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PRESENTATION

John Kelly - *Alexander & Baldwin - VP of IR*

Good morning, this is John Kelley, in Honolulu. Representing the company today are Allen Doane, President and CEO of A & B, Jim Andrasick, President and CEO of Matson, and Chris Benjamin, Vice President and CFO of A&B. After I give this brief introduction, Allen will provide an overview of the investment, Jim is going to follow with a description of the service, and Chris will discuss financing and earnings effect, and Allen will close with summary comments. In all, the call should take probably between 15-20 minutes, and there will be a replay on the web on the website for about one week.

Statements in this webcast that set forth expectations or predictions are based on facts and situations that are known to us as of today, February 25, 2005. Statements in the webcast are not guarantees of future performance, actual results may differently materially due to risks and uncertainties, such as those described our annual report on Form 10-K, and in our other subsequent filings with the SEC.

With that, I would like to turn over the mike to Allen Doane.

Allen Doane - *Alexander & Baldwin - President, CEO*

Let me begin by describing the new Hawaii Guam China service that will be launched in February of 2006. Of course, you know we already serve Hawaii and Guam, but our current method of serving Guam will end next February as our alliance with APL concludes. Simply expressed with this map, the new service has five vessels, two which are new, on a string beginning in Long Beach, then on to Honolulu to offload Hawaii freight, then on to Guam to offload Guam freight, then on to China to pick up freight, and lastly, back to Long Beach.

As Jim Andrasick will describe momentarily, this service really does several things for Matson. Number 1, it's a good conclusion to our Guam service issue that we've had in terms of its continuity. Number 2, it provides us access to a new market, China, and 3, it will give us increased reliability in our Hawaii service.

Several key considerations: First, the investment returns for the capital that will be invested in these vessels and associated equipment does have a return that exceeds our cost of capital. There will be some relatively significant transition, and ramp-up impacts associated with this new service in 2006, and into 2007. This does give us increased confidence in Matson's ability to grow its business. It does, and I do want to just note now on I'll have a little bit more to say about this at the end that we have more than sufficient capital capacity to meet our Hawaii real estate objectives. With that, I'll turn the mike over to Jim.

Jim Andrasick - *Matson - President, CEO*

Thank you very much, Allen. Matson has enjoyed a very successful ten year alliance with APL that it will expire almost exactly a year from today. We really have been preoccupied for the last 24 months in developing and analyzing and taking to the market the full spectrum of alternatives for replacement service. Many of you may recall that our commitment to investors, which was made in November of last year, was that we would announce a final solution within 3-6 months which is why we are on this call today. Our announced Guam China service will be a first for Matson, in much as we have not been involved in eastbound container cargo out of Asia for nearly 40 years.

Planned route, as Allen has mentioned, will originate in Long Beach, call Honolulu, with Hawaii bound Jones Act qualified cargo, as well as Guam bound cargo. Then proceed on to Guam, discharging freight, and on loading empty equipment, then onward to two ports in China, offload equipment, and onload up to 900 containers per vessel of cargo, with the eastbound run to Long Beach. This service will be weekly.

This five ship string will be integrated with a core five-ship West Coast Hawaii fleet, providing weekly service to Guam and China, utilizing our newest, most reliable vessels. In this way, we will be serving 3 growing markets in the Pacific, where the company has been operating since 1882, and it will be a well balanced East/West trading pattern.

There were other options that made it to the final cut. They involve the use of new but foreign built U.S. flagships that could serve only Guam from the West Coast, not Hawaii, and in the first case shown here would have required an Asian feeder service, as they are called, to consolidate China freight into Guam. Direct negotiations with Asian yards during the last 90 days have not been successful in meeting Matson's own transition schedule requirements or our price points. Given the order books of these yards, new construction placed now would not be delivered until 2007 or 2008 at the earliest, and prices that have escalated have escalated dramatically during the past 18 months due to energy and steel and other inflationary pressures. On the other hand, Jones Act vessels were available at KPSI, a yard we know well, that also will provide great flexibility for any owner or operator like Matson who operates in the Jones Act trades.

Just to note on the contracts that negotiated with KPSI, they called for delivery of the first vessel by the way, that will be identical an identical ship to the two sister ships already purchased by Matson, in June of 2005 this year, and the second in May, 2006, at a contract price of $144 million each. That includes owner spares of about $2 million per ship. These are cash on delivery contracts which provide Matson flexibility to time charter the vessels as required by trade economics. Matson will also have right of first refusal up to four more container ships, built by the Philadelphia yard, prior to June 2010. The two new vessels, and for this purpose here, called CV-2600, and CV-2500, are estimated to have a placed and service cost of 154 million and 161 million respectfully. Chris Benjamin will talk in a minute and elaborate on those figures.

Our first two KPSI ships cost less because of some highly unusual circumstances. It was a brand new yard at the time, obviously , a much higher risk to the owner, Matson, and there were a number of public subsidies involved that applied to the first two vessels constructed at that yard. But other comparables of similar sized vessels, including our own RJ Pfeiffer, cost even more and we're just showing this chart as a comparable to similar construction. I can tell you that the RJ Pfeiffer on an inflation adjusted basis would have cost in excess of $200 million if built today, and the other figures shown are what has been reported in the press for other comparable vessels that have been constructed within the last four years.

