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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to quarter three 2005 Alexander & Baldwin earnings conference call. My name is Jean. I'll be your conference coordinator today. [OPERATOR INSTRUCTIONS] At this time I'll turn the call over to your host, Mr. John Kelley, Vice President of Investor Relations. Please proceed, sir.

John Kelley - *Alexander & Baldwin - VP Investor Relations*

Thank you, Jean. Good day, everyone. This is John Kelley in Honolulu. Representing the Company today from Shanghai, China are Allen Doane, President and CEO of A&B, Chris Benjamin, CFO and Senior Vice President of A&B. After this introduction, Allen will provide an overview of the unit's performance in the quarter and the outlook. Chris will then comment on financial matters, and I'll return with a quick overview of the Hawaii economy. Then, we'll open for questions.

Today's presentation will be focused primarily on the quarter and on '05. We just did a Webcast strategic update on September 30 that looked further out and reviewed the real estate projects in detail. If you missed that, the replay is still up on our Website, and we filed the slides and transcript of the presentation as an AK. In the slides displayed today on the Website, please note that you have the option to enlarge them on your screen. That may help you see them more clearly. You can also print the slides using the pdf file listed under the supporting materials. That might be helpful to record notes. If anyone on the live call has trouble hearing, please dial star, zero, and the operator will help you. Copies of our earnings release are also available at the A&B Website, and there will be a replay of this conference call available on the Web for one week. I'm available to take calls later on. Please note that after this weekend, Honolulu will have a five-hour time difference with Eastern Standard Time.

Statements in the call set forth our expectations and predictions that are based on facts and situations known to us as of today, October 28, 2005. Actual results may differ materially due to risks and uncertainties such as those described on page 22 of the Form 10K in our 2004 annual report and in our other subsequent filings with the SEC. Statements on this call are not guarantees of future performance. I'd also like to remind listeners of our corporate Website, www.alexanderbaldwin.com. It has useful information about our land holdings as well as links to a number of sources of economic information about Hawaii and to all of our subsidiaries' Websites.

With that, I'd like to ask Allen Doane to comment on the quarter and the outlook. Allen?

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

Thank you, John. These stack bars shown on the left fully diluted earnings per share for the four quarters of 2004 and for the first three quarters of 2005 on the right. The $0.81 per share earned in the third quarter of this year compares to $0.58 in last year's third quarter. Not only has Matson continued its strong performance, but the closing the sales of 100 condominium units at Lanikea was compared with just a few sales in last year's third quarter. It is worth noting that net income is now 25%, up through the first nine months of 2005, and has already surpassed 2004's full-year net.

Shipping to operating profit. These stack bars show the third quarters of 2004 and 2005. Overall, consolidated operating profit was up strongly, from about $47 to $66 million. You can see in particular the prevailing influence of ocean transportation in blue in both periods. There's a much larger contribution in this year's third quarter for property sales shown here in orange. I will now review each of the segments in turn using the chart as a base.

Ocean Transportation had a 6% increase in revenue that led to a 12% increase in operating profit, shown here. Matson had an increase in cargo in the quarter and continuing strong yields. The fuel surcharge covered fuel cost increases, and the [unintelligible] joint venture continued to contribute nicely to 2005 results.

Here are the volume metrics for the Hawaii service. On the left, container volume was up about 4% with growth in both westbound and eastbound shipments. On the right, auto carriage was off about 1%, just about in line with last year's carriage in the same period. On the left here are rates for westbound containers, cargo inbound to Hawaii. The rates continue to reflect the combination of an increasing fuel surcharge, 11.5% in the third quarter, a 3.5% rate increase earlier in the year, and increase to the terminal handling charge. It changes in cargo mix. As we have seen in prior quarters, aside from the fuel surcharge, which is a means of recovering higher fuel costs, the increase in rates is within the normal range - one that remains consistent with increased operating costs in the business. On the right are Hawaii auto rates. Here there is some seasonality and mix variance that occurs in autos. Private and military autos are higher rated and move mostly in the summer. Manufacturer cars are lower rated and predominantly in the other reasons. This is the primary reason there was a large step up between the second and the third quarters of 2004. On a year-to-year basis, there was a decline in the third quarter, primarily due to competitive rate responses we made in the second quarter when we lowered private auto rates about 10%, as well as some changes in contractual rates with manufacturers.

