# A&B Reports 3rd Quarter 2002 Earnings of $17.8 Million; Quarterly Results Ahead of 2001

October 23, 2002

HONOLULU, Oct 23, 2002 (BUSINESS WIRE) -- Alexander & Baldwin, Inc. (NASDAQ:ALEX) today reported third quarter 2002 net income of $17,825,000, or $0.43 per basic share. Net income in the third quarter of 2001 was $17,312,000, or $0.42 per share. Revenue in the third quarter of 2002 was $293,741,000, compared with revenue of $261,654,000 in the third quarter of 2001.

Net income for the first nine months of 2002 was $40,829,000, or $1.00 per basic share. For the first nine months of 2001, the Company reported net income of $64,260,000, or $1.58 per share. Net income in the first nine months of 2001 included a one-time gain of $0.23 per share on the sale of marketable bank securities. Revenue in the first nine months of 2002 was $803,756,000, compared with $826,693,000 in the first nine months of 2001.

COMMENTS ON 3rd QUARTER RESULTS, OUTLOOK

"A&B experienced continued improvement in the quarter, as we had expected," said Allen Doane, president and chief executive officer of A&B. "Hawaii is now well on its way to recovering from the economic conditions resulting from the events of September 11, 2001. As the quarter ended, the shut-down of the West Coast ports had a small, but measurable, negative impact on profit. Otherwise, Matson's results were encouraging, the real estate business had a solid quarter, and commodity sugar price increases helped to boost income in food products. The prospects for the fourth quarter are not as favorable.

"The near-term earnings performance of A&B will be heavily influenced by the pace and ultimate outcome of labor negotiations affecting Matson's operating costs, both in West Coast ports and in Hawaii. Presently, the Matson fleet serving Hawaii and Guam is fully operational, but schedule integrity has been impaired by long wait times to access berths at West Coast ports, and by below-normal terminal productivity on the West Coast. In this environment, extraordinary measures have been taken to assist Matson's customers in the movement of backlogged freight, including the activation of an additional vessel in the Hawaii trade. In addition, the positioning of container equipment, vital to Matson's freight system, has been disrupted, and some West Coast port calls have been eliminated, negatively impacting capacity utilization. All of these factors are having an immediate impact on the business, while the timing of recovery through increased rates is uncertain. It is therefore highly unlikely that Matson will be able to maintain its recent trend in quarter-by-quarter improvements in earnings in the fourth quarter.

"In contrast, the economy of Hawaii is expected to continue its gradual recovery. Visitors are returning to the Islands in growing numbers, especially from the western United States. Low interest rates have further strengthened Hawaii's residential real estate market, boosting new construction and creating labor shortages in some skilled trades. Military spending is secure, and a new medical school and research center on Oahu is about to break ground.

"While we have concerns about near-term earnings performance," said Doane, "Matson has regained its focus and good progress is being made on many fronts to contain costs and improve revenue rates. Prospects for the Properties Group continue to be positive, with several new investments that will increase company profitability. And, the Food Products segment is benefiting from the higher sugar prices."

OCEAN TRANSPORTATION

In the third quarter of 2002, ocean transportation revenue was $234.8 million. That was an increase of $27.0 million, or 13 percent, from $207.8 million in the third quarter of 2001. The principal source of the increase in revenue was greater intermodal services business, an activity that has lower profit margins than Matson's other businesses.

Third quarter 2002 operating profit was $18.3 million. That was a decrease of $5.9 million, or 24 percent, from $24.2 million in the third quarter of 2001. Hawaii service container volume was two-percent higher than in the third quarter of 2001; automobile volume was 22-percent higher. The rise in container volume was due to a small increase in westbound container cargo and lower-margin contract-carriage. Higher auto movements reflected increased rental car activity and rental fleet replacements in Hawaii. The decrease in operating profit resulted primarily from a one-time gain last year on the sale of a subsidiary, higher cargo handling costs, higher vessel operating costs and higher outside transportation charges, partially offset by lower expenses from operating seven ships in the Hawaii trade, versus eight a year ago, and higher Hawaii service volume. The West Coast port shutdown at the end of the quarter also adversely affected operating profit, by deferring carriage of some cargo and termination of some voyages. The effect of these factors on earnings is estimated at $1.1 million.

