3,374 | 3,883 |
| Amortization of debt issuance costs | 1,124 | 1,935 |
| Other | 1,314 | 1,554 |
| Changes in operating assets and liabilities: | | |
| Receivables | (86,568) | (142,330) |
| Inventories | (24,314) | (32,008) |
| Prepaid expenses and other assets | (8,196) | (5,506) |
| Accounts payable and accrued liabilities | (21,768) | 69,434 |
| Other long-term liabilities | 3,738 | (1,596) |
| Cash flow used in operating activities | (109,118) | (44,941) |
| **Investing activities** | | |
| Proceeds from sales of assets | 1,330 | 3,093 |
| Acquisitions and investments | | (47,094) |
| Capital additions | (24,206) | (15,358) |
| Repurchase of common stock in the going-private merger transaction | (100) | (49) |
| Cash flow used in investing activities | (22,976) | (59,408) |
| **Financing activities** | | |
| Short-term debt borrowings | 58,666 | 322 |
| Short-term debt repayments | (725) | (10,757) |
| Long-term debt borrowings, net of debt issuance costs | 262,101 | 299,827 |
| Long-term debt repayments | (208,292) | (198,023) |
| Capital contributions | 28,390 | |
| Dividends paid to minority shareholders | (684) | (1,777) |
| Dividends paid | (3,400) | |
| Cash flow provided by financing activities | 136,056 | 89,592 |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | 1,166 | (2,610) |

| | | |
|---|---|---|
| Increase (decrease) in cash and cash equivalents | 5,128 | (17,367) |
| Cash and cash equivalents at beginning of period | 48,812 | 79,217 |
| Cash and cash equivalents at end of period | $ 53,940 | $ 61,850 |

*See Accompanying Notes to Condensed Consolidated Financial Statements*

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

## 1. BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited condensed consolidated financial statements of Dole Food Company, Inc. and its consolidated subsidiaries ( Dole or the Company ) include all adjustments necessary, which are of a normal recurring nature, to present fairly the Company s financial position, results of operations and cash flows. The Company operates under a 52/53-week year. The quarters ended March 25, 2006 and March 26, 2005 are twelve weeks in duration. For a summary of significant accounting policies and additional information relating to the Company s financial statements, refer to the Notes to Consolidated Financial Statements in Item 8 of the Company s Annual Report on Form 10-K ( Form 10-K ) for the year ended December 31, 2005.

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

Certain amounts in the prior year financial statements and related footnotes have been reclassified to conform with the 2006 presentation.

## 2. INCOME TAXES

Income tax benefit for the quarter ended March 25, 2006 of $4.2 million reflects the Company s expected effective income tax rate of approximately 38.2% for the full fiscal year ending December 30, 2006. Income tax expense of $14.8 million for the quarter ended March 26, 2005, which excludes the $38.6 million impact of the repatriation of certain foreign earnings, reflects the Company s then expected effective income tax rate of approximately 21% on earnings for the full fiscal year ended December 31, 2005.

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

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

During the second fiscal quarter of 2005, the Company repatriated $570 million of earnings from its foreign subsidiaries, of which approximately $489 million qualified for the 85% dividends received deduction under Section 965.

*Income Tax Audits:* 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. Specifically, the Company is routinely under examination by the Internal Revenue Service. The current examination includes the years 1995 through 2001. Matters raised upon audit may involve substantial amounts and could result in material cash payments if resolved unfavorably; however, the Company does not believe that any material payments will be made related

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

to these matters within the next twelve months. In addition, the Company considers it unlikely that the resolution of these matters will have a material adverse effect on its results of operations.

*Honduran Tax Case:* In 2005, the Company received a tax assessment from Honduras of approximately $137 million (including the claimed tax, penalty, and interest through the date of assessment) relating to the disposition of all of the Company s interest in Cervecería Hondureña, S.A in 2001. The Company believes the assessment is without merit and filed an appeal with the Honduran tax authorities, which was denied. As a result of the denial in the administrative process, in order to negate the tax assessment, on August 5, 2005, the Company proceeded to the next stage of the appellate process by filing a lawsuit against the Honduran government, in the Honduran Administrative Tax Trial Court. The Honduran government is seeking dismissal of the lawsuit and attachment of assets, which the Company is challenging. No reserve has been provided for this assessment.

## 3. INVENTORIES

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

| | March 25, 2006 | December 31, 2005 |
|---|---|---|
| Finished products | $ 319,624 | $ 290,593 |
| Raw materials and work in progress | 149,224 | 145,146 |
| Crop-growing costs | 130,465 | 139,271 |
| Operating supplies and other | 50,960 | 48,487 |
| | $ 650,273 | $ 623,497 |

## 4. GOODWILL AND INTANGIBLE ASSETS

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

| | Fresh Fruit | Fresh Vegetables | Packaged Foods | Fresh-cut Flowers | Other | Total |
|---|---|---|---|---|---|---|
| Balance as of March 25, 2006 and December 31, 2005 | $ 376,355 | $ 97,868 | $ 66,057 | $ | $ | $ 540,280 |

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

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

| | March 25, 2006 | December 31, 2005 |
|---|---|---|
| Amortized intangible assets: | | |
| Customer relationships | $ 38,501 | $ 38,501 |
| Other amortized intangible assets | 9,076 | 9,064 |
| | 47,577 | 47,565 |
| Accumulated amortization customer relationships | (10,066) | (9,219) |
| Other accumulated amortization | (6,358) | (6,164) |
| Accumulated amortization intangible assets | (16,424) | (15,383) |
| Intangible assets, net | 31,153 | 32,182 |
| Unamortized intangible assets: | | |
| Trademark, trade names and other related intangibles | 694,518 | 694,518 |
| Total intangible assets, net | $ 725,671 | $ 726,700 |

Amortization expense of intangible assets for the quarters ended March 25, 2006 and March 26, 2005 totaled $1 million and $2.8 million, respectively. As of March 25, 2006, the estimated remaining amortization expense associated with the Company s intangible assets for the remainder of 2006 and in each of the next four fiscal years is as follows (in thousands):

| Fiscal Year | Amount |
|---|---|
| 2006 | $ 3,325 |
| 2007 | $ 3,677 |
| 2008 | $ 3,677 |
| 2009 | $ 3,677 |
| 2010 | $ 3,677 |

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

## 5. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consisted of the following amounts (in thousands):

| | March 25, 2006 | December 31, 2005 |
|---|---|---|
| Unsecured debt: | | |
| 8.625% notes due 2009 | $ 350,000 | $ 350,000 |
| 7.25% notes due 2010 | 400,000 | 400,000 |
| 8.875% notes due 2011 | 200,000 | 200,000 |
| 8.75% debentures due 2013 | 155,000 | 155,000 |
| Secured debt: | | |
| Revolving credit facilities | 192,000 | 137,000 |
| Term loan facilities | 698,879 | 698,149 |
| Contracts and notes due 2006 2010, at a weighted-average interest rate of 6.87% (6.86% in 2005) | 5,863 | 5,952 |
| Capital lease obligations | 80,444 | 80,971 |
| Unamortized debt discount | (1,139) | (1,209) |
| Notes payable | 51,876 | 1,394 |
| | 2,132,923 | 2,027,257 |
| Current maturities | (76,877) | (26,414) |
| | $ 2,056,046 | $ 2,000,843 |

The Company amortized deferred debt issuance costs of $1.1 million and $1.9 million during the quarters ended March 25, 2006 and March 26, 2005, respectively.

As of March 25, 2006, the term loan facilities consisted of $306.9 million of Term Loan A and $392 million of Term Loan B. The weighted average variable interest rates at March 25, 2006 for Term Loan A and Term Loan B were 1.6% and 6.3%, respectively. During 2005, the Company entered into an interest rate swap to fix Term Loan A into a fixed-rate basis through the term of the loan. The interest rate swap fixed the interest rate at 2.05%. The fair value of the swap was $5.8 million at March 25, 2006.

During January 2006, the Company increased its revolving credit facilities from $300 million to $360 million. At March 25, 2006, the Company had $192 million of outstanding borrowings under the $360 million revolving credit portion of the senior secured credit facilities. After taking into account approximately $83.9 million of outstanding letters of credit and bank guarantees issued against these facilities, the Company had approximately $84.1 million available for future borrowings under these facilities. As of March 25, 2006, the weighted average variable interest rate on the revolving credit facilities was 6.5%.

During April 2006, the Company completed an amendment and restatement of its senior secured credit facilities, consisting of the revolving credit and term loan facilities. Refer to Note 12 for further information.

