

DOLE FOOD CO INC  
Form 10-Q  
July 31, 2007

Table of Contents

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-Q**

(Mark One)

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

**For the quarterly period ended June 16, 2007**

**or**

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

**For the transition period from        to**

**Commission file number 1-4455**

**Dole Food Company, Inc.  
(Exact name of registrant as specified in its charter)**

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

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

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

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

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

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

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  Accelerated filer  Non-accelerated filer

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

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

| <b>Class</b>                    | <b>Shares Outstanding at July 27, 2007</b> |
|---------------------------------|--|
| Common Stock, \$0.001 Par Value | 1,000                                      |

---

**DOLE FOOD COMPANY, INC.**

**INDEX**

|  | <b>Page<br/>Number</b> |
|--|------------------------|
| <b><u>PART I</u></b>   |                        |
|  |                        |
| <b><u>Item 1.</u></b>  |                        |
| <b><u>Financial Information</u></b>  |                        |
| <u>Financial Statements (unaudited)</u>  |                        |
| <u>Condensed Consolidated Statements of Operations – Quarters and Half Years Ended June 16, 2007 and June 17, 2006</u> | 3                      |
| <u>Condensed Consolidated Balance Sheets – June 16, 2007 and December 30, 2006</u>                                     | 4                      |
| <u>Condensed Consolidated Statements of Cash Flows – Half Years Ended June 16, 2007 and June 17, 2006</u>              | 5                      |
| <u>Notes to Condensed Consolidated Financial Statements</u>  | 6                      |
| <b><u>Item 2.</u></b>  |                        |
| <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>                           | 27                     |
| <b><u>Item 3.</u></b>  |                        |
| <u>Quantitative and Qualitative Disclosures About Market Risk</u>  | 35                     |
| <b><u>Item 4.</u></b>  |                        |
| <u>Controls and Procedures</u>   | 35                     |
| <b><u>PART II</u></b>  |                        |
| <b><u>Item 1.</u></b>  |                        |
| <u>Legal Proceedings</u>   | 36                     |
| <b><u>Item 6.</u></b>  |                        |
| <u>Exhibits</u>  | 36                     |
| <u>Signatures</u>  | 37                     |
| <u>Exhibit Index</u>   | 38                     |
| <u>Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act</u>                  |                        |
| <u>Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act</u>                  |                        |
| <u>Certification by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act</u>                  |                        |
| <u>Certification by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act</u>                  |                        |

**Table of Contents**

**PART I.**  
**FINANCIAL INFORMATION**

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

|  | <b>Quarter Ended</b>     |                          | <b>Half Year Ended</b>   |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | <b>June 16,<br/>2007</b> | <b>June 17,<br/>2006</b> | <b>June 16,<br/>2007</b> | <b>June 17,<br/>2006</b> |
| Revenues, net  | \$ 1,766,700             | \$ 1,575,197             | \$ 3,322,833             | \$ 2,969,798             |
| Cost of products sold  | (1,583,358)              | (1,394,809)              | (2,997,994)              | (2,659,534)              |
| Gross margin   | 183,342                  | 180,388                  | 324,839                  | 310,264                  |
| Selling, marketing and general and administrative expenses         | (112,707)                | (108,106)                | (223,615)                | (215,072)                |
| Operating income   | 70,635                   | 72,282                   | 101,224                  | 95,192                   |
| Other income (expense), net  | 13,758                   | (4,029)                  | 15,337                   | (5,115)                  |
| Interest income  | 2,083                    | 1,705                    | 3,719                    | 3,179                    |
| Interest expense   | (44,722)                 | (39,926)                 | (88,924)                 | (74,280)                 |
| Income before income taxes, minority interests and equity earnings | 41,754                   | 30,032                   | 31,356                   | 18,976                   |
| Income taxes   | 7,837                    | (12,931)                 | 6,596                    | (8,680)                  |
| Minority interests, net of income taxes                            | (1,440)                  | (101)                    | (691)                    | (718)                    |
| Equity in earnings of unconsolidated subsidiaries                  | 904                      | 1,323                    | 1,579                    | 2,845                    |
| Income from continuing operations                                  | 49,055                   | 18,323                   | 38,840                   | 12,423                   |
| Income from discontinued operations, net of income taxes           |                          | 202                      |                          | 248                      |
| Net income   | \$ 49,055                | \$ 18,525                | \$ 38,840                | \$ 12,671                |

*See Accompanying Notes to Condensed Consolidated Financial Statements*

**Table of Contents****DOLE FOOD COMPANY, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(In thousands, except share data)

|   | <b>June 16,<br/>2007</b> | <b>December 30,<br/>2006</b> |
|---|--------------------------|------------------------------|
| <b>ASSETS</b>   |                          |                              |
| Cash and cash equivalents   | \$ 100,583               | \$ 92,414                    |
| Receivables, net of allowances of \$66,900 and \$62,632, respectively                                   | 916,144                  | 745,730                      |
| Inventories   | 638,142                  | 661,552                      |
| Prepaid expenses  | 70,796                   | 65,388                       |
| Deferred income tax assets  | 66,606                   | 66,606                       |
| Assets held-for-sale  | 26,579                   | 31,588                       |
| <br>  |                          |                              |
| Total current assets  | 1,818,850                | 1,663,278                    |
| Investments   | 64,391                   | 62,736                       |
| Property, plant and equipment, net of accumulated depreciation of \$910,149 and \$840,891, respectively | 1,404,792                | 1,461,961                    |
| Goodwill  | 515,549                  | 545,740                      |
| Intangible assets, net  | 723,837                  | 726,689                      |
| Other assets, net   | 150,339                  | 151,952                      |
| <br>  |                          |                              |
| <b>Total assets</b>   | <b>\$ 4,677,758</b>      | <b>\$ 4,612,356</b>          |
| <br>  |                          |                              |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>  |                          |                              |
| Accounts payable  | \$ 530,687               | \$ 454,685                   |
| Accrued liabilities   | 440,017                  | 472,288                      |
| Current portion of long-term debt   | 14,501                   | 14,455                       |
| Notes payable   | 48,165                   | 34,129                       |
| <br>  |                          |                              |
| Total current liabilities   | 1,033,370                | 975,557                      |
| Long-term debt  | 2,318,058                | 2,315,597                    |
| Deferred income tax liabilities   | 291,753                  | 346,595                      |
| Other long-term liabilities   | 589,596                  | 608,191                      |
| Minority interests  | 22,563                   | 25,333                       |
| Contingencies (Note 11)   |                          |                              |
| Shareholders' equity  |                          |                              |
| Common stock \$0.001 par value; 1,000 shares authorized, issued and outstanding                         |                          |                              |
| Additional paid-in capital  | 413,657                  | 409,032                      |
| Retained earnings (deficit)   | 11,463                   | (53,812)                     |
| Accumulated other comprehensive loss  | (2,702)                  | (14,137)                     |

|   |                     |                     |
|---|---------------------|---------------------|
| Total shareholders' equity                        | 422,418             | 341,083             |
| <b>Total liabilities and shareholders' equity</b> | <b>\$ 4,677,758</b> | <b>\$ 4,612,356</b> |

*See Accompanying Notes to Condensed Consolidated Financial Statements*

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

|  | <b>Half Year Ended</b>   |                          |
|--|--------------------------|--------------------------|
|  | <b>June 16,<br/>2007</b> | <b>June 17,<br/>2006</b> |
| <b>Operating activities</b>  |                          |                          |
| Net income   | \$ 38,840                | \$ 12,671                |
| Adjustments to reconcile net income to cash flow provided by (used in) operating activities: |                          |                          |
| Depreciation and amortization  | 71,319                   | 66,656                   |
| Foreign currency exchange (gains) losses   | (10,290)                 | 3,051                    |
| Asset write-offs, impairments and net (gain) loss on sale of assets, net                     | 6,617                    | (215)                    |
| Minority interests and equity earnings, net  | (888)                    | (2,127)                  |
| Provision for deferred income taxes  | (32,205)                 | (3,447)                  |
| Pension and other postretirement benefit plan expense  | 7,993                    | 6,688                    |
| Write-off of debt issuance costs   |                          | 8,133                    |
| Amortization of debt issuance costs  | 1,895                    | 2,174                    |
| Other  | 504                      | 1,741                    |
| Changes in operating assets and liabilities:   |                          |                          |
| Receivables  | (148,703)                | (174,637)                |
| Inventories  | 17,104                   | (6,416)                  |
| Prepaid expenses and other assets  | (7,915)                  | (7,480)                  |
| Accounts payable   | 107,928                  | 31,675                   |
| Accrued liabilities  | (32,204)                 | 12,823                   |
| Other long-term liabilities  | 5,487                    | 5,539                    |
| Cash flow provided by (used in) operating activities   | 25,482                   | (43,171)                 |
| <b>Investing activities</b>  |                          |                          |
| Proceeds from sales of assets  | 32,742                   | 2,285                    |
| Capital additions  | (44,040)                 | (44,724)                 |
| Repurchase of common stock in the going-private merger transaction                           | (203)                    | (100)                    |
| Cash flow used in investing activities   | (11,501)                 | (42,539)                 |
| <b>Financing activities</b>  |                          |                          |
| Short-term debt borrowings   | 40,790                   | 51,360                   |
| Short-term debt repayments   | (40,855)                 | (18,421)                 |
| Long-term debt borrowings, net of debt issuance costs  | 534,675                  | 1,562,061                |
| Long-term debt repayments  | (532,694)                | (1,378,558)              |
| Capital contribution from parent   |                          | 28,390                   |
| Dividends paid to minority shareholders  | (8,942)                  | (1,296)                  |
| Dividends paid to parent   |                          | (163,691)                |
| Cash flow provided by (used in) financing activities   | (7,026)                  | 79,845                   |



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

|   |            |           |
|---|------------|-----------|
| Effect of foreign currency exchange rate changes on cash and cash equivalents | 1,214      | 8,356     |
| Increase in cash and cash equivalents   | 8,169      | 2,491     |
| Cash and cash equivalents at beginning of period                              | 92,414     | 48,812    |
| Cash and cash equivalents at end of period                                    | \$ 100,583 | \$ 51,303 |

*See Accompanying Notes to Condensed Consolidated Financial Statements*

**Table of Contents****DOLE FOOD COMPANY, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

**NOTE 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 June 16, 2007 and June 17, 2006 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 30, 2006.

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 2007 presentation.

**NOTE 2 RECENT ACCOUNTING PRONOUNCEMENTS**

In February 2007, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Liabilities Including an amendment of FASB Statement No. 115* ( FAS 159 ). FAS 159 permits entities to choose to measure certain financial assets and liabilities at fair value. Unrealized gains and losses, arising subsequent to adoption, are reported in earnings. The Company is required to adopt FAS 159 for the first fiscal year beginning after November 15, 2007. The Company is currently evaluating if it will elect the fair value option for any of its eligible financial instruments and other items.

During September 2006, the FASB issued FASB Staff Position AUG AIR-1, *Accounting For Planned Major Maintenance Activities* ( FSP ), which eliminates the acceptability of the accrue-in-advance method of accounting for planned major maintenance activities. As a result, there are three alternative methods of accounting for planned major maintenance activities: direct expense, built-in-overhaul or deferral. The guidance in this FSP became effective for the Company at the beginning of its fiscal 2007 year and requires retrospective application for all financial statement periods presented. The Company had been accruing for planned major maintenance activities associated with its vessel fleet under the accrue-in-advance method. The Company adopted the deferral method of accounting for planned major maintenance activities associated with its vessel fleet. The adoption of this FSP impacted the following balance sheet accounts at December 30, 2006:

| December 30,<br>2006 | FSP<br>Adjustment | Adjusted<br>December 30,<br>2006 |
|----------------------|-------------------|----------------------------------|
|----------------------|-------------------|----------------------------------|

(In thousands)

|                     |    |          |    |         |    |          |
|---------------------|----|----------|----|---------|----|----------|
| Other assets        | \$ | 147,590  | \$ | 4,362   | \$ | 151,952  |
| Accrued liabilities | \$ | 473,797  | \$ | (1,509) | \$ | 472,288  |
| Retained deficit    | \$ | (59,683) | \$ | 5,871   | \$ | (53,812) |

The impact to the condensed consolidated statements of operations for the quarter and half year ended June 17, 2006, was not material.