This chart shows the cost of fuel expensed in each quarter. It averaged just over $43 a barrel in the third quarter of this year. As I indicated a moment ago, Matson's fuel/oil surcharge, which is now adjusted quarterly, is intended to offset the increases in cost, and it did so in the quarter just passed. The rate was adjusted to 13% effective October 2, a level which was set based upon recent purchases.

Matson's operating profit margin was just over 16% the third quarter. Quite a good performance. It was just below the recent year's record of 17.5% reached in the second quarter, a level that I indicated would likely not be sustainable. We again had favorable Hawaii service metrics and a good contribution from Matson [unintelligible] joint venture on the west coast. This investment income does not add derivative, but it does contribute to operating profit. So, it helps to boost margins. You will also recall that there is some seasonality in Matson's business with the fourth quarter and first quarters normally being lower than the others. This is likely to reoccur, along with the added costs of continuing to operate a ninth vessel to Lihue to accommodate added cargo. Lastly, we are starting to incur some of the costs of the Guam/China service start up as new hires join the Company, among other things.

The outlook for the balance of 2005 is relatively good for Ocean Transportation. On the revenue side, freight demand is favorable, the result of a positive economic picture. And, market conditions are stable. In spite of the new auto carrier competitor, Matson's carriage of autos has been quite satisfactory. We are making investments to lower our auto carriage costs further. There's some potentially mitigating factors in the fourth quarter in an otherwise favorable outlook. Fuel costs have risen sharply. We intend the quarterly surcharge adjustment to cover increases as best we can foresee them. There is no assurance the process will work in every time period. On the cost side, we are also watching carefully the cost of goods and services we purchase for embedded energy-related increases. Matson also had 14 accounting weeks in the fourth quarter of last year versus the normal 13 this year. Lastly, as we had mentioned in the release, we are beginning to incur some of the Guam/China start-up costs as we prepare to begin our service in China in February.

Moving now to Logistic Services. Matson integrated Logistics booked a nearly 60% increase in operating profits shown here on a 9% increase in third quarter revenue. Revenue hike was the result of a modest 2% decrease in volume combined with shift in business mix and higher rates. International and domestic intermodal volume was lower, but highway volume was up and rates increased overall. As shown on the right, a combination of the higher margin highway activity and economies of scale kept margins above 3%. We expect continued good performance of logistics, although the year-to-year comparisons will be tougher from this point. We also anticipate moderation in the recent high pace of growth due to structural changes in the industry. MIL continues to emphasize growth in highway brokerage activity, where demand remains strong and margins are higher than in other segments. On the expense side, the cost of purchased transportation has risen substantially due to higher energy costs, as have rail rates.

For Food Products, I'm going to start with this chart of raw sugar production because throughput is a primary success factor in this business. If you will recall, we made the decision last quarter to age some of the fields to give us better volume in the future. At this point, we are projecting 193,000 tons of raw sugar. We are earning more on our energy sales to local utilities, but the cost of energy for field work and other items like fertilizer are all rising. So, it's a consequence. We will stick with last quarter's view that the best we can expect is a modest profit, if any, for the rest of the year.