Provisions under the recently repaid senior secured credit facilities and the indentures to the Company s senior notes and debentures required the Company to comply with certain covenants. These covenants include financial performance measures, as well as limitations on, among other things, indebtedness, investments, loans to subsidiaries, employees and third parties, the issuance of guarantees and the payment of dividends. In connection with the

refinancing, the Company obtained a waiver for certain covenants for the first quarter ended March 25, 2006. The Company was in compliance with the remaining covenants at March 25, 2006.

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

## 6. SHAREHOLDERS EQUITY

*Comprehensive Income*

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

| | Quarter Ended | |
|---|---|---|
| | March 25, 2006 | March 26, 2005 |
| Net income (loss) | $ (5,919) | $ 17,154 |
| Unrealized foreign currency exchange translation gain (loss) | 2,278 | (7,646) |
| Reclassification of realized cash flow hedging gains to net income (loss) | (1,271) | (106) |
| Unrealized net gain (loss) on cash flow hedging instruments | 8,398 | (646) |
| Comprehensive income | $ 3,486 | $ 8,756 |

*Capital Contribution*

On March 3, 2006, DHM Holding Company, Inc. ( HoldCo ) executed a $150 million senior secured term loan agreement. In March 2006, HoldCo contributed $28.4 million to Dole Holding Company, LLC, the Company s immediate parent, which contributed the funds to the Company. The Company intends to dividend this entire amount back to Dole Holding Company, LLC by the end of 2006 for further dividend to HoldCo.

*Dividends*

During the quarter ended March 25, 2006, the Company declared and paid a dividend of $3.4 million to its parent company, Dole Holding Company, LLC. The Company did not declare or pay a dividend to its parent company during the quarter ended March 26, 2005.

As discussed in Note 12, the Company declared a dividend of $161 million to its immediate parent, Dole Holding Company, LLC, in April 2006.

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

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

## 7. EMPLOYEE BENEFIT PLANS

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

| | U.S. Pension Plans | | Foreign Pension Plans | | OPRB Plans | |
|---|---|---|---|---|---|---|
| | Quarter Ended | | Quarter Ended | | Quarter Ended | |
| | March 25, 2006 | March 26, 2005 | March 25, 2006 | March 26, 2005 | March 25, 2006 | March 26, 2005 |
| **Components of net periodic benefit cost:** | | | | | | |
| Service cost | $ 408 | $ 438 | $ 878 | $ 890 | $ 65 | $ 19 |
| Interest cost | 3,918 | 4,063 | 1,461 | 1,312 | 900 | 1,169 |
| Expected return on plan assets | (4,159) | (4,171) | (85) | (78) | | |
| Amortization of: | | | | | | |
| Unrecognized net loss (gain) | 145 | 198 | 53 | 35 | (26) | 5 |
| Unrecognized prior service cost (benefit) | | 1 | 11 | 15 | (211) | (25) |
| Unrecognized net transition obligation | | | 16 | 12 | | |
| | $ 312 | $ 529 | $ 2,334 | $ 2,186 | $ 728 | $ 1,168 |

Under the Internal Revenue Service funding requirements, no contribution will be required for 2006. However, the Company may make contributions to its U.S. qualified plan in 2006 at its election. Contributions to the qualified U.S. pension plan in excess of the minimum funding requirements are voluntary and may change depending on the Company s operating performance or at management s discretion. During the first quarter of 2006, the Company did not make any voluntary pension contributions to its qualified U.S. pension plan.

## 8. SEGMENT INFORMATION

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

Management evaluates and monitors segment performance primarily through earnings before interest expense and income taxes ( EBIT ). EBIT is calculated by adding income taxes and interest expense to net income. Management believes that segment EBIT provides useful information for analyzing the underlying business results as well as allowing investors a means to evaluate the financial results of each segment in relation to the Company as a whole. EBIT is not defined under accounting principles generally accepted in the United States ( GAAP ) and should not be considered in isolation or as a substitute for net income measures prepared in accordance with GAAP or as a measure of the Company s profitability. Additionally, the Company s computation of EBIT may not be comparable to other similarly titled measures computed by other companies, because not all companies calculate EBIT in the same fashion.

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

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

| | Quarter Ended | |
|---|---|---|
| | **March 25, 2006** | **March 26, 2005** |
| Revenues from external customers: | | |
| Fresh fruit | $ 897,024 | $ 939,527 |
| Fresh vegetables | 243,203 | 253,606 |
| Packaged foods | 195,947 | 190,290 |
| Fresh-cut flowers | 58,164 | 52,719 |
| Other operating segments | 5,668 | 5,991 |
| | $ 1,400,006 | $ 1,442,133 |
| EBIT: | | |
| Fresh fruit | $ 20,223 | $ 76,509 |
| Fresh vegetables | 4,560 | 19,204 |
| Packaged foods | 14,881 | 17,927 |
| Fresh-cut flowers | (395) | 4,558 |
| Other operating segments | 150 | 75 |
| Total operating segments | 39,419 | 118,273 |
| Corporate | (15,131) | (11,639) |
| Interest expense | 34,425 | 36,059 |
| Income (loss) before income taxes | $ (10,137) | $ 70,575 |

A majority of the Company s equity earnings in unconsolidated subsidiaries, which have been included in EBIT in the table above, relate to the fresh fruit operating segment.

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

| | **March 25, 2006** | **December 31, 2005** |
|---|---|---|
| Fresh fruit | $ 2,379,414 | $ 2,301,090 |
| Fresh vegetables | 455,635 | 451,490 |
| Packaged foods | 653,524 | 639,999 |
| Fresh-cut flowers | 157,617 | 153,565 |
| Other operating segments | 16,887 | 12,478 |
| Total operating segments | 3,663,077 | 3,558,622 |
| Corporate | 873,534 | 851,105 |

| | | | |
|---|---|---|---|
| | $ | 4,536,611 | $ 4,409,727 |

**9. CONTINGENCIES**

The Company is a guarantor of indebtedness of some of its key fruit suppliers and other entities integral to the Company s operations. At March 25, 2006, guarantees of $2.5 million consisted primarily of amounts

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

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 the now-eliminated banana import license fees that were granted to the European Union member states agricultural authority. These guarantees are obtained from commercial banks in the form of letters of credit or bank guarantees. In addition, the Company issues letters of credit and bonds through major banking institutions and insurance companies as required by certain vendor and other operating agreements. As of March 25, 2006, total letters of credit and bonds outstanding were $110.4 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 $140.9 million of its subsidiaries obligations to their suppliers and other third parties as of March 25, 2006.

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

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

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

Currently there are 554 lawsuits, in various stages of proceedings, alleging injury as a result of exposure to DBCP or seeking enforcement of Nicaraguan judgments. Seventeen of these lawsuits are currently pending in various jurisdictions in the United States. One case pending in Los Angeles Superior Court with 13 Nicaraguan plaintiffs has a trial date of January 24, 2007. Another case in Galveston, Texas with 1,463 claimants

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

from 14 different countries has a trial planned for January 2007. The remaining cases are pending in Latin America and the Philippines, including 347 labor cases pending in Costa Rica under that country s national insurance program. Claimed damages in DBCP cases worldwide total approximately $35.2 billion, with the lawsuits in Nicaragua representing approximately 85% of this amount. In almost all of the non-labor cases, the Company is a joint defendant with the major DBCP manufacturers and, typically, other banana growers. Except as described below, none of these lawsuits has resulted in a verdict or judgment against the Company.

In Nicaragua, 168 cases are currently filed in various courts throughout the country, with all but one of the lawsuits brought pursuant to Law 364, an October 2000 Nicaraguan statute that contains substantive and procedural provisions that Nicaragua s Attorney General formally opined are unconstitutional. In October 2003, the Supreme Court of Nicaragua issued an advisory opinion, not connected with any litigation, that Law 364 is constitutional.

Seventeen cases have resulted in judgments in Nicaragua: $489.4 million (nine cases consolidated with 468 claimants) on December 11, 2002; $82.9 million (one case with 58 claimants) on February 25, 2004; $15.7 million (one case with 20 claimants) on May 25, 2004; $4 million (one case with four claimants) on May 25, 2004; $56.5 million (one case with 72 claimants) on June 14, 2004; $64.8 million (one case with 86 claimants) on June 15, 2004; $27.7 million (one case with 39 claimants) on March 17, 2005; $98.5 million (one case with 150 claimants) on August 8, 2005; and $46.4 million (one case with 62 claimants) on August 20, 2005. The Company has appealed all judgments to the Nicaragua Courts of Appeal, with the Company s appeal of the August 8, 2005 $98.5 million judgment now activated by the court.