During June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109* ( FIN 48 ). FIN 48 clarifies what criteria must be met prior to recognition of the financial statement benefit of a position taken in a tax return. FIN 48 also provides guidance on derecognition

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

of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures. The Company adopted FIN 48 at the beginning of its fiscal 2007 year. Refer to Note 4 Income Taxes for the impact that the adoption of FIN 48 had on the Company's financial position and results of operations.

**NOTE 3 BUSINESS DISPOSITION**

During the fourth quarter of 2006, the Company completed the sale of its Pacific Coast Truck Center (Pac Truck) business. The Pac Truck business consisted of a full service truck dealership that provided medium and heavy-duty trucks to customers in the Pacific Northwest region. In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (FAS 144), the disposition of Pac Truck qualified for discontinued operations treatment. Accordingly, the historical results of operations of this business have been reclassified.

**NOTE 4 INCOME TAXES**

Income tax benefit for the half year ended June 16, 2007 totaled approximately \$6.6 million. This is reflective of the benefit generated by pre-tax income through the half year ended June 16, 2007 using the rate at which the Company expects to benefit its pre-tax income for the full fiscal year ending December 29, 2007 of 28.2%, offset by interest expense of \$4.9 million (net of income tax benefits of approximately \$3 million) related to the Company's unrecognized tax benefits. The 28.2% rate for the full fiscal year ending December 29, 2007 excludes the impact of foreign net operating losses for which no benefit is expected to be realized. In arriving at the benefit for the half year ended June 16, 2007, the Company has excluded from its pre-tax income \$9.3 million of such losses. The Company expects to generate a tax benefit on pre-tax income for the full fiscal year ending December 29, 2007 given it expects to incur losses in the U.S. for which benefit will be provided and earn pre-tax income in foreign jurisdictions taxed at a lower rate than in the U.S. The income tax expense for the half year ended June 17, 2006 of \$8.7 million reflects the Company's then expected effective income tax rate of approximately 45.9%. The level and mix of earnings has a significant impact on the Company's effective tax rate and is the primary reason for the fluctuation in rates quarter over quarter and year over year.

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 offset by the accrual for current year uncertain tax positions.

*Adoption of FIN 48:* As discussed in Note 2, the FASB issued FIN 48 in June 2006. The Company adopted the provisions of FIN 48 at the beginning of its fiscal 2007 year. The adoption of FIN 48 impacted the following balance sheet accounts:

|                | <b>Increase/(Decrease)</b> |
|----------------|----------------------------|
| (In thousands) |                            |
| Goodwill       | \$ (30,191)                |

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

|                                 |    |          |
|---------------------------------|----|----------|
| Deferred income tax liabilities | \$ | (25,655) |
| Other long-term liabilities     | \$ | (30,971) |
| Retained deficit                | \$ | 26,435   |

Including the cumulative effect, at the beginning of the year, the Company had approximately \$248.8 million of total gross unrecognized tax benefits. If recognized, approximately \$124.3 million, net of federal and state tax benefits, would be recorded as a component of income tax expense and accordingly impact the Company's effective tax rate.

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

The Company recognizes accrued interest and penalties related to its unrecognized tax benefits as a component of income tax expense in the condensed consolidated statement of operations. Estimated interest before tax benefits totaled \$3.9 million and \$7.9 million for the quarter and half year ended June 16, 2007, respectively. Accrued interest and penalties before tax benefits were \$48.2 million and \$56.1 million as of the beginning of fiscal year 2007 and at June 16, 2007, respectively.

Dole Food Company or one or more of its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to 2001.

*Internal Revenue Service Audit:* On June 29, 2006, the IRS completed an examination of the Company's federal income tax returns for the years 1995 to 2001 and issued a Revenue Agent's Report (RAR) that includes various proposed adjustments. The net tax deficiency associated with the RAR is \$175 million, plus interest and penalties. The Company timely filed a protest letter contesting the proposed adjustments contained in the RAR on July 6, 2006 and is pursuing resolution of these issues with the Appeals Division of the IRS. The Company believes that its U.S. federal income tax returns were completed in accordance with applicable laws and regulations and disagrees with the proposed adjustments. The Company also believes that it is adequately reserved with respect to this matter. Management does not believe that any material payments will be made related to these matters within the next twelve months. In addition, management considers it unlikely that the resolution of these matters will have a material adverse effect on its results of operations. The IRS commenced an examination of the Company's U.S. income tax returns for 2002-2004 in the first quarter of 2007 that is anticipated to be completed by the end of 2008.

At this time, the Company does not anticipate that total unrecognized tax benefits will significantly change due to the settlement of audits and the expiration of statutes of limitations prior to June 2008.

**NOTE 5 INVENTORIES**

The major classes of inventories were as follows:

|                                    | <b>June 16,<br/>2007</b> | <b>December 30,<br/>2006</b> |
|------------------------------------|--------------------------|------------------------------|
| (In thousands)                     |                          |                              |
| Finished products                  | \$ 315,318               | \$ 322,122                   |
| Raw materials and work in progress | 143,040                  | 132,047                      |
| Crop-growing costs                 | 116,927                  | 151,533                      |
| Operating supplies and other       | 62,857                   | 55,850                       |
|                                    | <b>\$ 638,142</b>        | <b>\$ 661,552</b>            |

**NOTE 6 GOODWILL AND INTANGIBLE ASSETS**

Goodwill has been allocated to the Company's reporting segments as follows:

|                                    | <b>Fresh<br/>Fruit</b> | <b>Fresh<br/>Vegetables</b> | <b>Packaged<br/>Foods</b> | <b>Fresh-cut<br/>Flowers</b> | <b>Other</b> | <b>Total</b> |
|------------------------------------|------------------------|-----------------------------|---------------------------|------------------------------|--------------|--------------|
| (In thousands)                     |                        |                             |                           |                              |              |              |
| Balance as of<br>December 30, 2006 | \$ 386,625             | \$ 93,874                   | \$ 65,241                 | \$                           | \$           | \$ 545,740   |
| Adoption of FIN 48                 | (22,965)               | (6,000)                     | (1,226)                   |                              |              | (30,191)     |
| Balance as of June 16, 2007        | \$ 363,660             | \$ 87,874                   | \$ 64,015                 | \$                           | \$           | \$ 515,549   |

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

The goodwill adjustment related to the adoption of FIN 48 at the beginning of 2007 resulted from changes to tax contingencies that existed at the time of the going-private merger transaction in 2003.

Details of the Company's intangible assets were as follows:

|  | <b>June 16,<br/>2007</b> | <b>December 30,<br/>2006</b> |
|--|--------------------------|------------------------------|
| (In thousands)                                     |                          |                              |
| Amortized intangible assets:                       |                          |                              |
| Customer relationships                             | \$ 48,802                | \$ 48,298                    |
| Other amortized intangible assets                  | 7,518                    | 8,796                        |
| Total amortized intangible assets                  | 56,320                   | 57,094                       |
| Accumulated amortization - customer relationships  | (15,098)                 | (13,056)                     |
| Other accumulated amortization                     | (7,000)                  | (6,964)                      |
| Total accumulated amortization - intangible assets | (22,098)                 | (20,020)                     |
| Intangible assets, net                             | 34,222                   | 37,074                       |
| Unamortized intangible assets:                     |                          |                              |
| Trademark  | 689,615                  | 689,615                      |
| Total intangible assets, net                       | \$ 723,837               | \$ 726,689                   |

Amortization expense of intangible assets totaled \$1 million for each of the quarters ended June 16, 2007 and June 17, 2006, respectively and \$2 million for each of the half years ended June 16, 2007 and June 17, 2006, respectively.

As of June 16, 2007, the estimated remaining amortization expense associated with the Company's intangible assets for the remainder of 2007 and in each of the next four fiscal years is as follows:

| <b>Fiscal Year</b> | <b>Amount</b> |
|--------------------|---------------|
| (In thousands)     |               |
| 2007               | \$ 2,377      |
| 2008               | \$ 4,414      |
| 2009               | \$ 4,414      |
| 2010               | \$ 4,414      |
| 2011               | \$ 4,414      |



The Company performed its annual impairment review of goodwill and indefinite-lived intangible assets pursuant to Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, during the second quarter of fiscal 2007. This review indicated no impairment to goodwill or any of the Company's indefinite-lived intangible assets.

Table of Contents**DOLE FOOD COMPANY, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)**NOTE 7 NOTES PAYABLE AND LONG-TERM DEBT**

Notes payable and long-term debt consisted of the following amounts:

|  | <b>June 16,<br/>2007</b> | <b>December 30,<br/>2006</b> |
|--|--------------------------|------------------------------|
| (In thousands)   |                          |                              |
| 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  | 174,300                  | 167,600                      |
| Term loan facilities   | 965,250                  | 967,688                      |
| Contracts and notes due, at a weighted-average interest rate of 8% (7.5% in 2006) through 2010 | 1,804                    | 2,291                        |
| Capital lease obligations  | 86,976                   | 88,380                       |
| Unamortized debt discount  | (771)                    | (907)                        |
| Notes payable  | 48,165                   | 34,129                       |
|  | 2,380,724                | 2,364,181                    |
| Current maturities   | (62,666)                 | (48,584)                     |
|  | \$ 2,318,058             | \$ 2,315,597                 |

The Company amortized deferred debt issuance costs of \$0.9 million and \$1.9 million during the quarter and half year ended June 16, 2007, respectively. The Company amortized deferred debt issuance costs of \$1.1 million and \$2.2 million during the quarter and half year ended June 17, 2006, respectively.

As of June 16, 2007, the term loan facilities consisted of \$222.8 million of Term Loan B and \$742.5 million of Term Loan C. The weighted average variable interest rates for Term Loan B and Term Loan C were LIBOR plus a spread, which approximated 7.5% at June 16, 2007. Related to the term loan facilities, during 2006 the Company entered into an interest rate swap in order to hedge future changes in interest rates and a cross currency swap to effectively lower the U.S. dollar fixed interest rate to a Japanese yen fixed interest rate. The fair values of the interest rate swap and cross currency swap were a liability of \$0.6 million and an asset of \$29.2 million, respectively, at June 16, 2007.

As of June 16, 2007, the asset based revolving credit facility ( ABL revolver ) borrowing base was \$307.1 million and the amount outstanding under the ABL revolver was \$174.3 million. The weighted average variable interest rate for the ABL revolver was LIBOR plus a spread, which approximated 7.5% at June 16, 2007. After taking into account

approximately \$4 million of outstanding letters of credit issued under the ABL revolver, the Company had approximately \$128.8 million available for borrowings as of June 16, 2007. In addition, the Company had approximately \$79.7 million of letters of credit and bank guarantees outstanding under its pre-funded letter of credit facility as of June 16, 2007.

Provisions under the indentures to the Company's senior notes and debentures require the Company to comply with certain covenants. These covenants include limitations on, among other things, indebtedness, investments, loans to subsidiaries, employees and third parties, the issuance of guarantees and the payment of dividends. At June 16, 2007, the Company was in compliance with all applicable covenants.

Table of Contents**DOLE FOOD COMPANY, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)**NOTE 8 SHAREHOLDERS EQUITY***Comprehensive Income*

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

|  | <b>Quarter Ended</b>     |                          |
|--|--------------------------|--------------------------|
|  | <b>June 16,<br/>2007</b> | <b>June 17,<br/>2006</b> |
| (In thousands)   |                          |                          |
| Net income   | \$ 49,055                | \$ 18,525                |
| Unrealized foreign currency exchange translation gain (loss)       | (894)                    | 9,986                    |
| Reclassification of realized cash flow hedging gains to net income | (3,292)                  | (5,307)                  |
| Unrealized net gain (loss) on cash flow hedging instruments        | 14,952                   | (8,049)                  |
| Comprehensive income   | \$ 59,821                | \$ 15,155                |

|  | <b>Half Year Ended</b>   |                          |
|--|--------------------------|--------------------------|
|  | <b>June 16,<br/>2007</b> | <b>June 17,<br/>2006</b> |
| (In thousands)   |                          |                          |
| Net income   | \$ 38,840                | \$ 12,671                |
| Unrealized foreign currency exchange translation gain              | 821                      | 12,264                   |
| Reclassification of realized cash flow hedging gains to net income | (3,285)                  | (6,578)                  |
| Unrealized net gain on cash flow hedging instruments               | 13,899                   | 349                      |
| Comprehensive income   | \$ 50,275                | \$ 18,706                |

*Derivative Instruments and Hedging Activities*

The Company uses derivative instruments to hedge against fluctuations in interest rates, foreign currency exchange rate movements and bunker fuel prices. With the exception of the South African rand forward contracts, all of the Company's derivative instruments have historically 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* ( FAS 133 ). The Company does not utilize derivatives for trading or other speculative purposes.