Property Leasing remains a reliable star producer with a 13% increase in operating profits shown here on 11% increase in revenue. In the third quarter we had a very small decrease in the high occupancy levels on the mainland and a good increase among our Hawaii properties. For the balance of 2005, the outlook is favorable - more of the same. Led by the closing of 100 units at the Lanikea condominium in Waikiki, the quarter was a strong one. As we have noted in the release, year-over-year comparison was especially strong because of the large portion of the 2004 property sales occurred in the first half of this year. Here again, we will stick with the same view we had in the last quarter. All of Hawaii's real estate markets remain strong. Note that the 247 units at our Hokua luxury high rise will now close in the first quarter of next year. The largest sales we expect this quarter will be two Honolulu office properties that we just announced.

With that, I will turn the presentation over to Chris Benjamin for our financial highlights.

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

Thank you, Allen, and good morning to our listeners. My comments on the financial statements will be very brief, as there are no big changes for the quarter. I will note, however, that for the first time, A&B has surpassed the $2 billion mark in total assets. Notable balance sheet changes for the year to date include a $56 million increase in current assets, primarily resulting from higher cash balances. Investments have increased with the development and construction activity in our real estate joint ventures as well as an increase in our [unintelligible] joint venture equity as a result of very strong earnings in that business. Real estate developments are $33 million lower, due primarily to the sale of the Lanikea condominium. And, the increase in property reflects the new Matson ship in a number of real estate acquisitions. We increased our CCF balances modestly this year in anticipation of our 2006 purchase or lease of another new vessel.

As for our liabilities, the story here really is the new ships. Debt increased $88 million year to date as the result of $105 million of vessel financing. And deferred income tax liability increased $65 million as we deposited Matson earnings into the CCF for purchase or lease of a vessel next year. Back in February, I mentioned that about $100 million of tax deferrals would help buy our new ships, and we received about two-thirds of that benefit so far. Our shareholders' equity - another milestone that we're approaching - is up $90 million and close to the $1 billion mark. Our debt levels, as noted, are up $88 million this year, and our leverage as measured by the ratio of our debt to debt plus equity now stands at 25%.

On our cash flow statement, our operating cash flows consist primarily of three components. The first is net income of $103 million. Next is the deferred tax benefit that I mentioned a moment ago, which is about $60 million year to date. Finally, we have had $62 million of depreciation year to date.

I'll talk about CapEx on the next slide, but as you can see, we've invested over $200 million year to date in capital for our businesses. The other line items here are self explanatory as we've built up our CCF balances in anticipation of the [MD Manale] which will be delivered next year and added new debt for the purchase of our most recent ship.

Our capital expenditures year to date total $295 million. This figure is adjusted, as you can see, to arrive at the cash flow statement definition of CapEx, which equals $209 million. Additional CapEx for the balance of the year will total about $55 million, and it will include container acquisitions at Matson, construction activity in our real estate business and modest factory improvement capital for our sugar operation on Maui.

With that, I'd like to turn it over to John to conclude our presentation with an economic update.

John Kelley - *Alexander & Baldwin - VP Investor Relations*

Thanks, Chris. I'm going to start with visitor arrivals, a clear indicator for the benchmark visitor industry in Hawaii. On the chart is data through the second quarters in which total arrivals were up just 2.2% versus an increase of 12.1% in the first quarter of '05. Since that time, July arrivals came in up 7.7%, and August was up 7.1%. Both months set new records. Last night, the September numbers were just reported, also up 7.1%. So, year to date through September total visitor arrivals in Hawaii are up 7.1% to 5.6 million visitors. Thanks to longer average stays and greater spending per day, the year-to-date visitor expenditures through September are now up 8.4% to a total of $8.6 billion.

On the employment side, Hawaii's unemployment rate remains the lowest in the nation at 2.7% in September versus 5.1% for the entire U.S. As you can see on the chart, Hawaii has been below 3% in every month since March of this year. And, behind these figures, the total non-agricultural job count continues to rise, up a net 1,100 to 603,900 in September. Within that increase, 300 of the new jobs were in the construction trades. Helping to propel that construction job count were the still-active real estate markets across the state. Here, by island, are the median prices for single-family resales on the left and condominium resales on the right. The third quarter weighted data is not out yet, so I've estimated that number based on the monthly medians. These figures move as the mix changes in sales, but they continue to reflect strong demand on all islands.