There are 20 active cases currently pending in civil courts in Managua (10), Chinandega (8) and Puerto Cabezas (2), all of which have been brought under Law 364 except for one of the cases pending in Chinandega. Six of the active cases pending before the court in Chinandega have been consolidated for trial, which seeks $3.4 billion on behalf of 1,708 claimants. Trial in this consolidated case commenced November 25, 2005. In the 19 active cases under Law 364, except for one case in Chinandega and one in Managua, the Company has sought to have the cases returned to the United States pursuant to Law 364. Notwithstanding, the Chinandega court denied the Company s request in the six consolidated cases pending there; the Managua court denied the Company s request with respect to one of the cases pending there; and the court in Puerto Cabezas denied the Company s request with respect to the two cases there. The Company s requests as to eight of the cases in Managua are still pending; and the Company expects to make similar requests in the remaining two cases at the appropriate time. The Company has appealed the two decisions of the court in Puerto Cabezas, the decision of the court in Managua and the six decisions of the court in Chinandega.

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

Claimants have also indicated their intent to seek enforcement of the Nicaraguan judgments in Colombia, Ecuador, Venezuela and other countries in Latin America and elsewhere, including the United States. In Venezuela, the claimants are attempting to enforce five of the Nicaraguan judgments in that country s Supreme Court: $489.4 million (December 11, 2002); $82.9 million (February 25, 2004); $15.7 million (May 25, 2004); $56.5 million (June 14, 2004); and $64.8 million (June 15, 2004). An action recently filed to enforce the $27.7 million Nicaraguan judgment (March 17, 2005) in the Colombian Supreme Court was dismissed. In Ecuador, the claimants attempted to enforce the five Nicaraguan judgments issued between February 25, 2004 through June 15, 2004 in the Ecuador Supreme Court. The First, Second and Third Chambers of the Ecuador Supreme Court issued rulings refusing to consider those enforcement actions on the ground that the Supreme Court was not a court of competent jurisdiction for enforcement of a foreign

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

judgment. The plaintiffs subsequently refiled those five enforcement actions in the civil court in Guayaquil, Ecuador. Two of these subsequently filed enforcement actions have been dismissed by the 3rd Civil Court $15.7 million (May 25, 2004) and the 12th Civil Court $56.5 million (June 14, 2004) in Guayaquil; plaintiffs have sought reconsideration of those dismissals. The remaining three enforcement actions are still pending.

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

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

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

Following the public announcement of the EC searches, a number of class action lawsuits were filed against the Company and three competitors in the U.S. District Court for the Southern District of Florida. The lawsuits were filed on behalf of entities that directly or indirectly purchased bananas from the defendants and have now been consolidated into two separate class action lawsuits: one by direct purchasers (customers); and another by indirect purchasers (those who purchased bananas from customers). Both consolidated class action lawsuits allege that the defendants conspired to artificially raise or maintain prices and control or restrict output of bananas. The Company believes these lawsuits are without merit.

*Honduran Tax Case:* In 2005, the Company received a tax assessment from Honduras of approximately $137 million (including the claimed tax, penalty, and interest through the date of assessment) relating to the disposition of all of the Company s interest in Cervecería Hondureña, S.A in 2001. The Company believes the assessment is without merit and filed an appeal with the Honduran tax authorities, which was denied. As a result of the denial in the administrative process, in order to negate the tax assessment, on August 5, 2005, the Company proceeded to the next stage of the appellate process by filing a lawsuit against the Honduran government, in the Honduran Administrative Tax Trial Court. The Honduran government is seeking dismissal of the lawsuit and attachment of assets, which the Company is challenging. No reserve has been provided for this assessment.

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

**10. IMPACT OF HURRICANE KATRINA**

During the third quarter of 2005, the Company s operations in the Gulf Coast area of the United States were impacted by Hurricane Katrina. The Company s fresh fruit division utilizes the Gulfport, Mississippi port facility to receive and store product from its Latin American operations. The Gulfport facility, which is leased from the Mississippi Port Authority, incurred significant damage from Hurricane Katrina. As a result of the damage sustained at the Gulfport terminal, the Company diverted shipments to other Dole port facilities including Freeport, Texas; Port Everglades, Florida; and Wilmington, Delaware. The Company resumed discharging shipments of fruit and other cargo in Gulfport at the beginning of the fourth quarter of 2005. However, the facility has not yet been fully rebuilt. The financial impact to the Company s fresh fruit operations includes the loss of cargo and equipment, property damage and additional costs associated with re-routing product to other ports in the region. Equipment that was destroyed or damaged includes refrigerated and dry shipping containers, as well as chassis and generator-sets used for land transportation of the shipping containers.

During the first quarter of 2006, the Company incurred direct incremental expenses of $0.7 million related to Hurricane Katrina, bringing the total charge to $10.8 million. The total charge includes direct incremental expenses of $4.8 million, write-offs of owned assets with a net book value of $4.1 million and leased assets of $1.9 million representing amounts due to lessors. The Company maintains customary insurance for its property, including shipping containers, as well as for business interruption. During the first quarter of 2006, the Company collected $5.1 million from insurance carriers related to cargo and property damage bringing the total cash collected to $11.1 million. Subsequent to the first quarter of 2006, the Company collected an additional $0.4 million. The Company is continuing to work with its insurers to evaluate the extent of the costs incurred as a result of the hurricane damage and to determine the extent of the insurance coverage for that damage.

**11. BUSINESS RESTRUCTURING**

In the first quarter of 2006, the commercial relationship substantially ended between Dole s wholly owned subsidiary, Saba Trading AB ( Saba ), and Saba s largest customer. Saba is a leading importer and distributor of fruit, vegetables and flowers in Scandinavia. Saba s financial results are included in Dole s fresh fruit reporting segment. Other than the expected charges described below, the loss of this customer s business is not expected to be material to Dole s ongoing earnings. In connection with this recent event, Dole plans on restructuring certain lines of Saba s business and expects to incur related costs. Total costs incurred, consisting primarily of employee-related severance costs, amounted to approximately $5.3 million during the quarter ended March 25, 2006. The Company currently estimates that the total restructuring costs will approximate $18 million in the aggregate. However, the timing and exact amount of the charges are yet to be determined, as well as Dole s potential contractual claims against this customer pending the results of current discussions.

**12. SUBSEQUENT EVENTS**

*Refinancing and Dividend Transactions:* On April 12, 2006, the Company completed an amendment and restatement of its senior secured credit facilities. The Company obtained $975 million of term loan facilities and $100 million in a pre-funded letter of credit facility. The proceeds of the term loans were used to repay the outstanding term loans under the Company s existing senior secured credit facilities. In addition, the Company paid a dividend of $161 million to its immediate parent, Dole Holding Company, LLC, which proceeds were used to repay in full its Second Lien Senior Credit Facility. The terms and covenants under the new senior secured credit facilities are similar to those under the Company s existing senior secured credit facilities except that the new facilities do not contain financial maintenance or maximum capital expenditure covenants.

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

Additionally, the Company entered into a new asset-based revolving credit facility of $350 million. The facility is secured and is subject to a borrowing base consisting of up to 85% of eligible accounts receivable plus a predetermined percentage of eligible inventory, as specified in the credit facility.

The purposes of the refinancing include increasing the size of the Company s revolving credit and letter of credit facilities and eliminating certain financial maintenance covenants, realizing currency gains arising out of the Company s existing senior secured credit facilities, and refinancing of the higher-cost bank indebtedness of Dole Holding Company, LLC, at the lower-cost Dole Food Company, Inc. level.

## 13. GUARANTOR FINANCIAL INFORMATION

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

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

As of January 1, 2006, Dole Packaged Frozen Foods, Inc. was converted to a limited liability company. In addition, the assets and liabilities of the Dole Packaged Foods division were contributed to Dole Packaged Frozen Foods, Inc., and the combined entity was renamed Dole Packaged Foods, LLC. Prior to January 1, 2006, Dole Packaged Foods was included as a division of Dole Food Company, Inc. for all guarantor financial statements presented. Subsequent to the change in structure effective January 1, 2006, Dole Packaged Foods, LLC is presented as a Guarantor for disclosure purposes in the accompanying condensed consolidated financial statements for the quarter ended March 25, 2006.

The following are condensed consolidating statements of operations of the Company for the quarters ended March 25, 2006 and March 26, 2005; condensed consolidating balance sheets as of March 25, 2006 and December 31, 2005; and condensed consolidating statements of cash flows for the quarters ended March 25, 2006 and March 26, 2005.