Also of note in the quarter was improving productivity at the Sand Island container terminal, where a major conversion project, requiring a capital investment of $32 million, was begun in August 2001. In addition, an increase in the bunker surcharge was announced, from 4.75 percent to 6 percent, effective October 20, 2002, due to rising fuel costs.

In the first nine months of 2002, ocean transportation revenue of $650.6 million was $43.0 million, or seven percent, higher than $607.6 million in the first nine months of 2001. In this case, the increase was due entirely to higher levels of intermodal cargo volume.

Operating profit in the first nine months of 2002 was $35.6 million. This was a decrease of $24.8 million, or 41 percent, from $60.4 million in the first nine months of 2001. The decrease resulted primarily from higher cargo handling costs at Matson's Sand Island terminal, lower productivity in West Coast ports, and post-9/11 economic effects on cargo volumes, partially offset by savings from operating one less vessel. Hawaii service container volume was two-percent higher than in the first nine months of 2001; automobile volume was five-percent lower.

PROPERTY DEVELOPMENT & MANAGEMENT

Prior to excluding properties treated as discontinued operations (described further below), operating profit from property leasing activities in the third quarter of 2002 was $8.6 million. This was slightly less than $8.7 million in the third quarter of 2001. A modest decrease in occupancy levels offset greater contributions from recently acquired properties.

In the first nine months of 2002, and prior to excluding several properties treated as discontinued operations, property leasing operating profit was $24.5 million. This was $1.6 million, or six-percent, lower than the $26.1 million earned in the first nine months of 2001. Year-to-date 2002 occupancy levels for Mainland properties averaged 91 percent, versus 93 percent in the first nine months of 2001. Average occupancy levels for Hawaii properties eased to 88 percent, versus 90 percent in the comparable period of 2001.

Prior to treating several properties as discontinued operations, property sales revenue totaled $7.5 million in the third quarter of 2002, compared with $5.1 million in the third quarter of 2001. In the third quarter of 2002, operating profit resulting from property sales was $2.3 million, versus an operating loss of $0.4 million in the third quarter of 2001. Results for the third quarter of 2002 include several undeveloped land parcels and a number of closings at The Summit at Kaanapali, a residential resort development. Variability in sales revenue and operating profit is an inherent characteristic of property sales activity.

Property sales revenue totaled $61.4 million in the first nine months of 2002, compared with $77.3 million in the first nine months of 2001. In the first nine months of 2002, operating profit resulting from property sales was $14.2 million. This was $1.2 million, or eight-percent, lower than the $15.4 million in the first nine months of 2001.

As a result of the adoption by A&B of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" in 2001, the sales of certain income-producing assets--even individual buildings within a real estate portfolio--are now reported as "discontinued operations" if their earnings and cash flows are separately identifiable and are material.

During the third quarter, three income-producing properties to be sold and two land parcels that were sold met the criteria for classification as discontinued operations. During the second quarter, the sale of a shopping center met the criteria and, in the first quarter, the sale of several buildings in Texas and of a land parcel subject to a ground lease also met these criteria. The after-tax gains on the sales, and the current and historical earnings of all of these properties are classified, therefore, in the financial statements under the caption "Discontinued Operations: Properties."

FOOD PRODUCTS

In the third quarter of 2002, the food products segment had an operating profit of $4.8 million. That was an increase of $2.6 million and was more than twice the $2.2 million in the third quarter of 2001. The increase was due primarily to higher production volumes of, and higher prices for, sugar and molasses.

In the first nine months of 2002, food products had an operating profit of $8.0 million. This was $1.5 million, or 16-percent, lower than the $9.5 million in the first nine months of 2001. The latter profit was buoyed by a one-time distribution of $5 million from the sugar transportation cooperative that handles Hawaii growers' production.