So, operator, with that, we'll end our formal remarks and open the call to questions and answers.

QUESTIONS AND ANSWERS

Operator

Thank you. [OPERATOR INSTRUCTIONS]. We have a question on the line from Jon Chappell of JP Morgan.

Jon Chappell - *JP Morgan - Analyst*

Thanks. Good morning or good evening, Chris and Allen. Question, Allen. On the shipping business and Pasha, how much of that third quarter, year-over-year decline in the automobile pricing could you quantify as being the competitive pressures? Secondly, how has Pasha been progressing so far from a market share standpoint and also as the pricing erosion kind of slowed a little bit as they've been in the market now for over six months?

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

On the first question, you can assume that the changes in pricing are principally driven by competitive factors. I think that, Jonathan, is probably the best way to respond to that. If you look at it as a competitive situation, that's pretty much the main cause. Now, on a market share basis, we do not provide that information. I think you can perhaps get that from Pasha yourself. Certainly, they've made some end roads into the marketplace, but at this point, based on what we've seen, while they are serving Hawaii and we expect them to continue to serve Hawaii, the effect has been relatively muted at this point.

Jon Chappell - *JP Morgan - Analyst*

Has the pricing competition slowed down at all? Did they come in guns blazing earlier this year, and then the erosion of the pricing kind of slowed? Or, has it been a pretty steady competitive pressure?

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

No. I think that the actions that were taken at the initiation of their service and also several contractual commitments that we made with manufacturers were done earlier in the year. I haven't seen a material change in the nature of the price competition in this last quarter.

Jon Chappell - *JP Morgan - Analyst*

Okay. And, as far as your overall rate hikes are concerned and coming up in a few months on the 2006 time horizon, what kind of goes into your decision making process when you're pushing through the rate hikes - surface transportation costs, fuel costs, economic health? And, what's your confidence in success in pushing those rate increases through next year?

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

That's a good question. We have to look at what is a reasonable rate increase based upon the nature of our operating cost increases. I think you can really go through them in a couple of different categories. The first, for us of course, is the fuel surcharge, where we've been able in some fashion, and I think a pretty good fashion, to offset the increase in costs we've had in fuel as these costs have increased dramatically. I'm not sure we're going to quite get there in the fourth quarter. That was indicated in the remarks that were made. But, one component of our overall rate structure is the one that deals with fuel costs. The other aspect really deals with the overall nature of the cost structure of the business. And, to the extent to which we have typical inflationary increases in our costs, which we do, we attempt to offset those increases as well with higher rates. At this point in time, knowing that it is not ever possible to predict with complete confidence the future competitive environment, we see the overall rate structure in containers being relatively stable.

Jon Chappell - *JP Morgan - Analyst*

Okay. All right. Thanks, Allen.

Operator

[OPERATOR INSTRUCTIONS]. We have a question from Jamelah Leddy of McAdams Wright. Please proceed.

Jamelah Leddy - *McAdams Wright Ragen - Analyst*

Thank you. Can you talk about what the contribution from SSA was, either in terms of absolute dollars or in terms of the operating margin benefit?

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

Yes. We have not really provided that information. But, it's becoming a more substantial part of our overall profit. I would say that certainly on a year-over-basis, because of the large increase in west coast, [unintelligible] volumes at SSAT, that it's been one of the factors that has greatly influenced our year-over-year improvement in margins and profitability.

Jamelah Leddy - *McAdams Wright Ragen - Analyst*

Okay. Even if you won't necessarily disclose it, can you give some comments in terms of Matson's profitability, excluding SSA-- maybe not specifically. I'm just trying to get a feel for is it stable, is it up, is it down and that type of thing.

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

Yes. In the most general sense, it's relatively stable at a high level.