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**DOLE FOOD COMPANY, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(Unaudited)
**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**
**For the Quarter Ended March 25, 2006**

| | Dole Food Company, Inc. | Guarantors | Non Guarantors | Eliminations | Total |
|---|---|---|---|---|---|
| (In thousands) | | | | | |
| Revenues, net | $ 11,329 | $ 702,652 | $ 1,000,921 | $ (314,896) | $ 1,400,006 |
| Cost of products sold | 9,696 | 632,178 | 939,428 | (311,757) | 1,269,545 |
| Gross margin | 1,633 | 70,474 | 61,493 | (3,139) | 130,461 |
| Selling, marketing and general and administrative expenses | 15,498 | 45,063 | 50,044 | (3,139) | 107,466 |
| Operating income | (13,865) | 25,411 | 11,449 | | 22,995 |
| Equity in subsidiary income | 17,325 | (4,730) | | (12,595) | |
| Other income (expense), net | (1) | | (1,085) | | (1,086) |
| Interest income | 186 | 79 | 1,209 | | 1,474 |
| Interest expense | 24,118 | 74 | 10,233 | | 34,425 |
| Income (loss) before income taxes, minority interests and equity earnings | (20,473) | 20,686 | 1,340 | (12,595) | (11,042) |
| Income taxes | (14,590) | 3,897 | 6,475 | | (4,218) |
| Minority interests, net of income taxes | 36 | 254 | 327 | | 617 |
| Equity in earnings of unconsolidated subsidiaries, net of income taxes | | (450) | (1,072) | | (1,522) |
| Net income (loss) | $ (5,919) | $ 16,985 | $ (4,390) | $ (12,595) | $ (5,919) |

**For the Quarter Ended March 26, 2005**

| | Dole Food Company, Inc. | Guarantors | Non Guarantors | Eliminations | Total |
|---|---|---|---|---|---|
| (In thousands) | | | | | |
| Revenues, net | $ 127,259 | $ 583,433 | $ 1,036,999 | $ (305,558) | $ 1,442,133 |
| Cost of products sold | 95,496 | 519,636 | 914,156 | (303,102) | 1,226,186 |
| Gross margin | 31,763 | 63,797 | 122,843 | (2,456) | 215,947 |
| | 32,287 | 27,924 | 57,063 | (2,456) | 114,818 |

| | | | | | |
|---|---|---|---|---|---|
| Selling, marketing and general and administrative expenses | | | | | |
| Operating income (loss) | (524) | 35,873 | 65,780 | | 101,129 |
| Equity in subsidiary income | 86,357 | 65,570 | | (151,927) | |
| Other income (expense), net | | | 2,950 | | 2,950 |
| Interest income | 27 | 58 | 990 | | 1,075 |
| Interest expense | 31,945 | 41 | 4,073 | | 36,059 |
| Income before income taxes, minority interests and equity earnings | 53,915 | 101,460 | 65,647 | (151,927) | 69,095 |
| Income taxes | 36,467 | 15,036 | 1,918 | | 53,421 |
| Minority interests, net of income taxes | 294 | 26 | 179 | | 499 |
| Equity in earnings of unconsolidated subsidiaries, net of income taxes | | (227) | (1,752) | | (1,979) |
| Net income | $ 17,154 | $ 86,625 | $ 65,302 | $ (151,927) | $ 17,154 |

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**DOLE FOOD COMPANY, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(Unaudited)
**CONDENSED CONSOLIDATING BALANCE SHEET**
**As of March 25, 2006**

| | Dole Food Company, Inc. | Guarantors | Non Guarantors | Eliminations | Total |
|---|---|---|---|---|---|
| (In thousands) | | | | | |
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 27,537 | $ (12,381) | $ 38,784 | $ | $ 53,940 |
| Receivables, net of allowances | 270,399 | 10,953 | 450,714 | | 732,066 |
| Inventories | 6,767 | 271,914 | 371,592 | | 650,273 |
| Prepaid expenses | 4,355 | 12,124 | 50,398 | | 66,877 |
| Deferred income tax assets | 9,185 | 24,778 | 3,632 | | 37,595 |
| Total current assets | 318,243 | 307,388 | 915,120 | | 1,540,751 |
| Investments | 2,438,826 | 1,720,229 | 75,881 | (4,157,053) | 77,883 |
| Property, plant and equipment, net | 297,847 | 368,506 | 832,479 | | 1,498,832 |
| Goodwill | 18,224 | 145,702 | 376,354 | | 540,280 |
| Intangible assets, net | 690,242 | 33,338 | 2,091 | | 725,671 |
| Other assets, net | 30,687 | 9,576 | 112,931 | | 153,194 |
| **Total assets** | $ 3,794,069 | $ 2,584,739 | $ 2,314,856 | $ (4,157,053) | $ 4,536,611 |
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | | | | |
| Accounts payable and accrued liabilities | $ 77,185 | $ 310,261 | $ 445,048 | $ | $ 832,494 |
| Current portion of long-term debt | (300) | 898 | 24,403 | | 25,001 |
| Notes payable | | 1,137 | 50,739 | | 51,876 |
| Total current liabilities | 76,885 | 312,296 | 520,190 | | 909,371 |
| Intercompany payables (receivables) | 1,124,318 | (247,707) | (876,611) | | |
| Long-term debt | 1,244,160 | 2,264 | 809,622 | | 2,056,046 |
| Deferred income tax liabilities | 284,587 | 40,283 | 28,614 | | 353,484 |
| Other long-term liabilities | 419,100 | 40,190 | 91,977 | | 551,267 |
| Minority interests | | 5,842 | 15,582 | | 21,424 |
| Total shareholders equity | 645,019 | 2,431,571 | 1,725,482 | (4,157,053) | 645,019 |
| **Total liabilities and shareholders equity** | $ 3,794,069 | $ 2,584,739 | $ 2,314,856 | $ (4,157,053) | $ 4,536,611 |

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**DOLE FOOD COMPANY, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(Unaudited)
**CONDENSED CONSOLIDATING BALANCE SHEET**
**As of December 31, 2005**

| | Dole Food Company, Inc. | Guarantors | Non Guarantors | Eliminations | Total |
|---|---|---|---|---|---|
| (In thousands) | | | | | |
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 12,698 | $ (5,453) | $ 41,567 | $ | $ 48,812 |
| Receivables, net of allowances | 121,316 | 116,226 | 400,094 | | 637,636 |
| Inventories | 101,935 | 171,601 | 349,961 | | 623,497 |
| Prepaid expenses | 5,663 | 10,071 | 43,130 | | 58,864 |
| Deferred income tax assets | 15,946 | 15,282 | 3,528 | | 34,756 |
| Total current assets | 257,558 | 307,727 | 838,280 | | 1,403,565 |
| Investments | 2,271,031 | 1,708,078 | 75,200 | (3,977,556) | 76,753 |
| Property, plant and equipment, net | 299,100 | 360,886 | 848,611 | | 1,508,597 |
| Goodwill | 18,224 | 145,702 | 376,354 | | 540,280 |
| Intangible assets, net | 710,743 | 13,687 | 2,270 | | 726,700 |
| Other assets, net | 34,679 | 9,643 | 109,510 | | 153,832 |
| **Total assets** | $ 3,591,335 | $ 2,545,723 | $ 2,250,225 | $ (3,977,556) | $ 4,409,727 |
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | | | | |
| Accounts payable and accrued liabilities | $ (24,493) | $ 428,142 | $ 438,839 | $ | $ 842,488 |
| Current portion of long-term debt | (300) | 885 | 24,435 | | 25,020 |
| Notes payable | | 1,119 | 275 | | 1,394 |
| Total current liabilities | (24,793) | 430,146 | 463,549 | | 868,902 |
| Intercompany payables (receivables) | 1,072,418 | (229,126) | (843,292) | | |
| Long-term debt | 1,216,090 | 2,451 | 782,302 | | 2,000,843 |
| Deferred income tax liabilities | 294,420 | 32,128 | 29,099 | | 355,647 |
| Other long-term liabilities | 416,657 | 39,684 | 89,964 | | 546,305 |
| Minority interests | | 6,325 | 15,162 | | 21,487 |
| Total shareholders equity | 616,543 | 2,264,115 | 1,713,441 | (3,977,556) | 616,543 |
| **Total liabilities and shareholders equity** | $ 3,591,335 | $ 2,545,723 | $ 2,250,225 | $ (3,977,556) | $ 4,409,727 |