BALANCE SHEET COMMENTS

Since year-end 2001, balances on deposit in the Capital Construction Fund have risen by a net of $48.2 million. This change reflects the deposit of proceeds from the sale from two vessels early in 2002 and additional deposits during the third quarter in preparation for Matson's previously announced construction and purchase of two new ships. These vessels are scheduled for delivery in 2003 and 2004, respectively. Debt balances rose by $44.0 million, primarily reflecting tax payments due in 2002 for the sale of bank stocks in late 2001.

CASH FLOW COMMENT

Operating cash flows in the first nine months of 2002 were $63.4 million lower than during the comparable period of 2001. The change reflects primarily the tax payments associated with the previously mentioned sale of bank stocks.

Alexander & Baldwin, Inc., headquartered in Honolulu, is engaged in ocean transportation, through its subsidiary, Matson Navigation Company, Inc.; in property development and management, through A&B Properties, Inc.; and in food products, through Hawaiian Commercial & Sugar Company and Kauai Coffee Company, Inc. Additional information about A&B may be found at its web site: www.alexanderbaldwin.com. Statements in this press release that are not historical facts are "forward-looking" statements that involve a number of risks and uncertainties described on page 19 of the Company's Annual Report on Form 10-K, which is included in the Company's 2001 annual report to shareholders, and in subsequent filings of Forms 10-Q for this and prior periods. These factors could cause actual results to differ materially from those projected in the statements.

ALEXANDER & BALDWIN, INC.
2002 and 2001 Third-Quarter And Nine-Months Results
(Unaudited)

| | 2002 | 2001 |
|---|---|---|
| Three Months Ended September 30: | | |
| Revenue | $ 293,741,000 | $ 261,654,000 |
| Income From Continuing Operations | $ 16,286,000 | $ 17,043,000 |
| Discontinued Operations: | | |

| | | |
|---|---|---|
| Properties(1) | $ 1,539,000 | $ 820,000 |
| Discontinued Operations: | | |
| Agriculture(2) | -- | ($ 551,000) |
| Net Income | $ 17,825,000 | $ 17,312,000 |
| Basic & Diluted Share Earnings | | |
| Continuing Operations | $ 0.40 | $ 0.42 |
| Net Income | $ 0.43 | $ 0.42 |
| Average Shares Outstanding | 41,156,000 | 40,567,000 |

Nine Months Ended September 30:

| | | |
|---|---|---|
| Revenue | $ 803,756,000 | $ 826,693,000 |
| Income From Continuing Operations | $ 33,174,000 | $ 63,289,000 |
| Discontinued Operations: Properties(1) | $ 7,655,000 | $ 2,456,000 |
| Discontinued Operations: Agriculture(2) | -- | ($ 1,485,000) |
| Net Income | $ 40,829,000 | $ 64,260,000 |
| Basic Share Earnings | | |
| Continuing Operations | $ 0.81 | $ 1.56 |
| Net Income | $ 1.00 | $ 1.58 |
| Diluted Share Earnings | | |
| Continuing Operations | $ 0.81 | $ 1.56 |
| Net Income | $ 0.99 | $ 1.58 |
| Average Shares Outstanding | 40,939,000 | 40,548,000 |

(1) "Discontinued Operations: Properties" consists of sales, or intended sales, of certain lands and buildings that are material and have separately identifiable earnings and cash flows.

(2) "Discontinued Operations: Agriculture" consists of an abandoned panel board manufacturing business.

Industry Segment Data, Net Income
(In Thousands, Unaudited)

| | Three Months Ended September 30, 2002 | Three Months Ended September 30, 2001 | Nine Months Ended September 30, 2002 | Nine Months Ended September 30, 2001 |
|---|---|---|---|---|
| Revenue: | | | | |
| Ocean Transportation | $ 234,754 | $ 207,828 | $ 650,572 | $ 607,649 |
| Property Development & Management | | | | |
| Leasing | 18,760 | 18,103 | 53,980 | 52,689 |
| Sales | 7,465 | 5,063 | 61,372 | 77,302 |
| Less Amounts Reported In Discontinued Operations | (3,248) | (2,411) | (42,129) | (7,324) |
| Food Products | 36,010 | 32,268 | 79,961 | 78,529 |
| Other | -- | 803 | -- | 17,848 |
| Total Revenue | $ 293,741 | $ 261,654 | $ 803,756 | $ 826,693 |
| Operating Profit, Net Income: | | | | |
| Ocean Transportation | $ 18,307 | $ 24,245 | $ 35,632 | $ 60,413 |