During the second quarter of 2007, the Company elected to discontinue its designation of both its foreign currency and bunker fuel hedges as cash flow hedges under FAS 133. The interest rate swap will continue to be accounted for as a cash flow hedge under FAS 133. As a result, all changes in the fair value of the Company's derivative financial instruments from the time of discontinuation of hedge accounting are reflected in the Company's condensed consolidated statements of operations. As of June 16, 2007, \$2 million of net unrealized hedging gains was recorded as a component of costs of products sold in the condensed consolidated statements of operations.

*Capital Contribution and Return of Capital*

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 its wholly-owned subsidiary, Dole Holding Company, LLC ( DHC ), the Company's immediate parent, which contributed the funds to the Company. As planned, in October 2006, the Company declared a cash capital repayment of \$28.4 million to DHC, returning the

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

\$28.4 million capital contribution made by DHC in March 2006. The Company repaid this amount during the fourth quarter of 2006.

*Dividends*

During the half year ended June 17, 2006, the Company declared and paid dividends of \$163.7 million to its parent, DHC. For the quarter ended June 17, 2006, dividends declared and paid to DHC were \$160.3 million. The Company did not declare or pay a dividend to its parent during the quarter or half year ended June 16, 2007.

The Company's ability to declare dividends is limited under the terms of its senior secured credit facilities and bond indentures. As of June 16, 2007, the Company had no ability to declare and pay dividends or other similar distributions.

**NOTE 9 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:

|   | U.S. Pension Plans |               | Foreign Pension Plans |               | OPRB Plans    |               |
|---|--------------------|---------------|-----------------------|---------------|---------------|---------------|
|   | Quarter Ended      |               | Quarter Ended         |               | Quarter Ended |               |
|   | June 16, 2007      | June 17, 2006 | June 16, 2007         | June 17, 2006 | June 16, 2007 | June 17, 2006 |
| (In thousands)                            |                    |               |                       |               |               |               |
| Components of net periodic benefit cost:  |                    |               |                       |               |               |               |
| Service cost                              | \$ 34              | \$ 408        | \$ 1,467              | \$ 853        | \$ 71         | \$ 65         |
| Interest cost                             | 3,955              | 3,918         | 2,010                 | 1,428         | 896           | 900           |
| Expected return on plan assets            | (4,089)            | (4,159)       | (564)                 | (83)          |               |               |
| Amortization of:                          |                    |               |                       |               |               |               |
| Unrecognized net loss (gain)              | 285                | 145           | 121                   | 50            | 22            | (26)          |
| Unrecognized prior service cost (benefit) |                    |               | 17                    | 16            | (211)         | (211)         |
| Unrecognized net transition obligation    |                    |               | 13                    | 10            |               |               |
|   | \$ 185             | \$ 312        | \$ 3,064              | \$ 2,274      | \$ 778        | \$ 728        |

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

|   | <b>U.S. Pension Plans</b> |                 | <b>Foreign Pension Plans</b> |                 | <b>OPRB Plans</b>      |                 |
|---|---------------------------|-----------------|------------------------------|-----------------|------------------------|-----------------|
|   | <b>Half Year Ended</b>    |                 | <b>Half Year Ended</b>       |                 | <b>Half Year Ended</b> |                 |
|   | <b>June 16,</b>           | <b>June 17,</b> | <b>June 16,</b>              | <b>June 17,</b> | <b>June 16,</b>        | <b>June 17,</b> |
|   | <b>2007</b>               | <b>2006</b>     | <b>2007</b>                  | <b>2006</b>     | <b>2007</b>            | <b>2006</b>     |
| (In thousands)                            |                           |                 |                              |                 |                        |                 |
| Components of net periodic benefit cost:  |                           |                 |                              |                 |                        |                 |
| Service cost                              | \$ 68                     | \$ 816          | \$ 2,907                     | \$ 1,731        | \$ 142                 | \$ 130          |
| Interest cost                             | 7,910                     | 7,836           | 3,981                        | 2,889           | 1,792                  | 1,800           |
| Expected return on plan assets            | (8,178)                   | (8,318)         | (1,120)                      | (168)           |                        |                 |
| Amortization of:                          |                           |                 |                              |                 |                        |                 |
| Unrecognized net loss (gain)              | 570                       | 290             | 240                          | 103             | 44                     | (52)            |
| Unrecognized prior service cost (benefit) |                           |                 | 34                           | 27              | (422)                  | (422)           |
| Unrecognized net transition obligation    |                           |                 | 25                           | 26              |                        |                 |
|   | \$ 370                    | \$ 624          | \$ 6,067                     | \$ 4,608        | \$ 1,556               | \$ 1,456        |

**NOTE 10 SEGMENT INFORMATION**

The Company has four 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. In 2006, EBIT is calculated by subtracting income from discontinued operations, net of income taxes and adding interest expense and income taxes 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 or cash flow measures prepared in accordance with GAAP or as a measure of the Company's profitability. Additionally, the Company's computation of EBIT may not be comparable to other similarly titled measures computed by other companies, because not all companies calculate EBIT in the same fashion.

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

In the tables below, revenues from external customers and EBIT reflect results from continuing operations.

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

|                                   | <b>Quarter Ended</b>     |                          | <b>Half Year Ended</b>   |                          |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                   | <b>June 16,<br/>2007</b> | <b>June 17,<br/>2006</b> | <b>June 16,<br/>2007</b> | <b>June 17,<br/>2006</b> |
| (In thousands)                    |                          |                          |                          |                          |
| Revenues from external customers: |                          |                          |                          |                          |
| Fresh fruit                       | \$ 1,231,538             | \$ 1,003,909             | \$ 2,277,955             | \$ 1,900,933             |
| Fresh vegetables                  | 265,086                  | 304,403                  | 509,360                  | 547,606                  |
| Packaged foods                    | 241,876                  | 221,723                  | 470,102                  | 417,670                  |
| Fresh-cut flowers                 | 27,921                   | 44,869                   | 64,885                   | 103,033                  |
| Corporate                         | 279                      | 293                      | 531                      | 556                      |
|                                   | \$ 1,766,700             | \$ 1,575,197             | \$ 3,322,833             | \$ 2,969,798             |

|                                   | <b>Quarter Ended</b>     |                          | <b>Half Year Ended</b>   |                          |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                   | <b>June 16,<br/>2007</b> | <b>June 17,<br/>2006</b> | <b>June 16,<br/>2007</b> | <b>June 17,<br/>2006</b> |
| (In thousands)                    |                          |                          |                          |                          |
| EBIT:                             |                          |                          |                          |                          |
| Fresh fruit                       | \$ 89,812                | \$ 52,495                | \$ 120,480               | \$ 72,783                |
| Fresh vegetables                  | (14,607)                 | 11,791                   | (12,374)                 | 16,351                   |
| Packaged foods                    | 17,337                   | 22,002                   | 32,585                   | 36,883                   |
| Fresh-cut flowers                 | (6,080)                  | (5,083)                  | (6,121)                  | (5,478)                  |
| Total operating segments          | 86,462                   | 81,205                   | 134,570                  | 120,539                  |
| Corporate                         | (522)                    | (10,025)                 | (13,402)                 | (25,156)                 |
| Interest expense                  | (44,722)                 | (39,926)                 | (88,924)                 | (74,280)                 |
| Income taxes                      | 7,837                    | (12,931)                 | 6,596                    | (8,680)                  |
| Income from continuing operations | \$ 49,055                | \$ 18,323                | \$ 38,840                | \$ 12,423                |

The Company's equity earnings in unconsolidated subsidiaries, which have been included in EBIT in the table above, relate primarily to the fresh fruit and fresh vegetables operating segments.



Total assets for the reportable operating segments and corporate were as follows:

|                          | <b>June 16,<br/>2007</b> | <b>December 30,<br/>2006</b> |
|--------------------------|--------------------------|------------------------------|
| (In thousands)           |                          |                              |
| Fresh fruit              | \$ 2,548,386             | \$ 2,451,518                 |
| Fresh vegetables         | 461,985                  | 479,217                      |
| Packaged foods           | 636,184                  | 653,077                      |
| Fresh-cut flowers        | 119,182                  | 115,477                      |
| Total operating segments | 3,765,737                | 3,699,289                    |
| Corporate                | 912,021                  | 913,067                      |
|                          | <b>\$ 4,677,758</b>      | <b>\$ 4,612,356</b>          |

**Table of Contents**

**DOLE FOOD COMPANY, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

**NOTE 11 CONTINGENCIES**

The Company is a guarantor of indebtedness to some of its key fruit suppliers and other entities integral to the Company's operations. At June 16, 2007, guarantees of \$3.3 million consisted primarily of amounts advanced under third-party bank agreements to independent growers that supply the Company with product. The Company has not historically experienced any significant losses associated with these guarantees.

As of June 16, 2007, letters of credit and bank guarantees outstanding under the \$100 million pre-funded letter of credit facility totaled \$79.7 million. In addition, the Company issues letters of credit and bonds through major banking institutions, insurance companies and its ABL revolver as required by certain regulatory authorities, vendor and other operating agreements. As of June 16, 2007, total letters of credit and bonds outstanding under these arrangements were \$123.2 million.

As part of its normal business activities, the Company and its subsidiaries also provide guarantees to various regulatory authorities, primarily in Europe, in order to comply with foreign regulations when operating businesses overseas. These guarantees relate to customs duties and banana import license fees that 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, primarily issued under the Company's pre-funded letter of credit facility.

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 \$181.8 million of its subsidiaries' obligations to their suppliers and other third parties as of June 16, 2007.

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

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

A significant portion of the Company's legal exposure relates to lawsuits pending in the United States and in several foreign countries, alleging injury as a result of exposure to the agricultural chemical DBCP (1,2-dibromo-3-chloropropane). DBCP was manufactured by several chemical companies including Dow and Shell and registered by the U.S. government for use on food crops. The Company and other growers applied DBCP on banana farms in Latin America and the Philippines and on pineapple farms in Hawaii. Specific periods of use varied among the different locations. The Company halted all purchases of DBCP, including for use in foreign countries,

when the U.S. EPA cancelled the registration of DBCP for use in the United States in 1979. That cancellation was based in part on a 1977 study by a manufacturer which indicated an apparent link between male sterility and exposure to DBCP among factory workers producing the product, as well as early product testing done by the manufacturers showing testicular effects on animals exposed to DBCP. To date, there is no reliable evidence demonstrating that field application of DBCP led to sterility among farm workers, although that claim is made in the pending lawsuits. Nor is there any reliable scientific evidence that DBCP causes any other injuries in humans, although plaintiffs in the various actions assert claims based on cancer, birth defects and other general illnesses.

**Table of Contents**

**DOLE FOOD COMPANY, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

Currently there are 490 lawsuits, in various stages of proceedings, alleging injury as a result of exposure to DBCP, seeking enforcement of Nicaraguan judgments, or seeking to bar Dole's efforts to resolve DBCP claims in Nicaragua. Nineteen of these lawsuits are currently pending in various jurisdictions in the United States. Of the 19 U.S. lawsuits, 10 have been brought by foreign workers who allege exposure to DBCP in countries where Dole did not have operations during the relevant time period. One case pending in Los Angeles Superior Court with 12 Nicaraguan plaintiffs began trial on July 10, 2007. The remaining cases are pending in Latin America and the Philippines, including 261 labor cases pending in Costa Rica under that country's national insurance program. Claimed damages in DBCP cases worldwide total approximately \$41.5 billion, with lawsuits in Nicaragua representing approximately 87% 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, 188 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.