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**DOLE FOOD COMPANY, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(Unaudited)
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**
**For the Quarter Ended March 25, 2006**

| | Dole Food Company, Inc. | Guarantors | Non Guarantors | Eliminations | Total |
|---|---|---|---|---|---|
| (In thousands) | | | | | |
| **Operating activities** | | | | | |
| **Cash flow provided by (used in) operating activities** | $ (37,505) | $ (345) | $ (71,268) | $ | $ (109,118) |
| **Investing activities** | | | | | |
| Proceeds from sales of assets | 1 | 10 | 1,319 | | 1,330 |
| Capital additions | (547) | (13,472) | (10,187) | | (24,206) |
| Repurchase of common stock in the going-private merger transaction | (100) | | | | (100) |
| **Cash flow used in investing activities** | (646) | (13,462) | (8,868) | | (22,976) |
| **Financing activities** | | | | | |
| Short-term debt borrowings | | 7,614 | 51,052 | | 58,666 |
| Short-term debt repayments | | (127) | (598) | | (725) |
| Long-term debt borrowings | 132,700 | | 129,401 | | 262,101 |
| Long-term debt repayments | (104,700) | (172) | (103,420) | | (208,292) |
| Capital contributions | 28,390 | | | | 28,390 |
| Dividends paid to minority shareholders | | (436) | (248) | | (684) |
| Dividends paid | (3,400) | | | | (3,400) |
| **Cash flow provided by (used in) financing activities** | 52,990 | 6,879 | 76,187 | | 136,056 |
| Effect of foreign exchange rate changes on cash and cash equivalents | | | 1,166 | | 1,166 |
| **Increase (decrease) in cash and cash equivalents** | 14,839 | (6,928) | (2,783) | | 5,128 |
| Cash and cash equivalents at beginning of period | 12,698 | (5,453) | 41,567 | | 48,812 |
| **Cash and cash equivalents at end of period** | $ 27,537 | $ (12,381) | $ 38,784 | $ | $ 53,940 |

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

| | Dole Food Company, Inc. | Guarantors | Non Guarantors | Eliminations | Total |
|---|---|---|---|---|---|
| (In thousands) | | | | | |
| **Operating activities** | | | | | |
| **Cash flow provided by (used in) operating activities** | $ (71,044) | $ 7,196 | $ 18,907 | $ | $ (44,941) |
| **Investing activities** | | | | | |
| Proceeds from sales of assets | 38 | 17 | 3,038 | | 3,093 |
| Investments and acquisitions | | | (47,094) | | (47,094) |
| Capital additions | (805) | (4,348) | (10,205) | | (15,358) |
| Repurchase of common stock in the going-private merger transaction | (49) | | | | (49) |
| **Cash flow used in investing activities** | (816) | (4,331) | (54,261) | | (59,408) |
| **Financing activities** | | | | | |
| Short-term debt borrowings | | 322 | | | 322 |
| Short-term debt repayments | | (10,757) | | | (10,757) |
| Long-term debt borrowings | 223,900 | 127 | 75,800 | | 299,827 |
| Long-term debt repayments | (143,900) | (121) | (54,002) | | (198,023) |
| Dividends paid to minority shareholders | | (1,546) | (231) | | (1,777) |
| **Cash flow provided by (used in) financing activities** | 80,000 | (11,975) | 21,567 | | 89,592 |
| Effect of foreign exchange rate changes on cash and cash equivalents | | | (2,610) | | (2,610) |
| **Increase (decrease) in cash and cash equivalents** | 8,140 | (9,110) | (16,397) | | (17,367) |
| Cash and cash equivalents at beginning of period | 9,236 | 3,279 | 66,702 | | 79,217 |
| **Cash and cash equivalents at end of period** | $ 17,376 | $ (5,831) | $ 50,305 | $ | $ 61,850 |

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

**Overview**

In the first quarter of 2006, Dole Food Company, Inc. and its consolidated subsidiaries ( Dole or the Company ) generated revenues of $1.4 billion, reflecting a 3% decrease compared to the prior year. Lower revenues were reported by the Company s fresh fruit and fresh vegetables operating segments. The Company earned operating income of $23 million compared to $101.1 million earned in the prior year. Lower operating income was reported by all four of the Company s primary operating segments. These results reflect higher production, shipping and distribution costs and the impact of unfavorable foreign currency exchange movements. The Company had a net loss of $5.9 million for the first quarter of 2006 compared to net income of $17.2 million in the first quarter of 2005.

**Results of Operations**

Selected results of operations for the quarters ended March 25, 2006 and March 26, 2005 were as follows (in thousands):

| | Quarter Ended | |
|---|---|---|
| | **March 25, 2006** | **March 26, 2005** |
| Revenues, net | $ 1,400,006 | $ 1,442,133 |
| Operating income | $ 22,995 | $ 101,129 |
| Interest income and other income (expense), net | $ 388 | $ 4,025 |
| Interest expense | $ 34,425 | $ 36,059 |
| Minority interests and equity in earnings of unconsolidated subsidiaries, net of income taxes | $ (905) | $ (1,480) |
| Income taxes | $ (4,218) | $ 53,421 |
| Net income (loss) | $ (5,919) | $ 17,154 |

**Revenues**

For the quarter ended March 25, 2006, revenues decreased 3% to $1.4 billion from $1.44 billion in the quarter ended March 26, 2005. The decrease is primarily due to lower sales in the Company s fresh fruit and fresh vegetables segments. Fresh fruit sales decreased mainly due to lower sales in Dole s European ripening and distribution operations. In the first quarter of 2006, Dole ended its commercial relationship with a significant customer of Saba Trading AB ( Saba ), which is part of the European ripening and distribution operations. Fresh fruit sales also were impacted by lower sales volumes of deciduous fruit in North America and lower banana pricing in Asia. Lower sales in the fresh vegetables segment were due to lower pricing in commodity vegetables and lower volumes of packaged salads. In addition, unfavorable foreign currency exchange movements in the Company s foreign selling locations contributed to lower revenues. If foreign currency exchange rates in the Company s significant foreign operations during the first quarter of 2006 had remained unchanged from those experienced in the first quarter of 2005, the Company estimates that its revenues would have been higher by approximately $50 million. These decreases were partially offset by higher volumes of bananas sold in Europe and North America, higher sales of packaged food products in North America and higher pricing and volumes in the fresh-cut flowers operations.

***Operating Income***

For the quarter ended March 25, 2006, operating income decreased to $23 million from $101.1 million in the quarter ended March 26, 2005. The decrease was primarily attributable to lower operating results in all four of the Company s operating segments. Higher product, distribution and shipping costs, which resulted

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primarily from higher commodity costs (including fuel and tinplate) continued to affect the Company s operations. Operating income was also impacted by restructuring costs of $5.3 million incurred at Saba. Unfavorable foreign currency exchange movements also contributed to lower operating results. If foreign currency exchange rates in the Company s significant foreign operations during the first quarter of 2006 had remained unchanged from those experienced in the first quarter of 2005, the Company estimates that its operating income would have been higher by approximately $17 million. Operating income in the first quarter of 2006 included realized foreign currency exchange gains of $1.1 million and foreign currency hedge gains of $0.7 million.

***Interest Income and Other Income (Expense), Net***

For the quarter ended March 25, 2006, interest income and other income (expense), net was $0.4 million compared to $4 million in the prior year. The decrease was due to the change in unrealized foreign currency exchange losses of $3.9 million. During the first quarter of 2006, the Company s Japanese yen denominated term loan and British pound sterling denominated vessel capital lease obligations generated foreign currency exchange losses of $0.7 million and $0.5 million, respectively, compared to a foreign currency exchange gain on the vessel capital lease obligations of $2.7 million during the first quarter of 2005.

***Interest Expense***

Interest expense for the quarter ended March 25, 2006 was $34.4 million compared to $36.1 million in the quarter ended March 26, 2005. Interest expense decreased primarily as a result of lower overall effective borrowing rates due to the Company s second quarter of 2005 refinancing and bond tender transactions.

***Income Tax Expense***

Income tax benefit for the quarter ended March 25, 2006 of $4.2 million reflects the Company s expected effective income tax rate of approximately 38.2% for the full fiscal year ending December 30, 2006. Income tax expense of $14.8 million for the quarter ended March 26, 2005, which excludes the $38.6 million impact of the repatriation of certain foreign earnings, reflects the Company s then expected effective income tax rate of approximately 21% on earnings for the full fiscal year ended December 31, 2005. The increase in the expected tax rate for the full year of 2006 compared to the expected tax rate for the full year of 2005 is principally due to earnings from operations decreasing by a larger relative percentage than the associated taxes required to be provided on such earnings.