Jamelah Leddy - *McAdams Wright Ragen - Analyst*

Okay. That's helpful. And, you did make some cautionary comments on fuel, and I think you were just referring to it in your last answer to the previous question. Do you feel that your fuel surcharge is adequate to cover the increased costs?

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

Well, it's been pretty adequate as we've done it in the past. We've instituted a process for the benefit of the marketplace, frankly, where we only make one change a quarter, and we make it in advance of the quarter. We have to guestimate, in effect, what the fuel price is going to be. At this point, I can't tell you whether we're going to be accurate in our assessment or not in the quarter. We might fall a little short of what our increased costs are going to be, but, if so, then we'll just absorb it. I don't think it's going to be a material problem at all. But, it's not really possible to offset exactly in any quarterly period the effect of fuel increases. The good news on it is that at least we are able, and we have been able, to effectively deal in a larger sense with fuel increases, where some industries have not been as successful in doing that.

Jamelah Leddy - *McAdams Wright Ragen - Analyst*

Okay. Great. I just have a couple of others that I'll ask quickly. Can you give any specifics on your costs associated with Guam/China start up, either in this quarter or in the next few quarters?

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

I can't give you a specific amount, even though we do have it. But, it's kind of in the couple million dollar range. That's sort of where we're running right now. It's in that range, and it's basically just a lot of start-up expense. We've got a fair amount of our organizational structure in place, and we've also incurred some expenses that are just part of the process. It's not a huge amount of money. But, it is a modest amount, and it's certainly in the range of, I believe, $1 to $2 million.

Jamelah Leddy - *McAdams Wright Ragen - Analyst*

Okay. And, then, can you talk just briefly about your $5.2 million insurance gain on the real estate side?

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

Yes; I can talk real briefly about it. But, I'm going to let Chris do it.

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

Okay. I'll see how brief I can be. Basically, there was a fire at a shopping center that we own in Kapalua Maui. Part of the structure is still standing, and the stores in that part of the structure are still operating. But, more than half of the structure was destroyed. A couple of large tenants, as a result, have moved out. We've received insurance settlement, partly to address business interruption. Those have just flowed through our leasing operation. They've been very small. We did receive a $5.2 million casualty loss payment in the third quarter that we recorded as a gain. That's a one-time gain associated with that loss. But, we've included it in the segment operations for our development business. We've also identified it separately in our statements because of the one-time nature of it.

Jamelah Leddy - *McAdams Wright Ragen - Analyst*

Okay. Thank you. I'm sorry to have so many, but just very quickly, on a recent call, and I'm not sure if it was your company update or the last quarterly conference call, Allen, you spoke about a new significant large project. I'm wondering if you were speaking about Kaka'ako or if there are other projects in your pipeline that are similar to Kaka'ako in terms of size and scope.

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

I'm wondering how to say this. That was not the project I had in mind. We might have something else to announce, but, obviously, until we're ready to do it, I can't be specific about it. That Kaka'ako project was not expected.

Jamelah Leddy - *McAdams Wright Ragen - Analyst*

Okay. And, then, just to clarify one last question here. Did you say that your largest property sale in the fourth quarter would be the two office buildings that you just announced this last week?

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

Yes. In fact, I think it was announced in the last one to two days. We're kind of a day ahead here in Shanghai, so I'm lost.

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

I think it was announced on Tuesday.

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

I lost track of what day of the week it is. But, it's a $25 million sale of two small leasehold office properties in Honolulu. We just had a hard time figuring out how we were going to add more value to these properties, particularly because they were leasehold. So, we sold them.

Jamelah Leddy - *McAdams Wright Ragen - Analyst*

Okay. That's all my questions. Thank you for taking them all. Congratulations on a solid quarter.

Operator

[OPERATOR INSTRUCTIONS]. We have a question from Chaz Jones of Alexander & Baldwin.