Twenty-three 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; \$46.4 million (one case with 62 claimants) on August 20, 2005; and \$809 million (six cases consolidated with 1,248 claimants) on December 1, 2006. The Company has appealed all judgments, with the Company's appeal of the August 8, 2005 \$98.5 million judgment and the December 1, 2006 \$809 million judgment currently pending before the Nicaragua Courts of Appeal.

There are 27 active cases currently pending in civil courts in Managua (15), Chinandega (10) and Puerto Cabezas (2), all of which have been brought under Law 364 except for one of the cases pending in Chinandega. In the 26 active cases under Law 364, except for six cases in Chinandega and five cases in Managua, where the Company has not yet been ordered to answer, the Company has sought to have the cases returned to the United States pursuant to Law 364. A Chinandega court in one case has ordered the plaintiffs to respond to our request. In the other two active cases under Law 364 pending there, the Chinandega courts have denied the Company's requests; and the court in Puerto Cabezas has denied the Company's request in the two cases there. The Company's requests in ten of the cases in Managua are still pending; and the Company expects to make similar requests in the remaining five cases at the appropriate time. The Company has appealed the two decisions of the court in Puerto Cabezas and the two decisions of the courts 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 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

**Table of Contents**

**DOLE FOOD COMPANY, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

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.

On October 23, 2006, Dole announced that Standard Fruit de Honduras, S.A. reached an agreement with the Government of Honduras and representatives of Honduran banana workers. This agreement establishes a Worker Program that is intended by the parties to resolve in a fair and equitable manner the claims of male banana workers alleging sterility as a result of exposure to the agricultural chemical DBCP. The Honduran Worker Program will not have a material effect on Dole's financial condition or results of operations. The official start of the Honduran Worker Program was announced on January 8, 2007. On April 19, 2007, Dole and Shell Oil Company entered into an agreement to include Shell in the Worker Program upon approval of the Government of Honduras and the representatives of the Honduran banana workers.

As to all the DBCP matters, the Company has denied liability and asserted substantial defenses. While Dole believes there is no reliable scientific basis for alleged injuries from the agricultural field application of DBCP, Dole continues to seek reasonable resolution of pending litigation and claims in the U.S. and Latin America. For example, as in Honduras, Dole is committed to finding a prompt resolution to the DBCP claims in Nicaragua, and is prepared to pursue a structured worker program in Nicaragua with science-based criteria. 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:* On July 25, 2007, the Company was informed that the European Commission (EC) had adopted a Statement of Objections against the Company, and other unrelated banana companies, alleging violations of the European competition (antitrust) laws by the banana companies within the European Economic Area (EEA). This Statement of Objections follows searches carried out by the European Commission in June 2005 at certain banana importers and distributors, including two of the Company's offices.

A Statement of Objections is a procedural step in the EC's antitrust investigation, in which the EC communicates its preliminary view with respect to a possible infringement of European competition laws. The EC will review responses to the Statement of Objections in order to determine whether to issue a final Decision. Any Decision (including any fines that may be assessed under the Decision) will be subject to appeal to the European Court of First Instance and the European Court of Justice. The Company will continue to cooperate with the EC in order to provide the Commission with a full and transparent understanding of the banana market. Although no assurances can be given

concerning the course or outcome of the EC investigation, the Company believes that it has not violated the European competition laws.

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

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 were consolidated into two separate putative class action lawsuits: one by direct purchasers (customers); and another by indirect purchasers (those who purchased bananas from customers). On May 17, 2007 and June 26, 2007, respectively, Dole entered into settlement agreements resolving these putative consolidated class action lawsuits filed by the direct purchasers and indirect purchasers. These settlement agreements and their terms are subject to various court approvals and required notices. The Company did not admit any wrongdoing in these settlements and continues to believe they were totally without merit; however, the Company elected to settle these lawsuits to bring a final conclusion to this litigation, which had been ongoing since 2005. Neither settlement will have a material adverse effect on the Company's financial condition or 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. The Honduran Supreme Court affirmed the decision of the Honduran intermediate appellate court that a statutory prerequisite to challenging the tax assessment on the merits is the payment of the tax assessment or the filing of a payment plan with the Honduran courts; Dole is now challenging the constitutionality of the statute requiring such payment or payment plan. Although no assurance can be given concerning the outcome of this case, in the opinion of management, after consultation with legal counsel, the pending lawsuits and tax-related matters are not expected to have a material adverse effect on the Company's financial condition or results of operations.

*Hurricane Katrina Cases:* Dole is one of a number of parties sued, including the Mississippi State Port Authority as well as other third-party terminal operators, in connection with the August 2005 Hurricane Katrina. The plaintiffs assert that they suffered property damage because of the defendants' alleged failure to reasonably secure shipping containers at the Gulfport, Mississippi port terminal before Hurricane Katrina hit. Dole believes that it took reasonable precautions and that property damage was due to the unexpected force of Hurricane Katrina, a Category 5 hurricane that was one of the costliest disasters in U.S. history. Dole expects that this Katrina-related litigation will not have a material adverse effect on its financial condition or results of operations.

*Spinach E. coli Outbreak:* On September 15, 2006, Natural Selection Foods LLC recalled all packaged fresh spinach that Natural Selection Foods produced and packaged with Best-If-Used-By dates from August 17 through October 1, 2006, because of reports of illness due to E. coli O157:H7 following consumption of packaged fresh spinach produced by Natural Selection Foods. These packages were sold under 28 different brand names, one of which was DOLE®. Natural Selection Foods produced and packaged all spinach items under the DOLE label (with the names Spinach, Baby Spinach and Spring Mix). On September 15, 2006, Dole announced that it supported the voluntary recall issued by Natural Selection Foods. Dole has no ownership or other economic interest in Natural Selection Foods.

The U.S. Food and Drug Administration announced on September 29, 2006 that all spinach implicated in the current outbreak has traced back to Natural Selection Foods. The FDA stated that this determination was based on



epidemiological and laboratory evidence obtained by multiple states and coordinated by the Centers for Disease Control and Prevention. The trace back investigation has narrowed to four implicated fields on four ranches. FDA and the State of California announced October 12, 2006 that the test results for certain samples collected during the field investigation of the outbreak of E. coli O157:H7 in spinach were positive for E. coli O157:H7. Specifically,

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

samples of cattle feces near one of the implicated ranches tested positive based on matching genetic fingerprints for the same strain of E. coli O157:H7 found in the infected persons.

To date, 204 cases of illness due to E. coli O157:H7 infection have been reported to the Centers for Disease Control and Prevention (203 in 26 states and one in Canada) including 31 cases involving a type of kidney failure called Hemolytic Uremic Syndrome (HUS), 104 hospitalizations, and three deaths. Dole is aware of 13 lawsuits that are pending against Natural Selection Foods and Dole, among others. Dole expects that the vast majority of the spinach E. coli O157:H7 claims will be handled outside the formal litigation process. Since Natural Selection Foods, not Dole, produced and packaged the implicated spinach products, Dole has tendered the defense of these and other claims to Natural Selection Foods and its insurance carriers and has sought indemnity from Natural Selection Foods, based on the provisions of the contract between Dole and Natural Selection Foods. Dole expects that the company (and its insurance carriers) that grew the implicated spinach for Natural Selection Foods also will be involved in the resolution of the E. coli O157:H7 claims. Dole expects that the spinach E. coli O157:H7 matter will not have a material adverse effect on its financial condition or results of operations.

**NOTE 12 ASSETS HELD-FOR-SALE**

The Company reviews its assets in order to identify those assets that do not meet the Company's future strategic direction or internal economic return criteria. As a result of this review, the Company has identified and is in the process of selling certain long-lived assets. In accordance with FAS 144, the Company has reclassified these assets as held-for-sale.

Total assets held-for-sale, related primarily to property, plant and equipment, net of accumulated depreciation, by segment were as follows:

|                                  | <b>June 16,<br/>2007</b> | <b>December 30,<br/>2006</b> |
|----------------------------------|--------------------------|------------------------------|
| (In thousands)                   |                          |                              |
| Assets held-for-sale by segment: |                          |                              |
| Fresh fruit                      | \$ 13,570                | \$ 28,337                    |
| Fresh vegetables                 | 3,251                    | 3,251                        |
| Fresh-cut flowers                | 9,758                    |                              |
| Total assets held-for-sale       | \$ 26,579                | \$ 31,588                    |

During the first quarter of 2007, two of the Company's non-wholly-owned subsidiaries sold land parcels located in central California to subsidiaries of Castle & Cooke, Inc. ( Castle ) for \$40.7 million, of which \$30.5 million was in cash and \$10.2 million was a note receivable. Castle is owned by David H. Murdock, the Company's Chairman of the Board. At December 30, 2006, the land parcels were recorded as assets held-for-sale in the consolidated balance sheet. The Company's share of the gain on the sale was approximately \$4.6 million, net of income taxes. Since the sale

involved the transfer of assets between two parties under common control, the gain on the sale was recorded as an increase to additional paid-in capital.

During the second quarter of 2007, the Company reclassified certain long-lived assets associated with its Chilean deciduous fruit and fresh-cut flowers operations as assets held-for-sale. These assets consist primarily of land located in Latin America.

In connection with the Company's evaluation of the Chilean assets held-for-sale during the second quarter of 2007, the Company determined that certain long-lived assets were impaired and recorded a non-cash impairment charge of \$3.6 million. The fair values of the assets used in the impairment analysis were based on estimated sales prices of the related assets. The \$3.6 million charge is included in costs of products sold in the condensed consolidated statements of operations.

**Table of Contents**

**DOLE FOOD COMPANY, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

**NOTE 13 BUSINESS RESTRUCTURING**

During the first quarter of 2006, the commercial relationship substantially ended between the Company'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 the fresh fruit reporting segment. Total costs incurred as of June 17, 2006, consisting primarily of employee-related severance costs, amounted to approximately \$8.9 million, of which \$6.4 million is included in costs of products sold and \$2.5 million is included in selling, marketing and general and administrative expenses in the condensed consolidated statement of operations. The Company incurred \$12.8 million of total related restructuring costs during the 2006 fiscal year. As of June 16, 2007, the remaining amount of accrued severance costs was \$0.6 million. The Company currently estimates that this remaining amount will be paid by the end of 2007.

**NOTE 14 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.

The following are condensed consolidating statements of operations of the Company for the quarters and half years ended June 16, 2007 and June 17, 2006; condensed consolidating balance sheets as of June 16, 2007 and December 30, 2006; and condensed consolidating statements of cash flows for the half years ended June 16, 2007 and June 17, 2006.