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

**Segment Results of Operations**

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

The Company s management evaluates and monitors segment performance primarily through earnings before interest expense and income taxes ( EBIT ). EBIT is calculated by adding income taxes and interest expense to net income. Management believes that segment EBIT provides useful information for analyzing the underlying business results as well as allowing investors a means to evaluate the financial results of each segment in relation to the Company as a whole. EBIT is not defined under accounting principles generally accepted in the United States of America ( GAAP ) and should not be considered in isolation or as a substitute for net income measures prepared in accordance with GAAP or as a measure of the Company s profitability. Additionally, the Company s computation of EBIT may not be comparable to other similarly titled measures computed by other companies, because not all companies calculate EBIT in the same fashion.

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Revenues from external customers and EBIT for the reportable operating segments and corporate were as follows:

| | Quarter Ended | |
|---|---|---|
| | March 25, 2006 | March 26, 2005 |
| (In thousands) | | |
| Revenues from external customers: | | |
| Fresh fruit | $ 897,024 | $ 939,527 |
| Fresh vegetables | 243,203 | 253,606 |
| Packaged foods | 195,947 | 190,290 |
| Fresh-cut flowers | 58,164 | 52,719 |
| Other operating segments | 5,668 | 5,991 |
| | $ 1,400,006 | $ 1,442,133 |

| | Quarter Ended | |
|---|---|---|
| | March 25, 2006 | March 26, 2005 |
| (In thousands) | | |
| EBIT: | | |
| Fresh fruit | $ 20,223 | $ 76,509 |
| Fresh vegetables | 4,560 | 19,204 |
| Packaged foods | 14,881 | 17,927 |
| Fresh-cut flowers | (395) | 4,558 |
| Other operating segments | 150 | 75 |
| Total operating segments | 39,419 | 118,273 |
| Corporate | (15,131) | (11,639) |
| Interest expense | 34,425 | 36,059 |
| Income (loss) before income taxes | $ (10,137) | $ 70,575 |

***Fresh Fruit***

Fresh fruit revenues in the quarter ended March 25, 2006 decreased 5% to $897 million from $939.5 million in the quarter ended March 26, 2005. The decrease in fresh fruit revenues was primarily due to the following: lower sales in the European ripening and distribution operations, lower banana pricing in Asia, lower volumes of deciduous fruit sold in North America and lower volumes of pineapples sold in Asia. These factors were partially offset by higher volumes of bananas sold in Europe and North America. The increase in volumes of European bananas was related to the implementation by the European Union ( EU ) of a new tariff only import fee on bananas effective January 1, 2006 which ended volume restrictions applicable to Latin American imported bananas. In addition, unfavorable foreign currency exchange movements in the Company s foreign selling locations contributed to lower revenues. If foreign currency exchange rates in the Company s significant foreign operations during the first quarter of 2006 had remained

unchanged from those experienced in the first quarter of 2005, the Company estimates that its fresh fruit revenues would have been higher by approximately $50 million.

Fresh fruit EBIT in the quarter ended March 25, 2006 decreased to $20.2 million from $76.5 million in the quarter ended March 26, 2005. EBIT decreased primarily as a result of higher product costs that impacted worldwide banana and fresh pineapple operations and deciduous fruit sold in North America. There were also higher costs in the European banana business related to the new tariff fees imposed by the EU in connection with the new import regime. EBIT also decreased due to higher shipping and distribution costs across all

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businesses due to significantly higher fuel costs. In addition, the Company incurred restructuring costs of approximately $5.3 million at Saba. If foreign currency exchange rates in the Company s significant fresh fruit foreign operations during the first quarter of 2006 had remained unchanged from those experienced in the first quarter of 2005, the Company estimates that fresh fruit EBIT would have been higher by approximately $15 million.

***Fresh Vegetables***

Fresh vegetables revenues for the quarter ended March 25, 2006 decreased 4% to $243.2 million from $253.6 million in the quarter ended March 26, 2005. The decrease was due to lower pricing in the commodity vegetables business, primarily for celery and lettuce, and lower volumes of packaged salads sold in North America.

Fresh vegetables EBIT for the quarter ended March 25, 2006 decreased to $4.6 million from $19.2 million in the quarter ended March 26, 2005. The decrease in EBIT was mainly attributable to the same factors that drove the decrease in sales as well as higher product and distribution costs in packaged salads.

***Packaged Foods***

Packaged foods revenues for the quarter ended March 25, 2006 increased 3% to $195.9 million from $190.3 million in the quarter ended March 26, 2005. The increase in revenues was caused by higher pricing of fruit bowls, higher volumes of fruit parfaits due to its national retail rollout and higher volumes of pineapple concentrate sold in North America. These increases were partially offset by lower volumes of canned solid pineapple in Europe and lower volumes of pineapple concentrate in Japan.

EBIT in the packaged foods segment for the quarter ended March 25, 2006 decreased to $14.9 million from $17.9 million in the quarter ended March 26, 2005. EBIT for the quarter decreased primarily as a result of higher product costs. In addition, selling and distribution costs increased due to higher fuel costs.

***Fresh-Cut Flowers***

Fresh-cut flowers revenues for the quarter ended March 25, 2006 increased 10% to $58.2 million from $52.7 million in the quarter ended March 26, 2005. The increase in revenues was attributable to higher pricing and volumes in the retail market.

EBIT in the fresh-cut flowers segment for the quarter ended March 25, 2006 decreased to a loss of $0.4 million from earnings of $4.6 million in the quarter ended March 26, 2005. The decrease in EBIT was primarily due to higher product costs related to outsourcing of production to meet sales demand, additional third party flower purchases and higher shipping and distribution costs.

***Corporate***

Corporate EBIT was a loss of $15.1 million in the quarter ended March 25, 2006 compared to a loss of $11.6 million in the quarter ended March 26, 2005. The change in EBIT for the quarter was primarily due to higher general and administrative costs, lower foreign currency exchange gains associated with certain foreign denominated intercompany notes, which were settled during the first quarter of 2005, and an unrealized foreign currency exchange loss of $0.7 million related to the Company s Japanese yen denominated term loan.

**Liquidity and Capital Resources**

In the quarter ended March 25, 2006, cash flows used in operating activities were $109.1 million compared to cash flows used in operating activities of $44.9 million in the quarter ended March 26, 2005. Cash flows used in operating activities were $64.2 million higher, primarily due to lower net income and lower payables and accrued liabilities, which resulted from the 2005 accrual of income taxes payable related to the provision on repatriated foreign earnings, as well as the timing of payments. These factors were partially offset primarily by lower receivables associated with lower sales during the first quarter of 2006 as well as the timing of payments.

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Cash flows used in investing activities were approximately $23 million in the quarter ended March 25, 2006, compared to cash flows used of $59.4 million in the quarter ended March 26, 2005. The decrease in cash outflow during 2006 was primarily due to the first quarter 2005 payment of $47.1 million to Saba shareholders in connection with the Company s purchase of the remaining 40% minority interest. This decrease in cash outflow was partially offset by higher capital expenditures of $8.8 million.

Cash flows provided by financing activities increased to $136.1 million in the quarter ended March 25, 2006 compared to cash flows provided by financing activities of $89.6 million in the quarter ended March 26, 2005. The increase of $46.5 million is due to an equity contribution of $28.4 million made by Dole Holding Company, LLC in 2006 and higher current year debt borrowings of $20.4 million, net of repayments. These items were offset by a dividend of $3.4 million paid to Dole Holding Company, LLC during the first quarter of 2006.

As of March 25, 2006, the Company had outstanding balances under its senior secured term loan facilities of approximately $698.9 million. During January 2006, the Company increased its revolving credit facilities from $300 million to $360 million. The Company had $192 million of outstanding borrowings under the $360 million revolving credit portion of the senior secured credit facilities, and after taking into account approximately $83.9 million of outstanding letters of credit and bank guarantees issued against these facilities, had approximately $84.1 million available for future borrowings under these facilities.

On April 12, 2006, the Company completed an amendment and restatement of its senior secured credit facilities. The Company obtained $975 million of term loan facilities and $100 million in a pre-funded letter of credit facility. The proceeds of the term loans were used to repay the outstanding term loans under the Company s existing senior secured credit facilities. In addition, the Company paid a dividend of $161 million to its immediate parent, Dole Holding Company, LLC, which proceeds were used to repay in full its Second Lien Senior Credit Facility. The terms and covenants under the new senior secured credit facilities are similar to those under the Company s existing senior secured credit facilities except that the new facilities do not contain financial maintenance or maximum capital expenditure covenants.

Additionally, the Company entered into a new asset based revolving credit facility of $350 million. The facility is secured and is subject to a borrowing base consisting of up to 85% of eligible accounts receivable plus a predetermined percentage of eligible inventory, as defined in the credit facility.