Chaz Jones - *Morgan Keegan & Company - Analyst*

I don't think I have joined the Company yet, guys. If you have an opening, it's probably a wonderful place to work. I probably would seriously look at taking you up on it. I got on the call a little late; I apologize if this has already been covered. I'm just kind of curious. Looking at the North American Logistics business kind of outside acquisitions, the growth has clearly slowed there. Maybe outside of those acquisitions, are we going to kind of see that bank probably trend here in kind of the range that we saw in the third quarter?

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

Yes. I think you've got a good sense of it. We think that the trend line-- Two things are really happening. One is that we've now absorbed pretty much these acquisitions. So, on a year-over-year basis-- The lapping aspect of it is a lot more difficult to do when you've got these year-over-year comparisons where you have the acquisition in last year and this year. So, I think you're going to see some more modest numbers in our Logistics business going forward.

Chaz Jones - *Morgan Keegan & Company - Analyst*

And, then, Allen, has the spike in fuel prices had any noticeable effect on your carrier base in that business?

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

In the Logistics business?

Chaz Jones - *Morgan Keegan & Company - Analyst*

In the Logistics business. Yes.

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

No; I don't think so.

Chaz Jones - *Morgan Keegan & Company - Analyst*

Okay. Just curious. We've heard a lot on the trucking side of smaller carriers perhaps going out of business with the dramatic rise in fuel price. I just didn't know if that was something that was showing up.

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

No. It really hasn't had a material effect on us.

Chaz Jones - *Morgan Keegan & Company - Analyst*

Okay. Great, guys. Thanks for the commentary.

Operator

I have no questions queued up at this time. I apologize; we have Stuart Scharf. Please proceed.

Stuart Scharf - *Standard and Poors - Analyst*

Good morning. Just generally, I was wondering how you feel the overall economy may affect real estate going forward. We see rates going up. How do you feel about Ben Bernanke being announced as the new Fed chief?

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

The question really was one of how the economic environment, both nationally on a physical policy basis as well as locally in Hawaii, is going to affect our real estate business?

Stuart Scharf - *Standard and Poors - Analyst*

Right. Your general feelings on his policies and if you see interest rates continuing to rise and possibly affecting consumer spending, visiting rates, arrivals in Hawaii and real estate.

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

It's hard to see more than six to twelve months out. In fact, I think anyone on this call who had predicted rates a year or two ago would have been dramatically wrong, given where they are today. But, it's our view that there will be continued increases in interest rates, but they will be measured and they will be anticipated by the marketplace. We don't see them having a particularly disruptive influence over a period of a year or so that we can see ahead on our real estate business. The overall market conditions in Hawaii real estate remain very robust as we speak.

Stuart Scharf - *Standard and Poors - Analyst*

Okay. Thanks a lot.

Operator

Sir, we have a follow-up question from Jamelah Leddy.

Jamelah Leddy - *McAdams Wright Ragen - Analyst*

Thank you. I know you recently gave an update on a lot of your major projects, but given that we have you here in a public forum, I just thought I would ask if you had any update on Kapalua or Wailea or any more color that you can give us in the last several weeks or a month or so.

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

It's only been, gee, I guess less than a month since we've given that strategic update. There's not been really anything of note that would make us feel either more positive or more negative than what we had indicated a month ago. We're moving along quite well at [Kahului], and we're also doing quite, quite well in Wailea on Maui. So, market conditions remain favorable. Our internal driven activity on our projects is pretty much on track. No; there's just not much new in the last month or so. But, I can assure you that on these quarterly calls, once we have information that's material, you will know about it.

Jamelah Leddy - *McAdams Wright Ragen - Analyst*

Okay. Thank you very much.

Operator

I have no questions at this time.

John Kelley - *Alexander & Baldwin - VP Investor Relations*

We'd like to thank everyone for participation and bid you aloha. Good day.

Operator

Ladies and gentlemen, thank you for joining us on the call. You may now disconnect your phone lines.