**Table of Contents****DOLE FOOD COMPANY, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**  
**For the Quarter Ended June 16, 2007**

|  | <b>Dole Food<br/>Company,<br/>Inc.</b> | <b>Guarantors</b> | <b>Non<br/>Guarantors</b> | <b>Eliminations</b> | <b>Total</b> |
|--|--|-------------------|---------------------------|---------------------|--------------|
| (In thousands)   |  |                   |                           |                     |              |
| Revenues, net  | \$ 18,905                              | \$ 722,376        | \$ 1,320,354              | \$ (294,935)        | \$ 1,766,700 |
| Cost of products sold  | (16,054)                               | (668,673)         | (1,186,954)               | 288,323             | (1,583,358)  |
| Gross margin   | 2,851                                  | 53,703            | 133,400                   | (6,612)             | 183,342      |
| Selling, marketing and general<br>and administrative expenses            | (17,395)                               | (45,136)          | (56,788)                  | 6,612               | (112,707)    |
| Operating income (loss)  | (14,544)                               | 8,567             | 76,612                    |                     | 70,635       |
| Equity in subsidiary income  | 88,669                                 | 67,368            |                           | (156,037)           |              |
| Other income (expense), net  |  |                   | 13,758                    |                     | 13,758       |
| Interest income  | 67                                     | 51                | 1,965                     |                     | 2,083        |
| Interest expense   | (28,280)                               | (2)               | (16,440)                  |                     | (44,722)     |
| Income before income taxes,<br>minority interests and equity<br>earnings | 45,912                                 | 75,984            | 75,895                    | (156,037)           | 41,754       |
| Income taxes   | 3,172                                  | 12,637            | (7,972)                   |                     | 7,837        |
| Minority interests, net of<br>income taxes                               | (28)                                   | (336)             | (1,076)                   |                     | (1,440)      |
| Equity in earnings of<br>unconsolidated subsidiaries                     | (1)                                    | (42)              | 947                       |                     | 904          |
| Net income   | \$ 49,055                              | \$ 88,243         | \$ 67,794                 | \$ (156,037)        | \$ 49,055    |

**For the Quarter Ended June 17, 2006**

|                | <b>Dole Food<br/>Company,<br/>Inc.</b> | <b>Guarantors</b> | <b>Non<br/>Guarantors</b> | <b>Eliminations</b> | <b>Total</b> |
|----------------|--|-------------------|---------------------------|---------------------|--------------|
| (In thousands) |  |                   |                           |                     |              |
| Revenues, net  | \$ 15,405                              | \$ 748,497        | \$ 1,109,081              | \$ (297,786)        | \$ 1,575,197 |

## Edgar Filing: DOLE FOOD CO INC - Form 10-Q

|   |           |           |             |             |             |
|---|-----------|-----------|-------------|-------------|-------------|
| Cost of products sold   | (13,323)  | (667,051) | (1,006,536) | 292,101     | (1,394,809) |
| Gross margin  | 2,082     | 81,446    | 102,545     | (5,685)     | 180,388     |
| Selling, marketing and general and administrative expenses                | (11,742)  | (47,532)  | (54,517)    | 5,685       | (108,106)   |
| Operating income (loss)   | (9,660)   | 33,914    | 48,028      |             | 72,282      |
| Equity in subsidiary income   | 37,216    | 29,953    |             | (67,169)    |             |
| Other income (expense), net   | (3,205)   |           | (824)       |             | (4,029)     |
| Interest income   | 558       | 116       | 1,031       |             | 1,705       |
| Interest expense  | (26,558)  | (2)       | (13,366)    |             | (39,926)    |
| Income (loss) before income taxes, minority interests and equity earnings | (1,649)   | 63,981    | 34,869      | (67,169)    | 30,032      |
| Income taxes  | 20,210    | (27,470)  | (5,671)     |             | (12,931)    |
| Minority interests, net of income taxes                                   | (36)      | 142       | (207)       |             | (101)       |
| Equity in earnings of unconsolidated subsidiaries                         |           | (47)      | 1,370       |             | 1,323       |
| Income from continuing operations   | 18,525    | 36,606    | 30,361      | (67,169)    | 18,323      |
| Income from discontinued operations, net of income taxes                  |           | 202       |             |             | 202         |
| Net income  | \$ 18,525 | \$ 36,808 | \$ 30,361   | \$ (67,169) | \$ 18,525   |

**Table of Contents****DOLE FOOD COMPANY, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)**CONDENSED CONSOLIDATING STATEMENT OPERATIONS**  
**For the Half Year Ended June 16, 2007**

|  | <b>Dole Food<br/>Company,<br/>Inc.</b> | <b>Guarantors</b> | <b>Non<br/>Guarantors</b> | <b>Eliminations</b> | <b>Total</b> |
|--|--|-------------------|---------------------------|---------------------|--------------|
| (In thousands)   |  |                   |                           |                     |              |
| Revenues, net  | \$ 38,446                              | \$ 1,418,488      | \$ 2,441,408              | \$ (575,509)        | \$ 3,322,833 |
| Cost of products sold  | (32,788)                               | (1,297,315)       | (2,231,879)               | 563,988             | (2,997,994)  |
| Gross margin   | 5,658                                  | 121,173           | 209,529                   | (11,521)            | 324,839      |
| Selling, marketing and general<br>and administrative expenses            | (33,272)                               | (89,982)          | (111,882)                 | 11,521              | (223,615)    |
| Operating income (loss)  | (27,614)                               | 31,191            | 97,647                    |                     | 101,224      |
| Equity in subsidiary income  | 113,229                                | 76,426            |                           | (189,655)           |              |
| Other income (expense), net  |  |                   | 15,337                    |                     | 15,337       |
| Interest income  | 142                                    | 96                | 3,481                     |                     | 3,719        |
| Interest expense   | (56,494)                               | (7)               | (32,423)                  |                     | (88,924)     |
| Income before income taxes,<br>minority interests and equity<br>earnings | 29,263                                 | 107,706           | 84,042                    | (189,655)           | 31,356       |
| Income taxes   | 9,616                                  | 5,031             | (8,051)                   |                     | 6,596        |
| Minority interests, net of<br>income taxes                               | (48)                                   | (510)             | (133)                     |                     | (691)        |
| Equity in earnings of<br>unconsolidated subsidiaries                     | 9                                      | 277               | 1,293                     |                     | 1,579        |
| Net income   | \$ 38,840                              | \$ 112,504        | \$ 77,151                 | \$ (189,655)        | \$ 38,840    |

**For the Half Year Ended June 17, 2006**

|                | <b>Dole Food<br/>Company,<br/>Inc.</b> | <b>Guarantors</b> | <b>Non<br/>Guarantors</b> | <b>Eliminations</b> | <b>Total</b> |
|----------------|--|-------------------|---------------------------|---------------------|--------------|
| (In thousands) |  |                   |                           |                     |              |
| Revenues, net  | \$ 26,734                              | \$ 1,445,744      | \$ 2,110,002              | \$ (612,682)        | \$ 2,969,798 |

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

|   |           |             |             |             |             |
|---|-----------|-------------|-------------|-------------|-------------|
| Cost of products sold   | (23,019)  | (1,294,474) | (1,945,899) | 603,858     | (2,659,534) |
| Gross margin  | 3,715     | 151,270     | 164,103     | (8,824)     | 310,264     |
| Selling, marketing and general and administrative expenses                | (27,240)  | (92,095)    | (104,561)   | 8,824       | (215,072)   |
| Operating income (loss)   | (23,525)  | 59,175      | 59,542      |             | 95,192      |
| Equity in subsidiary income   | 54,606    | 25,288      |             | (79,894)    |             |
| Other income (expense), net   | (3,206)   |             | (1,909)     |             | (5,115)     |
| Interest income   | 744       | 195         | 2,240       |             | 3,179       |
| Interest expense  | (50,676)  | (5)         | (23,599)    |             | (74,280)    |
| Income (loss) before income taxes, minority interests and equity earnings | (22,057)  | 84,653      | 36,274      | (79,894)    | 18,976      |
| Income taxes  | 34,800    | (31,334)    | (12,146)    |             | (8,680)     |
| Minority interests, net of income taxes                                   | (72)      | (112)       | (534)       |             | (718)       |
| Equity in earnings of unconsolidated subsidiaries                         |           | 403         | 2,442       |             | 2,845       |
| Income from continuing operations   | 12,671    | 53,610      | 26,036      | (79,894)    | 12,423      |
| Income from discontinued operations, net of income tax                    |           | 248         |             |             | 248         |
| Net income  | \$ 12,671 | \$ 53,858   | \$ 26,036   | \$ (79,894) | \$ 12,671   |



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

(Unaudited)

**CONDENSED CONSOLIDATING BALANCE SHEET****As of June 16, 2007**

|  | <b>Dole Food<br/>Company,<br/>Inc.</b> | <b>Guarantors</b>   | <b>Non<br/>Guarantors</b> | <b>Eliminations</b>   | <b>Total</b>        |
|--|--|---------------------|---------------------------|-----------------------|---------------------|
| (In thousands)                             |  |                     |                           |                       |                     |
| <b>ASSETS</b>                              |  |                     |                           |                       |                     |
| Cash and cash equivalents                  | \$ 15,568                              | \$ (11,931)         | \$ 96,946                 | \$                    | \$ 100,583          |
| Receivables, net of allowances             | 307,327                                | (55,763)            | 664,580                   |                       | 916,144             |
| Inventories                                | 6,813                                  | 247,712             | 383,617                   |                       | 638,142             |
| Prepaid expenses                           | 5,589                                  | 16,350              | 48,857                    |                       | 70,796              |
| Deferred income tax assets                 | 29,596                                 | 24,754              | 12,256                    |                       | 66,606              |
| Assets held-for-sale                       | 727                                    | 3,251               | 22,601                    |                       | 26,579              |
| <b>Total current assets</b>                | <b>365,620</b>                         | <b>224,373</b>      | <b>1,228,857</b>          |                       | <b>1,818,850</b>    |
| Investments                                | 2,178,784                              | 1,804,118           | 62,665                    | (3,981,176)           | 64,391              |
| Property, plant and equipment,<br>net      | 287,045                                | 350,386             | 767,361                   |                       | 1,404,792           |
| Goodwill                                   |  | 152,714             | 362,835                   |                       | 515,549             |
| Intangible assets, net                     | 689,829                                | 23,908              | 10,100                    |                       | 723,837             |
| Other assets, net                          | 39,992                                 | 8,900               | 101,447                   |                       | 150,339             |
| <b>Total assets</b>                        | <b>\$ 3,561,270</b>                    | <b>\$ 2,564,399</b> | <b>\$ 2,533,265</b>       | <b>\$ (3,981,176)</b> | <b>\$ 4,677,758</b> |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b> |  |                     |                           |                       |                     |
| Accounts payable                           | \$ 3,083                               | \$ 142,242          | \$ 385,362                | \$                    | \$ 530,687          |
| Accrued liabilities                        | 63,890                                 | 187,979             | 188,148                   |                       | 440,017             |
| Current portion of long-term<br>debt       | 1,950                                  | 121                 | 12,430                    |                       | 14,501              |
| Notes payable                              |  |                     | 48,165                    |                       | 48,165              |
| <b>Total current liabilities</b>           | <b>68,923</b>                          | <b>330,342</b>      | <b>634,105</b>            |                       | <b>1,033,370</b>    |
| Intercompany payables<br>(receivables)     | 900,698                                | (27,645)            | (873,053)                 |                       |                     |
| Long-term debt                             | 1,499,329                              | 344                 | 818,385                   |                       | 2,318,058           |
| Deferred income tax liabilities            | 235,311                                | 30,759              | 25,683                    |                       | 291,753             |
| Other long-term liabilities                | 434,591                                | 43,323              | 111,682                   |                       | 589,596             |
| Minority interests                         |  |                     | 22,563                    |                       | 22,563              |
| <b>Total shareholders equity</b>           | <b>422,418</b>                         | <b>2,187,276</b>    | <b>1,793,900</b>          | <b>(3,981,176)</b>    | <b>422,418</b>      |

|  |              |              |              |                |              |
|--|--------------|--------------|--------------|----------------|--------------|
| <b>Total liabilities and<br/>shareholders equity</b> | \$ 3,561,270 | \$ 2,564,399 | \$ 2,533,265 | \$ (3,981,176) | \$ 4,677,758 |
|--|--------------|--------------|--------------|----------------|--------------|

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

(Unaudited)

**CONDENSED CONSOLIDATING BALANCE SHEET****As of December 30, 2006**

|  | <b>Dole Food<br/>Company,<br/>Inc.</b> | <b>Guarantors</b>   | <b>Non<br/>Guarantors</b> | <b>Eliminations</b>   | <b>Total</b>        |
|--|--|---------------------|---------------------------|-----------------------|---------------------|
| (In thousands)                             |  |                     |                           |                       |                     |
| <b>ASSETS</b>                              |  |                     |                           |                       |                     |
| Cash and cash equivalents                  | \$ 7,322                               | \$ (6)              | \$ 85,098                 | \$                    | \$ 92,414           |
| Receivables, net of allowances             | 306,813                                | (60,940)            | 499,857                   |                       | 745,730             |
| Inventories                                | 6,914                                  | 296,644             | 357,994                   |                       | 661,552             |
| Prepaid expenses                           | 4,806                                  | 15,854              | 44,728                    |                       | 65,388              |
| Deferred income tax assets                 | 29,596                                 | 24,754              | 12,256                    |                       | 66,606              |
| Assets held for-sale                       | 906                                    | 30,682              |                           |                       | 31,588              |
| <b>Total current assets</b>                | <b>356,357</b>                         | <b>306,988</b>      | <b>999,933</b>            |                       | <b>1,663,278</b>    |
| Investments                                | 2,072,618                              | 1,684,500           | 61,254                    | (3,755,636)           | 62,736              |
| Property, plant and equipment, net         | 288,029                                | 371,014             | 802,918                   |                       | 1,461,961           |
| Goodwill                                   |  | 159,939             | 385,801                   |                       | 545,740             |
| Intangible assets, net                     | 689,829                                | 25,606              | 11,254                    |                       | 726,689             |
| Other assets, net                          | 41,232                                 | 8,986               | 101,734                   |                       | 151,952             |
| <b>Total assets</b>                        | <b>\$ 3,448,065</b>                    | <b>\$ 2,557,033</b> | <b>\$ 2,362,894</b>       | <b>\$ (3,755,636)</b> | <b>\$ 4,612,356</b> |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b> |  |                     |                           |                       |                     |
| Accounts payable                           | \$ 2,530                               | \$ 137,012          | \$ 315,143                | \$                    | \$ 454,685          |
| Accrued liabilities                        | 70,493                                 | 237,295             | 164,500                   |                       | 472,288             |
| Current portion of long-term debt          | 1,950                                  |                     | 12,505                    |                       | 14,455              |
| Notes payable                              |  |                     | 34,129                    |                       | 34,129              |
| <b>Total current liabilities</b>           | <b>74,973</b>                          | <b>374,307</b>      | <b>526,277</b>            |                       | <b>975,557</b>      |
| Intercompany payables (receivables)        | 792,577                                | 36,238              | (828,815)                 |                       |                     |
| Long-term debt                             | 1,493,053                              |                     | 822,544                   |                       | 2,315,597           |
| Deferred income tax liabilities            | 290,152                                | 30,760              | 25,683                    |                       | 346,595             |
| Other long-term liabilities                | 456,227                                | 42,579              | 109,385                   |                       | 608,191             |