The purposes of the refinancing include increasing the size of the Company s revolving credit and letter of credit facilities and eliminating certain financial maintenance covenants, realizing currency gains arising out of the Company s existing senior secured credit facilities, and refinancing of the higher-cost bank indebtedness of Dole Holding Company, LLC, at the lower-cost Dole Food Company, Inc. level.

Provisions under the recently repaid senior secured credit facilities and the indentures to the Company s senior notes and debentures required the Company to comply with certain financial covenants. These covenants include financial performance measures, as well as limitations on, among other things, indebtedness, investments, loans to subsidiaries, employees and third parties, the issuance of guarantees and the payment of dividends. The Company obtained a waiver for certain covenants, with respect to the first quarter ended March 25, 2006. The Company was in compliance with the remaining covenants at March 25, 2006.

The Company had a cash balance and available borrowings under the revolving credit facilities of $53.9 million and $84.1 million, respectively, at March 25, 2006. As a result of the April 2006 refinancing transaction, the Company had available borrowing capacity under the new revolving credit facility of $208.8 million as of April 21, 2006. The Company believes that its existing cash balance and available borrowing capacity under the new revolving credit facility together with its future cash flow from operations and access to capital markets will enable it to meet its working capital, capital expenditure, debt maturity and other commitments and funding requirements. Factors impacting the Company s cash flow from operations include such items as commodity prices, interest rates and foreign currency exchange rates, among other things, as set forth in the Company s Form 10-K for the fiscal year ended December 31, 2005 and in subsequent SEC filings.

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**Other Matters**

*European Union Banana Import Regime:* On January 1, 2006, the EU implemented a new tariff only import regime for bananas. The 2001 EC/ US Understanding on Bananas required the EU to implement a tariff only banana import system on or before January 1, 2006, and the EU s banana regime change was therefore expected by that date.

Banana imports from Latin America are now subject to import license requirements only and a tariff of 176 euro per metric ton for entry into the EU market. Under the EU s previous banana regime, banana imports from Latin America were subject to a tariff of 75 euro per metric ton and were also subject to both import license requirements and volume quotas. License requirements and volume quotas had the effect of limiting access to the EU banana market.

Although all Latin bananas are now subject to a tariff of 176 euro per metric ton, up to 775,000 metric tons of bananas from African, Caribbean, and Pacific ( ACP ) countries may be imported to the EU duty-free. This preferential treatment of a zero tariff on up to 775,000 tons of ACP banana imports, as well as the 176 euro per metric ton tariff applied to Latin banana imports, is currently being challenged by Panama, Honduras and Nicaragua at the World Trade Organization ( WTO ). The current tariff applied to Latin banana imports may be lowered and the ACP preference of a zero tariff may be affected depending on the outcome of these WTO proceedings, but the WTO proceedings are only in their initial stage and may take several years to conclude. The Company encourages efforts to lower the tariff through negotiations with the EU and is working actively to help achieve this result.

*Income Tax Audits:* 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. Specifically, the Company is routinely under examination by the Internal Revenue Service. The current examination includes the years 1995 through 2001. Matters raised upon audit may involve substantial amounts and could result in material cash payments if resolved unfavorably; however, the Company does not believe that any material payments will be made related to these matters within the next twelve months. In addition, the Company considers it unlikely that the resolution of these matters will have a material adverse effect on its results of operations.

*Honduran Tax Case:* In 2005, the Company received a tax assessment from Honduras of approximately $137 million (including the claimed tax, penalty, and interest through the date of assessment) relating to the disposition of all of the Company s interest in Cervecería Hondureña, S.A in 2001. The Company believes the assessment is without merit and filed an appeal with the Honduran tax authorities, which was denied. As a result of the denial in the administrative process, in order to negate the tax assessment, on August 5, 2005, the Company proceeded to the next stage of the appellate process by filing a lawsuit against the Honduran government, in the Honduran Administrative Tax Trial Court. The Honduran government is seeking dismissal of the lawsuit and attachment of assets, which the Company is challenging. No reserve has been provided for this assessment.

*Hurricane Katrina:* During the third quarter of 2005, the Company s operations in the Gulf Coast area of the United States were impacted by Hurricane Katrina. The Company s fresh fruit division utilizes the Gulfport, Mississippi port facility to receive and store product from its Latin American operations. The Gulfport facility, which is leased from the Mississippi Port Authority, incurred significant damage from Hurricane Katrina. As a result of the damage sustained at the Gulfport terminal, the Company diverted shipments to other Dole port facilities including Freeport, Texas; Port Everglades, Florida; and Wilmington, Delaware. The Company resumed discharging shipments of fruit and other cargo in Gulfport at the beginning of the fourth quarter of 2005. However, the facility has not yet been fully rebuilt. The financial impact to the Company s fresh fruit operations includes the loss of cargo and equipment, property damage and additional costs associated with re-routing product to other ports in the region. Equipment that was destroyed or damaged includes refrigerated and dry shipping containers, as well as chassis and generator-sets used for land transportation of the shipping containers.

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During the first quarter of 2006, the Company incurred direct incremental expenses of $0.7 million related to Hurricane Katrina, bringing the total charge to $10.8 million. The total charge includes direct incremental expenses of $4.8 million, write-offs of owned assets with a net book value of $4.1 million and leased assets of $1.9 million representing amounts due to lessors. The Company maintains customary insurance for its property, including shipping containers, as well as for business interruption. During the first quarter of 2006, the Company collected $5.1 million from insurance carriers related to cargo and property damage bringing the total cash collected to $11.1 million. Subsequent to the first quarter of 2006, the Company collected an additional $0.4 million. The Company is continuing to work with its insurers to evaluate the extent of the costs incurred as a result of the hurricane damage and to determine the extent of the insurance coverage for that damage.

*Business Restructuring:* In the first quarter of 2006, the commercial relationship substantially ended between Dole s wholly-owned subsidiary, Saba, and Saba s largest customer. Saba is a leading importer and distributor of fruit, vegetables and flowers in Scandinavia. Saba s financial results are included in Dole s fresh fruit reporting segment. Other than the expected charges described below, the loss of this customer s business is not expected to be material to Dole s ongoing earnings. In connection with this recent event, Dole plans on restructuring certain lines of Saba s business and expects to incur related charges. Total costs incurred, consisting primarily of employee-related severance costs, amounted to approximately $5.3 million during the quarter ended March 25, 2006. The Company currently estimates that the total restructuring charges will approximate $18 million in the aggregate. However, the timing and exact amount of the charges are yet to be determined, as well as Dole s potential contractual claims against this customer pending the results of current discussions.

**Supplemental Financial Information**

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

| | March 25, 2006 | December 31, 2005 |
|---|---|---|
| **Balance Sheet Data:** | | |
| Total working capital (current assets less current liabilities) | $ 631,380 | $ 534,663 |
| Total assets | $ 4,536,611 | $ 4,409,727 |
| Total debt | $ 2,132,923 | $ 2,027,257 |
| Total shareholders equity | $ 645,019 | $ 616,543 |

| | Quarter Ended | |
|---|---|---|
| | March 25, 2006 | March 26, 2005 |
| **Other Financial Data:** | | |
| Net income (loss) | $ (5,919) | $ 17,154 |
| Interest expense | 34,425 | 36,059 |
| Income taxes | (4,218) | 53,421 |
| Depreciation and amortization | 32,962 | 33,466 |
| EBITDA | $ 57,250 | $ 140,100 |
| EBITDA margin | 4.1% | 9.7% |
| Capital expenditures | $ 22,352 | $ 15,358 |

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

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The Company presents EBITDA and EBITDA margin because management believes, similar to EBIT, EBITDA is a useful performance measure for the Company. In addition, EBITDA is presented because management believes it is frequently used by securities analysts, investors and others in the evaluation of companies, and because certain debt covenants on the Company s Senior Notes are tied to EBITDA. EBITDA and EBITDA margin should not be considered in isolation from or as a substitute for net income and other consolidated income statement data prepared in accordance with GAAP or as a measure of profitability. Additionally, the Company s computation of EBITDA and EBITDA margin may not be comparable to other similarly titled measures computed by other companies, because all companies do not calculate EBITDA and EBITDA margin in the same manner.

This Management s Discussion and Analysis contains forward-looking statements that involve a number of risks and uncertainties. Forward-looking statements, which are based on management s assumptions and describe the Company s future plans, strategies and expectations, are generally identifiable by the use of terms such as anticipate , will , expect , believe , should or similar expressions. The potential risks and uncertainties that could cause the Company s actual results to differ materially from those expressed or implied herein are set forth in Item 1A and Item 7A of the Company s Annual Report on Form 10-K for the year ended December 31, 2005 and include: weather-related phenomena; market responses to industry volume pressures; product and raw materials supplies and pricing; changes in interest and currency exchange rates; economic crises in developing countries; quotas, tariffs and other governmental actions and international conflict.