Transition issues will dominate in 2006 when the service begins. We're already well established in the Guam market, have been for nearly 10 years, but China requires more concentrated effort. We feel we will have a very unique, distinctive service to offer, especially land side in Long Beach where Matson operates out of a single user facility, with the lowest truck turn times in the entire industry. Our Hawaii terminal operations will become more complex, but they really don't represent any significant obstacles to this newer service, and the availability of the CV-2500, which is several months after the start-up of this service, will require us to run a reserve vessels for up to 6 months at the outset. At this time, I would like to turn the discussion over to Chris Benjamin.

Chris Benjamin - *Alexander & Baldwin - VP, CFO*

Thank you, Jim, and good morning to all of our listeners. Let me begin by reviewing the capital requirements for the establishment of Matson's new service. As Jim noted, the contract price for the vessels is $144.4 million each, or 289 million in total. There are other expenses as Jim noted, associated with supervising the completion of the ships and taking delivery of them, and these are estimated now at $26 million, so those costs added to the contract prices gets you to the figures that Jim referenced a moment ago for each ship.

In addition to acquiring the vessels, Matson will be purchasing the leasing containers and making modest investments in terminal equipment in order to establish the new service. These costs are estimated at about $50 million, primarily for containers. In total, the investment for this new service is expected to be $365 million.

Before I get into the financial returns of the investment itself, I want to update the guidance we provided last year regarding the impact on earnings of the expiration of our current Guam service. If you recall, that under any likely Guam replacement scenario, we anticipated a negative impact on our operating profit, as a result of the APL alliance expiration. We had publicly stated that this impact over the long term could have been in the range of $10-20 million annually, possibly higher as we made the transition to the new service.

We now have a better view into what this impact is likely to be over the next few years. Fortunately, we believe that the, Matson's new Guam China service has the potential to more than replace our current Guam earnings over time. This is better than our prior expectations. As for the near term, we expect no operating profit impact in 2005, as a result of this transition, but a modest increase in interest expense in 2005 associated with the purchase of the first vessel.

In 2006, we now believe that we can see an operating profit impact in the range of $20-25 million from the combination of the APL expiration, and the start-up of this new service. Please note this estimate is before we take into account the growth we expect in other parts of the business, including Hawaii, the trade, and our logistics business. It also is before we take into account other efficiency related activities that we are undertaking.

Now, in 2007 and beyond, we expect this initial gap to narrow steadily, and as I said, we expect the new service eventually to be more profitable than our current service. I should point out also that we anticipate about 15 million, I'm sorry, we anticipate about $12 million of interest expense in 2006, as a result of the borrowings associated with this new service.

Now, that I've given the broader context on the transitional impacts, I would like to comment on the returns we expect from the investment itself. We expect that in 2006, the investment will be modestly dilutive to earnings, in 2007, we expect modest decretion, and then expect the earnings benefit to accelerate in subsequent years. Now, in order to understand how on the one hand we expect a $20-25 million operating profit impact next year, then I state that the investment is only modestly dilutive, you need to recall that absent this investment, we would have had no replacement for our Guam service and the earnings generated by it.

As for the financial returns from this investment, we are confident the new Guam China service exceeds or risk adjusted cost of capitol, and I'd like to point out we've used a project specific cost of capital that incorporates a Beta that we believe is appropriate to this type of service with its international shipping component.

On the financing of this ship, these ships, it's important to point out that we have a significant advantage in our ability to finance the deal and flow all of the required vessel capital through the capital construction fund, on a pre-tax basis. This includes even those amounts that we borrow. As a result, we can defer taxes on about $315 million of income, Thereby reducing capital outlay by about $100 million. Based on this benefit as well as the cash and CCF balances we have at present, we believe that we will be needing to borrow about $210 million for the start-up of the new service. We have many options available, and we are confident we will be able to secure attractive rates and terms for these borrowing.

Finally, let me just comment briefly on our balance sheet implications. We ended the year at 21 percent debt to debt plus equity, a very healthy balance sheet. We have confidence that we have sufficient capacity to fund not only Matson's investment, but also continued real estate growth. And finally, I'm happy to report that S&P has issued a bulletin this morning reaffirming Matson and A&B's credit ratings of A minus stable in light of this investment.

And with that, I'd like to turn it back to Allen.

Allen Doane - *Alexander & Baldwin - President, CEO*

Thank you, Chris. Just in summary, our Guam China service will increase the growth of Matson, after a ramp up period of up to 2 years, and will add value to the company. Because this is a large investment in our shipping business, I want to assure our investors that we are -- have more than sufficient capital to continue our highly successful investment in Hawaii real estate, and I'm optimistic we will do so. Evidence of this continuing investment is our recent acquisition of a four acre site in Honolulu that we announced in early February. This is a prime redevelopment location that is just one more example of our investment style. I am confident that we'll be able to maintain our momentum in real estate.

With that, I'll turn it over to John Kelley for final comments.

John Kelly - *Alexander & Baldwin - VP of IR*

Thank you, Allen, and thank you everyone for participating. We because of some logistics matters today, we are not going to have a Q&A period, but of course I'm available to speak with people in the investment community, and would be happy to do so. We look forward to hearing your thoughts about our investment and working with you to understand it, so with that, I will close and say aloha. Good day.

Operator

ladies and gentlemen, thank you for your participation in today's conference. This concludes your presentation. You may now disconnect. Good day.