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

|  |                     |                     |                     |                       |                     |
|--|---------------------|---------------------|---------------------|-----------------------|---------------------|
| Minority interests                               |                     | 8,278               | 17,055              |                       | 25,333              |
| Total shareholders equity                        | 341,083             | 2,064,871           | 1,690,765           | (3,755,636)           | 341,083             |
| <b>Total liabilities and shareholders equity</b> | <b>\$ 3,448,065</b> | <b>\$ 2,557,033</b> | <b>\$ 2,362,894</b> | <b>\$ (3,755,636)</b> | <b>\$ 4,612,356</b> |

Table of Contents**DOLE FOOD COMPANY, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**For the Half Year Ended June 16, 2007**

|  | <b>Dole Food<br/>Company,<br/>Inc.</b> | <b>Guarantors</b> | <b>Non<br/>Guarantors</b> | <b>Eliminations</b> | <b>Total</b> |
|--|--|-------------------|---------------------------|---------------------|--------------|
| (In thousands)   |  |                   |                           |                     |              |
| <b>Operating activities</b>  |  |                   |                           |                     |              |
| Intercompany dividend income   | \$ 17,543                              | \$ 17,543         | \$                        | \$ (35,086)         | \$           |
| Operating activities   | (15,401)                               | 21,550            | 19,333                    |                     | 25,482       |
| Cash flow provided by operating activities                           | 2,142                                  | 39,093            | 19,333                    | (35,086)            | 25,482       |
| <b>Investing activities</b>  |  |                   |                           |                     |              |
| Proceeds from sales of assets  | 462                                    | 51                | 32,229                    |                     | 32,742       |
| Capital additions  | (292)                                  | (22,329)          | (21,419)                  |                     | (44,040)     |
| Repurchase of common stock in the going-private merger transaction   | (203)                                  |                   |                           |                     | (203)        |
| Cash flow provided by (used in) investing activities                 | (33)                                   | (22,278)          | 10,810                    |                     | (11,501)     |
| <b>Financing activities</b>  |  |                   |                           |                     |              |
| Short-term debt borrowings   |  |                   | 40,790                    |                     | 40,790       |
| Short-term debt repayments   |  | (11,179)          | (29,676)                  |                     | (40,855)     |
| Long-term debt borrowings  | 534,300                                |                   | 375                       |                     | 534,675      |
| Long-term debt repayments  | (528,163)                              | (18)              | (4,513)                   |                     | (532,694)    |
| Intercompany dividends   |  | (17,543)          | (17,543)                  | 35,086              |              |
| Dividends paid to minority shareholders                              |  |                   | (8,942)                   |                     | (8,942)      |
| Cash flow provided by (used in) financing activities                 | 6,137                                  | (28,740)          | (19,509)                  | 35,086              | (7,026)      |
| Effect of foreign exchange rate changes on cash and cash equivalents |  |                   | 1,214                     |                     | 1,214        |
|  | 8,246                                  | (11,925)          | 11,848                    |                     | 8,169        |

Increase (decrease) in cash and cash equivalents

|  |       |     |        |        |
|--|-------|-----|--------|--------|
| Cash and cash equivalents at beginning of period | 7,322 | (6) | 85,098 | 92,414 |
|--|-------|-----|--------|--------|

|  |           |             |           |            |
|--|-----------|-------------|-----------|------------|
| Cash and cash equivalents at end of period | \$ 15,568 | \$ (11,931) | \$ 96,946 | \$ 100,583 |
|--|-----------|-------------|-----------|------------|

**Table of Contents****DOLE FOOD COMPANY, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**For the Half Year Ended June 17, 2006**

|   | <b>Dole Food<br/>Company,<br/>Inc.</b> | <b>Guarantors</b> | <b>Non<br/>Guarantors</b> | <b>Eliminations</b> | <b>Total</b> |
|---|--|-------------------|---------------------------|---------------------|--------------|
| (In thousands)  |  |                   |                           |                     |              |
| <b>Operating activities</b>   |  |                   |                           |                     |              |
| Cash flow provided by (used in) operating activities                          | \$ (20,921)                            | \$ 17,898         | \$ (40,148)               | \$                  | \$ (43,171)  |
| <b>Investing activities</b>   |  |                   |                           |                     |              |
| Proceeds from sales of assets   | 168                                    | 97                | 2,020                     |                     | 2,285        |
| Capital additions   | (680)                                  | (20,948)          | (23,096)                  |                     | (44,724)     |
| Repurchase of common stock in the going-private merger transaction            | (100)                                  |                   |                           |                     | (100)        |
| Cash flow used in investing activities  | (612)                                  | (20,851)          | (21,076)                  |                     | (42,539)     |
| <b>Financing activities</b>   |  |                   |                           |                     |              |
| Short-term debt borrowings  |  | (6)               | 51,366                    |                     | 51,360       |
| Short-term debt repayments  |  | (752)             | (17,669)                  |                     | (18,421)     |
| Long-term debt borrowings, net of debt issuance costs                         | 654,383                                | 565               | 907,113                   |                     | 1,562,061    |
| Long-term debt repayments   | (496,689)                              | (412)             | (881,457)                 |                     | (1,378,558)  |
| Capital contributions   | 28,390                                 |                   |                           |                     | 28,390       |
| Dividends paid to minority shareholders                                       |  | (437)             | (859)                     |                     | (1,296)      |
| Dividends paid to parent  | (163,691)                              |                   |                           |                     | (163,691)    |
| Cash flow provided by (used in) financing activities                          | 22,393                                 | (1,042)           | 58,494                    |                     | 79,845       |
| Effect of foreign currency exchange rate changes on cash and cash equivalents |  |                   | 8,356                     |                     | 8,356        |
| Increase (decrease) in cash and cash equivalents                              | 860                                    | (3,995)           | 5,626                     |                     | 2,491        |

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

|  |           |            |           |           |
|--|-----------|------------|-----------|-----------|
| Cash and cash equivalents at beginning of period | 12,698    | (5,453)    | 41,567    | 48,812    |
| Cash and cash equivalents at end of period       | \$ 13,558 | \$ (9,448) | \$ 47,193 | \$ 51,303 |



**Table of Contents****ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****Overview**

For the second quarter of 2007, Dole Food Company, Inc. and its consolidated subsidiaries (Dole or the Company) generated revenues of \$1.77 billion, reflecting a 12% increase compared to the prior year. Higher sales were reported in the Company's fresh fruit and packaged foods operating segments. Revenue growth was fueled by strong banana sales worldwide and higher sales volumes in the European ripening and distribution operations due in part to the October 2006 acquisition of the remaining 65% ownership in JP Fruit Distributors Limited (renamed JP Fresh) that the Company did not previously own. In addition, the packaged foods segment had higher pricing and volume in its North America business. These revenue increases were partially offset by lower sales in the fresh vegetables and fresh-cut flowers segments due primarily to lower sales volumes. The Company earned operating income of \$70.6 million compared to \$72.3 million earned in the prior year. Lower operating income was reported by the Company's fresh vegetables, packaged foods and fresh-cut flowers operations. The fresh vegetables and fresh-cut flowers segments were impacted by both lower sales and higher product costs. Operating income in the packaged foods segment was impacted by higher product costs that resulted from unfavorable foreign exchange currency movements in its international sourcing locations. Higher operating income in the Company's fresh fruit segment resulted from improved pricing in North America and Asia bananas and lower costs in the banana and fresh pineapple operations in North America and Europe. Net income for the second quarter of 2007 was \$49.1 million compared to net income of \$18.5 million in the second quarter of 2006.

For the first half of 2007, the Company generated revenues of \$3.32 billion, reflecting a 12% increase compared to the prior year. Higher sales were reported in the Company's fresh fruit and packaged foods operating segments. Operating income was \$101.2 million compared to \$95.2 million earned in the prior year. Higher operating income in the fresh fruit operating segment and lower operating income in the fresh vegetables, packaged foods and fresh-cut flowers segments resulted from the same factors that drove the changes in the second quarter's operating results. Net income of \$38.8 million was reported for the first half of 2007 compared to net income of \$12.7 million in the first half of 2006.

**Results of Operations**

Selected results of operations for the quarters and half years ended June 16, 2007 and June 17, 2006 were as follows:

|   | <b>Quarter Ended</b>     |                          |
|---|--------------------------|--------------------------|
|   | <b>June 16,<br/>2007</b> | <b>June 17,<br/>2006</b> |
| (In thousands)  |                          |                          |
| Revenues, net   | \$ 1,766,700             | \$ 1,575,197             |
| Operating income  | 70,635                   | 72,282                   |
| Interest income and other income (expense), net   | 15,841                   | (2,324)                  |
| Interest expense  | (44,722)                 | (39,926)                 |
| Income taxes  | 7,837                    | (12,931)                 |
| Minority interests, net of income taxes and equity in earnings of unconsolidated subsidiaries | (536)                    | 1,222                    |
| Income from discontinued operations, net of income taxes                                      |                          | 202                      |

Net income

49,055

18,525

27

---

**Table of Contents**

|   | <b>Half Year Ended</b>   |                          |
|---|--------------------------|--------------------------|
|   | <b>June 16,<br/>2007</b> | <b>June 17,<br/>2006</b> |
| (In thousands)  |                          |                          |
| Revenues, net   | \$ 3,322,833             | \$ 2,969,798             |
| Operating income  | 101,224                  | 95,192                   |
| Interest income and other income (expense), net   | 19,056                   | (1,936)                  |
| Interest expense  | (88,924)                 | (74,280)                 |
| Income taxes  | 6,596                    | (8,680)                  |
| Minority interests, net of income taxes and equity in earnings of unconsolidated subsidiaries | 888                      | 2,127                    |
| Income from discontinued operations, net of income taxes                                      |                          | 248                      |
| Net income  | 38,840                   | 12,671                   |

**Revenues**

For the quarter ended June 16, 2007, revenues increased 12% to \$1.77 billion from \$1.58 billion for the quarter ended June 17, 2006. Higher volumes of bananas together with improved pricing in North America and Asia contributed \$61 million or 32% of the overall sales increase. Higher revenues in the European ripening and distribution operations resulted primarily from the acquisition of JP Fresh in the fourth quarter of 2006 as well as higher volumes in the other ripening and distribution businesses. JP Fresh generated revenues of \$78 million during the second quarter of 2007. Higher sales of packaged food products, primarily for FRUIT BOWLS®, fruit in plastic jars, pineapple juice, concentrate and packaged frozen foods also increased revenues by \$20 million. Favorable foreign currency exchange movements in the Company's selling locations positively impacted revenues by approximately \$30 million. These increases were partially offset by lower sales of North America commodity vegetables and lower volumes of packaged salads and fresh-cut flowers.