| | | | | |
|---|---|---|---|---|
| Property Development & Management | | | | |
| Leasing | 8,647 | 8,704 | 24,505 | 26,123 |
| Sales | 2,346 | (405) | 14,198 | 15,362 |
| Less Amounts Reported In Discontinued Operations | (2,483) | (1,323) | (12,347) | (3,962) |
| Food Products | 4,849 | 2,235 | 7,977 | 9,546 |
| Other | -- | 767 | -- | 17,714 |
| | --------- | --------- | --------- | --------- |
| Total Operating Profit | 31,666 | 34,223 | 69,965 | 125,196 |
| Interest Expense | (2,945) | (4,330) | (8,962) | (14,979) |
| Corporate Expenses | (3,351) | (2,878) | (9,555) | (9,860) |
| | --------- | --------- | --------- | --------- |
| Income From Continuing Operations Before Income Taxes | 25,370 | 27,015 | 51,448 | 100,357 |
| Income Taxes | (9,084) | (9,972) | (18,274) | (37,068) |
| | --------- | --------- | --------- | --------- |
| Income From Continuing Operations | 16,286 | 17,043 | 33,174 | 63,289 |
| Discontinued Operations: Properties | 1,539 | 820 | 7,655 | 2,456 |
| Discontinued Operations: Agriculture | -- | (551) | -- | (1,485) |
| | --------- | --------- | --------- | --------- |
| Net Income | $ 17,825 | $ 17,312 | $ 40,829 | $ 64,260 |
| | ========= | ========= | ========= | ========= |
| Basic Earnings Per Share, Continuing Operations | $ 0.40 | $ 0.42 | $ 0.81 | $ 1.56 |
| Basic Earnings Per Share, Net Income | $ 0.43 | $ 0.42 | $ 1.00 | $ 1.58 |
| Average Shares | 41,156 | 40,567 | 40,939 | 40,548 |

Consolidated Balance Sheets
(In Thousands)

| | September 30, 2002 | December 31, 2001 |
|---|---|---|
| | ---- | ---- |
| | (Unaudited) | |
| ASSETS | | |
| Current Assets | $ 245,401 | $ 220,014 |
| Investments | 35,096 | 33,021 |
| Real Estate Developments | 51,670 | 47,840 |
| Property, Net | 925,802 | 977,048 |
| Capital Construction Fund | 206,894 | 158,737 |
| Other Assets | 116,841 | 107,759 |

| | | |
|---|---|---|
| Total | $1,581,704 | $1,544,419 |

LIABILITIES & EQUITY

| | | |
|---|---|---|
| Current Liabilities | $ 144,111 | $ 195,569 |
| Long-Term Debt | 251,378 | 207,378 |
| Post-Retirement Benefit Obligs. | 42,652 | 42,915 |
| Other Long-Term Liabilities | 43,607 | 49,181 |
| Deferred Income Taxes | 359,936 | 338,709 |
| Shareholders' Equity | 740,020 | 710,667 |
| Total | $1,581,704 | $1,544,419 |

Consolidated Statements of Cash Flows
(In Thousands)

| | Nine Months Ended September 30, 2002 (Unaudited) | 2001 |
|---|---|---|
| Operating Cash Flows | $ 43,214 | $ 106,637 |
| Capital Expenditures | (33,010) | (81,430) |
| CCF Deposits, Net | (52,157) | (1,983) |
| Proceeds From Sale of Bank Stock | -- | 16,217 |
| Proceeds From (Payment of) Debt, Net | 31,600 | (24,500) |
| Repurchases of Capital Stock | -- | (2,270) |
| Dividends Paid | (27,616) | (27,382) |
| All Other, Net | 27,628 | 6,973 |
| Decreases In Cash | $ (10,341) | $ (7,738) |
| Depreciation | $ 52,940 | $ 56,041 |

Alexander & Baldwin, Inc.

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