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

During the first quarter of 2006, the Company entered into additional foreign currency exchange forward contracts to reduce its risk related to anticipated dollar equivalent foreign currency cash flows. These hedges have been designated as effective hedges of cash flows as defined by Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. Refer to Note 15 in the Company s Annual Report on Form 10-K for the year ended December 31, 2005 for a summary of the Company s derivative financial instruments outstanding at December 31, 2005.

At March 25, 2006, the outstanding notional amount of the Company s euro participating forwards, Japanese yen forwards and participating forwards, Chilean peso participating forwards, Colombian peso forwards and Thai baht forwards totaled $149.8 million, $49.3 million, $18.6 million, $51.6 million and $40.9 million, respectively. The average strike prices of the Company s euro participating forwards, Japanese yen forwards and participating forwards, Chilean peso participating forwards, Colombian peso forwards and Thai baht forwards were 1.20, ¥112.6, CLP 522, COP 2,282.3 and THB 41.4, respectively.

For the quarter ended March 25, 2006, there have been no material changes in the market risk disclosure presented in the Company s Annual Report on Form 10-K for the year ended December 31, 2005, other than the transactions described above.

## ITEM 4. CONTROLS AND PROCEDURES

An evaluation was carried out as of March 25, 2006 under the supervision and with the participation of Dole s management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as defined in Rule 15d-15(e) under the Securities Exchange Act (Act). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that Dole s disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports we file under the Act is recorded, processed, summarized and reported by management of Dole on a timely basis in order to comply with Dole s disclosure obligations under the Act and the SEC rules thereunder.

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**Changes in Internal Control Over Financial Reporting**

There were no changes in Dole s internal control over financial reporting during the quarter ended March 25, 2006 that have materially affected, or are reasonably likely to materially affect, Dole s internal control over financial reporting.

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

**Item 1. Legal Proceedings**

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

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

Currently there are 554 lawsuits, in various stages of proceedings, alleging injury as a result of exposure to DBCP or seeking enforcement of Nicaraguan judgments. Seventeen of these lawsuits are currently pending in various jurisdictions in the United States. One case pending in Los Angeles Superior Court with 13 Nicaraguan plaintiffs has a trial date of January 24, 2007. Another case in Galveston, Texas with 1,463 claimants from 14 different countries has a trial planned for January 2007. The remaining cases are pending in Latin America and the Philippines, including 347 labor cases pending in Costa Rica under that country s national insurance program. Claimed damages in DBCP cases worldwide total approximately $35.2 billion, with the lawsuits in Nicaragua representing approximately 85% of this amount. In almost all of the non-labor cases, the Company is a joint defendant with the major DBCP manufacturers and, typically, other banana growers. Except as described below, none of these lawsuits has resulted in a verdict or judgment against the Company.

In Nicaragua, 168 cases are currently filed in various courts throughout the country, with all but one of the lawsuits brought pursuant to Law 364, an October 2000 Nicaraguan statute that contains substantive and procedural provisions that Nicaragua s Attorney General formally opined are unconstitutional. In October 2003, the Supreme Court of Nicaragua issued an advisory opinion, not connected with any litigation, that Law 364 is constitutional.

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Seventeen cases have resulted in judgments in Nicaragua: $489.4 million (nine cases consolidated with 468 claimants) on December 11, 2002; $82.9 million (one case with 58 claimants) on February 25, 2004; $15.7 million (one case with 20 claimants) on May 25, 2004; $4 million (one case with four claimants) on May 25, 2004; $56.5 million (one case with 72 claimants) on June 14, 2004; $64.8 million (one case with 86 claimants) on June 15, 2004; $27.7 million (one case with 39 claimants) on March 17, 2005; $98.5 million (one case with 150 claimants) on August 8, 2005; and $46.4 million (one case with 62 claimants) on August 20, 2005. The Company has appealed all judgments to the Nicaragua Courts of Appeal, with the Company s appeal of the August 8, 2005 $98.5 million judgment now activated by the court.

There are 20 active cases currently pending in civil courts in Managua (10), Chinandega (8) and Puerto Cabezas (2), all of which have been brought under Law 364 except for one of the cases pending in Chinandega. Six of the active cases pending before the court in Chinandega have been consolidated for trial, which seeks $3.4 billion on behalf of 1,708 claimants. Trial in this consolidated case commenced November 25, 2005. In the 19 active cases under Law 364, except for one case in Chinandega and one in Managua, the Company has sought to have the cases returned to the United States pursuant to Law 364. Notwithstanding, the Chinandega court denied the Company s request in the six consolidated cases pending there; the Managua court denied the Company s request with respect to one of the cases pending there; and the court in Puerto Cabezas denied the Company s request with respect to the two cases there. The Company s requests as to eight of the cases in Managua are still pending; and the Company expects to make similar requests in the remaining two cases at the appropriate time. The Company has appealed the two decisions of the court in Puerto Cabezas, the decision of the court in Managua and the six decisions of the court in Chinandega.

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

Claimants have also indicated their intent to seek enforcement of the Nicaraguan judgments in Colombia, Ecuador, Venezuela and other countries in Latin America and elsewhere, including the United States. In Venezuela, the claimants are attempting to enforce five of the Nicaraguan judgments in that country s Supreme Court: $489.4 million (December 11, 2002); $82.9 million (February 25, 2004); $15.7 million (May 25, 2004); $56.5 million (June 14, 2004); and $64.8 million (June 15, 2004). An action recently filed to enforce the $27.7 million Nicaraguan judgment (March 17, 2005) in the Colombian Supreme Court was dismissed. In Ecuador, the claimants attempted to enforce the five Nicaraguan judgments issued between February 25, 2004 through June 15, 2004 in the Ecuador Supreme Court. The First, Second and Third Chambers of the Ecuador Supreme Court issued rulings refusing to consider those enforcement actions on the ground that the Supreme Court was not a court of competent jurisdiction for enforcement of a foreign judgment. The plaintiffs subsequently refiled those five enforcement actions in the civil court in Guayaquil, Ecuador. Two of these subsequently filed enforcement actions have been dismissed by the 3rd Civil Court $15.7 million (May 25, 2004) and the 12th Civil Court $56.5 million (June 14, 2004) in Guayaquil; plaintiffs have sought reconsideration of those dismissals. The remaining three enforcement actions are still pending.

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

As to all the DBCP matters, the Company has denied liability and asserted substantial defenses. The Company has also engaged in efforts to resolve pending litigation and claims in the U.S. and Latin America. Although no assurance can be given concerning the outcome of these cases, in the opinion of management,

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after consultation with legal counsel and based on past experience defending and settling DBCP claims, the pending lawsuits are not expected to have a material adverse effect on the Company s financial condition or results of operations.

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

Following the public announcement of the EC searches, a number of class action lawsuits were filed against the Company and three competitors in the U.S. District Court for the Southern District of Florida. The lawsuits were filed on behalf of entities that directly or indirectly purchased bananas from the defendants and have now been consolidated into two separate class action lawsuits: one by direct purchasers (customers); and another by indirect purchasers (those who purchased bananas from customers). Both consolidated class action lawsuits allege that the defendants conspired to artificially raise or maintain prices and control or restrict output of bananas. The Company believes these lawsuits are without merit.

*Honduran Tax Case:* In 2005, the Company received a tax assessment from Honduras of approximately $137 million (including the claimed tax, penalty, and interest through the date of assessment) relating to the disposition of all of the Company s interest in Cervecería Hondureña, S.A in 2001. The Company believes the assessment is without merit and filed an appeal with the Honduran tax authorities, which was denied. As a result of the denial in the administrative process, in order to negate the tax assessment, on August 5, 2005, the Company proceeded to the next stage of the appellate process by filing a lawsuit against the Honduran government, in the Honduran Administrative Tax Trial Court. The Honduran government is seeking dismissal of the lawsuit and attachment of assets, which the Company is challenging. No reserve has been provided for this assessment.

**Item 6. Exhibits and Reports on Form 8-K**

**(a) Exhibits:**

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

* Filed herewith

Furnished herewith

**(b) Reports on Form 8-K:**

On March 23, 2006, Dole Food Company, Inc. filed a Current Report on Form 8-K which presented selected financial information released to lenders and potential lenders for the fiscal year ended December 31, 2005.

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**SIGNATURES**

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

May 8, 2006

DOLE FOOD COMPANY, INC.
REGISTRANT

By: /s/ Joseph S. Tesoriero

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

By: /s/ Yoon J. Hugh

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

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