For the half year ended June 16, 2007, revenues also increased 12% to \$3.32 billion from \$2.97 billion for the half year ended June 17, 2006. Revenues increased due to higher volumes of bananas sold worldwide, higher banana pricing in North America and Asia, higher volumes of fresh pineapples sold in North America and Asia, as well as increased volumes in the European ripening and distribution businesses. JP Fresh contributed revenues of \$151 million during the first half of 2007. In addition, revenues increased as a result of higher sales of packaged food products primarily in North America and Europe. Favorable foreign currency exchange movements in the Company's selling locations positively impacted revenues by approximately \$63 million. These increases were partially offset by lower sales volumes of commodity vegetables, packaged salads and fresh-cut flowers.

**Operating Income**

For the quarter ended June 16, 2007, operating income decreased to \$70.6 million from \$72.3 million in the quarter ended June 17, 2006. The decrease was primarily attributable to lower operating results from the Company's fresh vegetables, packaged foods and fresh-cut flowers operating segments, as well as from the Chilean deciduous fruit operations. The fresh vegetables and fresh-cut flowers operations were impacted by lower sales volumes and higher product costs. The Chilean deciduous fruit operations were impacted by the write-off of farm assets and the packaged foods segment incurred higher product costs primarily resulting from unfavorable foreign currency exchange movements in its international sourcing locations. If foreign currency exchange rates in the Company's significant foreign operations during the second quarter of 2007 had remained unchanged from those experienced during the second quarter of 2006, the Company estimates that its operating income would have been higher by approximately

\$15 million. These decreases to operating income were offset by improved operating results worldwide for bananas and fresh pineapple and better results in the European ripening and distribution operations.

For the half year ended June 16, 2007, operating income increased to \$101.2 million from \$95.2 million for the half year ended June 17, 2006. Higher operating income was reported by the Company's fresh fruit segment due primarily to higher banana volumes worldwide, lower purchased fruit costs for fresh pineapples and lower shipping costs for bananas in both North America and Europe and the absence of an \$8.9 million restructuring charge

**Table of Contents**

recorded during the prior year. Lower operating income was reported by fresh vegetables, packaged foods and fresh-cut flowers due primarily to the same factors that impacted the quarter. Unfavorable foreign currency exchange movements also affected operating results. If foreign currency exchange rates in the Company's significant foreign operations during the half year ended June 16, 2007 had remained unchanged from those experienced during the half year ended June 17, 2006, the Company estimates that its operating income would have been higher by approximately \$22 million.

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

For the quarter ended June 16, 2007, interest income and other income (expense), net improved to income of \$15.8 million from an expense of \$2.3 million in the prior year. The improvement was primarily due to an unrealized gain of \$13.2 million generated by the Company's cross currency swap in 2007 and a reduction in the foreign currency exchange loss on the Company's British pound sterling capital lease vessel obligation (vessel obligation) of \$5 million.

For the half year ended June 16, 2007, interest income and other income (expense), net improved to income of \$19.1 million from an expense of \$1.9 million for the half year ended June 17, 2006. The improvement was due to an unrealized gain of \$14.7 million generated on the cross currency swap and a reduction in the foreign currency exchange loss on the Company's vessel obligation of \$5.4 million.

***Interest Expense***

Interest expense for the quarter ended June 16, 2007 was \$44.7 million compared to \$39.9 million in the quarter ended June 17, 2006. Interest expense increased primarily as a result of additional borrowings and higher effective market-based borrowing rates on the Company's debt facilities.

Interest expense for the half year ended June 16, 2007 was \$88.9 million compared to \$74.3 million for the half year ended June 17, 2006. The increase in interest expense was primarily attributable to the same factors that impacted the quarter.

***Income Taxes***

Income tax benefit for the half year ended June 16, 2007 totaled approximately \$6.6 million. This is reflective of the benefit generated by pre-tax income through the half year ended June 16, 2007 using the rate at which the Company expects to benefit its pre-tax income for the full fiscal year ending December 29, 2007 of 28.2%, offset by interest expense of \$4.9 million (net of income tax benefits of approximately \$3 million) related to the Company's unrecognized tax benefits. The 28.2% rate for the full fiscal year ending December 29, 2007 excludes the impact of foreign net operating losses for which no benefit is expected to be realized. In arriving at the benefit for the half year ended June 16, 2007, the Company has excluded from its pre-tax income \$9.3 million of such losses. The Company expects to generate a tax benefit on pre-tax income for the full fiscal year ending December 29, 2007 given it expects to incur losses in the U.S. for which benefit will be provided and earn pre-tax income in foreign jurisdictions taxed at a lower rate than in the U.S.

The income tax expense for the half year ended June 17, 2006 of \$8.7 million reflects the Company's then expected effective income tax rate of approximately 45.9%. The level and mix of earnings has a significant impact on the Company's effective tax rate and is the primary reason for the fluctuation in rates quarter over quarter and year over year.

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 offset by the accrual for current year uncertain tax positions.

**Table of Contents****Segment Results of Operations**

The Company has four 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. For 2006, EBIT is calculated by subtracting income from discontinued operations, net of income taxes, and adding interest expense and income taxes 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.

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

|                                   | <b>Quarter Ended</b>     |                          | <b>Half Year Ended</b>   |                          |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                   | <b>June 16,<br/>2007</b> | <b>June 17,<br/>2006</b> | <b>June 16,<br/>2007</b> | <b>June 17,<br/>2006</b> |
| (In thousands)                    |                          |                          |                          |                          |
| Revenues from external customers: |                          |                          |                          |                          |
| Fresh fruit                       | \$ 1,231,538             | \$ 1,003,909             | \$ 2,277,955             | \$ 1,900,933             |
| Fresh vegetables                  | 265,086                  | 304,403                  | 509,360                  | 547,606                  |
| Packaged foods                    | 241,876                  | 221,723                  | 470,102                  | 417,670                  |
| Fresh-cut flowers                 | 27,921                   | 44,869                   | 64,885                   | 103,033                  |
| Corporate                         | 279                      | 293                      | 531                      | 556                      |
|                                   | \$ 1,766,700             | \$ 1,575,197             | \$ 3,322,833             | \$ 2,969,798             |

|                          | <b>Quarter Ended</b>     |                          | <b>Half Year Ended</b>   |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                          | <b>June 16,<br/>2007</b> | <b>June 17,<br/>2006</b> | <b>June 16,<br/>2007</b> | <b>June 17,<br/>2006</b> |
| (In thousands)           |                          |                          |                          |                          |
| EBIT:                    |                          |                          |                          |                          |
| Fresh fruit              | \$ 89,812                | \$ 52,495                | \$ 120,480               | \$ 72,783                |
| Fresh vegetables         | (14,607)                 | 11,791                   | (12,374)                 | 16,351                   |
| Packaged foods           | 17,337                   | 22,002                   | 32,585                   | 36,883                   |
| Fresh-cut flowers        | (6,080)                  | (5,083)                  | (6,121)                  | (5,478)                  |
| Total operating segments | 86,462                   | 81,205                   | 134,570                  | 120,539                  |
| Corporate                | (522)                    | (10,025)                 | (13,402)                 | (25,156)                 |

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

|                                       |           |           |           |           |
|---------------------------------------|-----------|-----------|-----------|-----------|
| Interest expense                      | (44,722)  | (39,926)  | (88,924)  | (74,280)  |
| Income taxes                          | 7,837     | (12,931)  | 6,596     | (8,680)   |
| Net income from continuing operations | \$ 49,055 | \$ 18,323 | \$ 38,840 | \$ 12,423 |

***Fresh Fruit***

Fresh fruit revenues for the quarter ended June 16, 2007 increased 23% to \$1.23 billion from \$1 billion for the quarter ended June 17, 2006. The increase in fresh fruit revenues was primarily driven by higher worldwide sales of bananas, higher volumes of pineapples sold in North America and Asia and higher sales in the European ripening



**Table of Contents**

and distribution operations. The increase in banana sales resulted from improved volumes worldwide and higher pricing in North America and Asia. European ripening and distribution sales increased primarily due to the acquisition in October 2006 of JP Fresh, an importer and distributor of fresh produce in the United Kingdom. Fresh fruit revenues for the half year ended June 16, 2007 increased 20% to \$2.28 billion from \$1.9 billion for the half year ended June 17, 2006. Revenue growth for the first half of the year was mainly due to the same factors that affected sales during the second quarter. Favorable foreign currency exchange movements in the Company's foreign selling locations, primarily from the euro and Swedish krona, benefited revenues by approximately \$29 million and \$63 million during the second quarter and half year of 2007, respectively.

Fresh fruit EBIT for the quarter ended June 16, 2007 increased to \$89.8 million from \$52.5 million for the quarter ended June 17, 2006. EBIT increased primarily as a result of higher worldwide sales of bananas, lower product costs in fresh pineapples and improved results in the European ripening and distribution operations. The increase in worldwide banana EBIT was principally driven by higher volumes and pricing in North America and Asia, higher volumes in Europe as well as lower purchased fruit cost for fresh pineapples and lower shipping costs for bananas in North America and Europe. The increase in European ripening and distribution EBIT was primarily due to higher volumes as well as the absence of \$3.6 million of restructuring costs incurred at Saba in the prior year. These increases were partially offset by higher product costs and a \$3.6 million write-off of farm assets in the Chilean deciduous fruit operations. Fresh fruit EBIT for the half year ended June 16, 2007 increased to \$120.5 million from \$72.8 million for the half year ended June 17, 2006. EBIT increased primarily as a result of the same factors that increased EBIT during the second quarter. If foreign currency exchange rates in the Company's significant fresh fruit foreign operations during the quarter and half year ended June 16, 2007 had remained unchanged from those experienced during the quarter and half year ended June 17, 2006, the Company estimates that fresh fruit EBIT would have been higher by approximately \$5 million and \$6 million, respectively.

***Fresh Vegetables***

Fresh vegetables revenues for the quarter ended June 16, 2007 decreased to \$265.1 million from \$304.4 million for the quarter ended of June 17, 2006. The decrease in revenues was primarily due to lower volumes and pricing in the North America commodity vegetables business, primarily for berries, lettuce and celery, and lower volumes in the packaged salads business. Consumer demand in the packaged salads category continued to be impacted by the September 2006 voluntary recall of packaged salads as discussed below. Fresh vegetables revenues in the half year ended June 16, 2007 decreased to \$509.4 million from \$547.6 million for the half year ended June 17, 2006. The decrease in revenues for the half year was primarily due to lower volumes in the North America and Asia commodity vegetables businesses and lower volumes and pricing in the packaged salads business.

Fresh vegetables EBIT for the quarter ended June 16, 2007 was a loss of \$14.7 million compared to income of \$11.8 million for the quarter ended June 17, 2006. The decrease in EBIT was primarily due to lower sales volumes and higher product costs in the North America commodity vegetables and packaged salads businesses. Fresh vegetables EBIT for the half year ended June 16, 2007 was a loss of \$12.4 million compared to income of \$16.4 million for the half year ended June 17, 2006. The decrease in EBIT was primarily due to lower sales volumes, higher product costs and increased promotional activities in the packaged salads business. These decreases were partially offset by higher earnings in the North America commodity business due to higher pricing and lower distribution costs.

On September 15, 2006, Natural Selection Foods LLC recalled all packaged fresh spinach that Natural Selection Foods produced and packaged with Best-If-Used-By dates from August 17 through October 1, 2006, because of reports of illness due to *E. coli* O157:H7 following consumption of packaged fresh spinach produced by Natural Selection Foods. These packages were sold under 28 different brand names, one of which was DOLE®. Natural Selection Foods produced and packaged all spinach items under the DOLE label (with the names Spinach, Baby

Spinach and Spring Mix ). On September 15, 2006, Dole announced that it supported the voluntary recall issued by Natural Selection Foods. Dole has no ownership or other economic interest in Natural Selection Foods. Lower demand as a result of this recall impacted the Company's consolidated results of operations for the second quarter ended June 16, 2007. The Company expects that future sales of packaged salads category products will continue to be impacted as a result of this event.

**Table of Contents**

***Packaged Foods***

Packaged foods revenues for the quarter ended June 16, 2007 increased 9% to \$241.9 million from \$221.7 million for the quarter ended June 17, 2006. The increase in revenues was primarily due to higher pricing and volumes of FRUIT BOWLS, fruit in plastic jars, pineapple juice and concentrate and packaged frozen fruit sold in North America. These increases were partially offset by lower sales in Asia due in part to the disposition of a small distribution company in the Philippines during the fourth quarter of 2006. Packaged foods revenues for the half year ended June 16, 2007 increased 13% to \$470.1 million from \$417.7 million for the half year ended June 17, 2006. The increase in revenues was primarily due to the same factors that drove the increase during the second quarter in addition to higher volumes of concentrate and canned pineapple sold in Europe.

EBIT in the packaged foods segment for the quarter ended June 16, 2007 decreased to \$17.3 million from \$22 million for the quarter ended June 17, 2006. EBIT was impacted by higher product costs in both North America and Europe which were mainly driven by unfavorable foreign currency exchange rates in Thailand and the Philippines, where the product is sourced. EBIT for the half year ended June 16, 2007 decreased to \$32.6 million from \$36.9 million for the half year ended June 17, 2006. The decrease in EBIT was attributable to the same factors that drove the decrease during the second quarter. If foreign currency exchange rates in the Company's packaged foods sourcing operations during the quarter and half year ended June 16, 2007 had remained unchanged from those experienced during the quarter and half year ended June 17, 2006, the Company estimates that packaged foods EBIT would have been higher by approximately \$7 million and \$14 million, respectively.

***Fresh-Cut Flowers***

Fresh-cut flowers revenues for the quarter ended June 16, 2007 decreased to \$27.9 million from \$44.9 million for the quarter ended June 17, 2006. The decrease in revenues was due primarily to lower sales volume related to changes in the customer base and product offerings attributable to the implementation of the 2006 restructuring plan, as more fully discussed in the Company's Annual Report on Form 10-K for the year ended December 30, 2006. In addition, revenues continued to be impacted by production shortfalls resulting from adverse weather conditions in Colombia. Revenues for the half year ended June 16, 2007 decreased to \$64.9 million from \$103 million for the half year ended June 17, 2006. Revenues in the first half of 2007 were impacted mainly by the same factors affecting sales during the second quarter.

EBIT in the fresh-cut flowers segment for the quarter ended June 16, 2007 decreased to a loss of \$6.1 million from a loss of \$5.1 million for the quarter ended June 17, 2006. The decrease in EBIT was due primarily to costs incurred of \$1.7 million related to the closure of a farm in Colombia. EBIT was also impacted by lower than expected production yields resulting from adverse weather conditions, and an unfavorable foreign currency exchange rate impact due to the strengthening of the Colombian peso. Fresh-cut flowers EBIT for the half year ended June 16, 2007 decreased to a loss of \$6.1 million from a loss of \$5.5 million for the half year ended June 17, 2006. EBIT during the first half of 2007 was impacted by the same factors affecting EBIT during the second quarter. In addition there were higher product costs resulting from damage to roses in Colombia caused by adverse weather conditions during the first quarter. If foreign currency exchange rates in the Company's fresh-cut flowers Colombian operations during the quarter and half year ended June 16, 2007 had remained unchanged from those experienced during the quarter and half year ended June 17, 2006, the Company estimates that fresh-cut flowers EBIT would have been higher by approximately \$2 million for both the quarter and half year.

In July 2007, a significant customer of the fresh-cut flowers segment announced that it intended to reduce its volumes and therefore planned to reduce fresh-cut flowers purchases from the Company and other flower growers. The Company is currently evaluating the impact of this change. However, the Company expects that sales in the fresh-cut flowers segment for fiscal 2007 will be reduced as a result of this announcement.

***Corporate***

Corporate EBIT was a loss of \$0.5 million for the quarter ended June 16, 2007 compared to a loss of \$10 million for the quarter ended June 17, 2006. The increase in EBIT for the quarter was primarily due to an unrealized gain of \$13.2 million in 2007 related to the Company's cross currency swap partially offset by higher corporate general and administrative expenses compared to the prior year. Corporate EBIT was a loss of \$13.4 million for the half year

## **Table of Contents**

ended June 16, 2007 compared to a loss of \$25.2 million for the half year ended June 17, 2006. The increase in EBIT for the first half of 2007 is primarily due to the same factors that impacted EBIT for the quarter ended June 16, 2007.

### **Liquidity and Capital Resources**

For the half year ended June 16, 2007, cash flows provided by operating activities were \$25.5 million compared to cash flows used in operating activities of \$43.2 million for the half year ended June 17, 2006. Cash flows provided by operating activities were \$68.7 million higher, primarily due to higher earnings and higher payables. These factors were partially offset by lower accrued liabilities due in part to the timing of payments.

Cash flows used in investing activities were \$11.5 million for the half year ended June 16, 2007, compared to cash flows used in investing activities of \$42.5 million for the half year ended June 17, 2006. The decrease in cash outflow during 2007 was primarily due to \$30.5 million of cash proceeds received on the sale of land parcels located in central California by two limited liability companies in which the Company is a majority owner.

Cash flows used in financing activities were \$7 million for the half year ended June 16, 2007 compared to cash flows provided by financing activities of \$79.8 million for the half year ended June 17, 2006. The decrease of \$86.8 million is due to lower current year borrowings of \$214.5 million, net of repayments and the absence of an equity contribution of \$28.4 million made by Dole Holding Company, LLC, the Company's immediate parent during 2006. These items were offset by the absence of \$163 million of dividends paid to Dole Holding Company, LLC, during 2006.

As of June 16, 2007, the asset based revolving credit facility ( ABL revolver ) borrowing base was \$307.1 million and the amount outstanding under the ABL revolver was \$174.3 million. After taking into account approximately \$4 million of outstanding letters of credit issued under the ABL revolver, the Company had approximately \$128.8 million available for borrowings as of June 16, 2007. Amounts outstanding under the term loan facilities were \$965.3 million at June 16, 2007. In addition, the Company had approximately \$79.7 million of letters of credit and bank guarantees outstanding under its pre-funded letter of credit facility at June 16, 2007.

The Company had a cash balance and available borrowings under the ABL revolver of \$100.6 million and \$128.8 million, respectively, at June 16, 2007. The Company believes that its existing cash balance and available borrowing capacity under the ABL revolver 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 during the next twelve months. 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 30, 2006 and in subsequent SEC filings.

### **Other Matters**

*European Union Banana Import Regime:* On January 1, 2006, the EU implemented a new tariff only import regime for bananas. The 2001 Understanding on Bananas between the European Communities and the U.S. required the EU to implement a tariff only banana import system on or before January 1, 2006.

Banana imports from Latin America are subject to import license requirements 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 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, has been challenged by Panama, Honduras and Nicaragua in consultation proceedings at the World Trade Organization ( WTO ). In addition, on March 8, 2007 and March 20, 2007, Ecuador formally requested the WTO Dispute Settlement Body ( DSB ) to appoint a panel to review the matter. The EU blocked Ecuador 's initial request for establishment of a panel on March 8, 2007; however, the EU was unable to block Ecuador 's second request under WTO rules. On March 20, 2007, the DSB announced that it will

**Table of Contents**

establish a panel to rule on Ecuador's complaint. On March 21, 2007 Colombia also lodged a complaint with the WTO and formally requested a panel. Consultations are continuing between the EU and Colombia, and the WTO has not yet appointed another DSB panel in response to Colombia's complaint. On June 29, 2007, the United States requested a DSB panel to hear its complaint regarding the EU's current banana regime, and the DSB agreed on July 12, 2007 to establish this panel.

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 stages and may take several years to conclude. Despite the current WTO proceedings, the EC continues to negotiate with the banana producing Latin American countries to resolve the dispute. 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. 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.

*Derivative Instruments and Hedging Activities:* The Company uses derivative instruments to hedge against fluctuations in interest rates, foreign currency exchange rate movements and bunker fuel prices. With the exception of the South African rand forward contracts, all of the Company's derivative instruments have historically 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* ( FAS 133 ). The Company does not utilize derivatives for trading or other speculative purposes.

During the second quarter of 2007, the Company elected to discontinue its designation of both its foreign currency and bunker fuel hedges as cash flow hedges under FAS 133. The interest rate swap will continue to be accounted for as a cash flow hedge under FAS 133. As a result, all changes in the fair value of the Company's derivative financial instruments from the time of discontinuation of hedge accounting are reflected in the Company's condensed consolidated statements of operations. As of June 16, 2007, \$2 million of net unrealized hedging gains was recorded as a component of costs of products sold in the condensed consolidated statements of operations.

**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:

|   | <b>June 16,<br/>2007</b> | <b>December 30,<br/>2006</b> |
|---|--------------------------|------------------------------|
| (In thousands)  |                          |                              |
| <b>Balance Sheet Data:</b>                                      |                          |                              |
| Total working capital (current assets less current liabilities) | \$ 785,480               | \$ 687,721                   |
| Total assets  | \$ 4,677,758             | \$ 4,612,356                 |
| Total debt  | \$ 2,380,724             | \$ 2,364,181                 |
| Total shareholders' equity                                      | \$ 422,418               | \$ 341,083                   |





**Table of Contents**

|   | Quarter Ended    |                  | Half Year Ended  |                  |
|---|------------------|------------------|------------------|------------------|
|   | June 16,<br>2007 | June 17,<br>2006 | June 16,<br>2007 | June 17,<br>2006 |
| (In thousands)  |                  |                  |                  |                  |
| <b>Other Financial Data:</b>                                |                  |                  |                  |                  |
| Net income  | \$ 49,055        | \$ 18,525        | \$ 38,840        | \$ 12,671        |
| Income from discontinued operations, net of<br>income taxes |                  | (202)            |                  | (248)            |
| Interest expense  | 44,722           | 39,926           | 88,924           | 74,280           |
| Income taxes  | (7,837)          | 12,931           | (6,596)          | 8,680            |
| Depreciation and amortization                               | 35,132           | 33,501           | 71,319           | 66,336           |
| EBITDA  | \$ 121,072       | \$ 104,681       | \$ 192,487       | \$ 161,719       |
| EBITDA margin   | 6.9%             | 6.6%             | 5.8%             | 5.4%             |
| Capital expenditures  | \$ 24,110        | \$ 36,332        | \$ 36,266        | \$ 58,684        |

EBITDA is defined as earnings before interest expense, income taxes, and depreciation and amortization. EBITDA is calculated by adding interest expense, income taxes and depreciation expense to net income. For 2006, EBITDA is calculated by subtracting income from discontinued operations, net of income taxes, and adding interest expense, income taxes and depreciation and amortization to net income. EBITDA margin is defined as the ratio of EBITDA, as defined, relative to net revenues. EBITDA is reconciled to net income in the condensed consolidated financial statements in the tables above. EBITDA and EBITDA margin fluctuated primarily due to the same factors that impacted the changes in operating income and segment EBIT discussed earlier.

The Company presents EBITDA and EBITDA margin because management believes, similar to EBIT, EBITDA is a useful performance measure for the Company. In addition, EBITDA is presented because management believes it is frequently used by securities analysts, investors and others in the evaluation of companies, and because certain debt covenants on the Company's 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 30, 2006 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

For the quarter ended June 16, 2007, 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 30, 2006.

#### **ITEM 4. CONTROLS AND PROCEDURES**

An evaluation was carried out as of June 16, 2007 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. Based upon

35

---

**Table of Contents**

this evaluation, Dole's Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 16, 2007. No change in our internal control over financial reporting identified in connection with this evaluation that occurred during our second quarter of 2007 has materially affected, or is reasonably likely to materially affect, Dole's internal control over financial reporting.

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

**Item 1. Legal Proceedings**

For information regarding legal matters, please refer to Note 11 to the Condensed Consolidated Financial Statements contained in this quarterly report.

**Item 6. Exhibits**

**Exhibit  
Number**

- 31.1\* Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
- 31.2\* Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
- 32.1 Certification by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act
- 32.2 Certification by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act

\* Filed herewith

Furnished herewith

**Table of Contents**

**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.

July 31, 2007

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)*

**Table of Contents**

**EXHIBIT INDEX**

**Exhibit  
Number**

- 31.1\* Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
- 31.2\* Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
- 32.1 Certification by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act.
- 32.2 Certification by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act.

\* Filed herewith

Furnished herewith