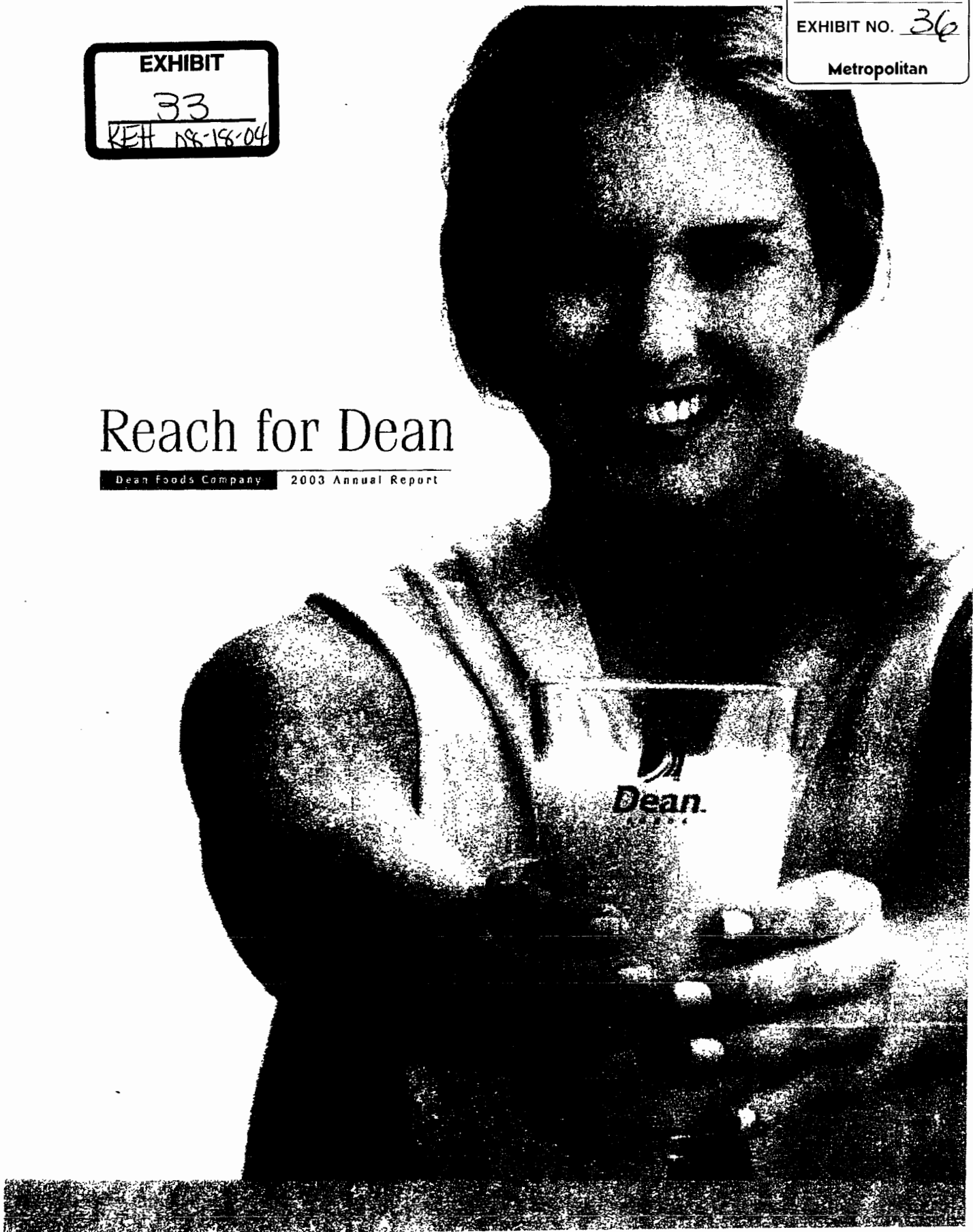


EXHIBIT
33
REF 188-188-04

EXHIBIT NO. 36
Metropolitan

Reach for Dean

Dean Foods Company 2003 Annual Report



Management's Discussion and Analysis of Financial Condition and Results of Operations

the increase in assets from \$124.8 million as of December 31, 2002 to \$151.6 million as of December 31, 2003. Based on current projections, 2004 funding requirements will be approximately \$37.8 million as compared to \$31.1 million for 2003. Additionally, based on current projections, 2004 funding requirements for our other postretirement benefit obligations will be approximately \$2.8 million as compared to \$2.4 million in 2003.

As a result of lower discount rates at December 31, 2003, we were required to recognize an additional minimum liability as prescribed by SFAS No. 87 and SFAS No. 132, "Employers' Disclosures about Pensions and Postretirement Benefits." The accumulated other comprehensive income component of the additional minimum liability, which totaled \$37.9 million (\$23.6 million after-tax), was recorded as a reduction to shareholder's equity through a charge to Other Comprehensive Income, and did not affect net income for 2003. The charge to Other Comprehensive Income will be reversed in future periods to the extent the fair value of plan assets exceeds the accumulated benefit obligation. See Notes 13 and 14 to our Consolidated Financial Statements for information regarding retirement plans and other postretirement benefits.

OTHER COMMITMENTS AND CONTINGENCIES

On December 21, 2001, in connection with our acquisition of Legacy Dean, we issued a contingent, subordinated promissory note to Dairy Farmers of America ("DFA") in the original principal amount of \$40 million. DFA is our primary supplier of raw milk, and the promissory note is designed to ensure that DFA has the opportunity to continue to supply raw milk to certain of our plants until 2021, or be paid for the loss of that business. The promissory note has a 20-year term and bears interest based on the consumer price index. Interest will not be paid in cash, but will be added to the principal amount of the note annually, up to a maximum principal amount of \$96 million. We may prepay the note in whole or in part at any time, without penalty. The note will only become payable if we ever materially breach or terminate one of our milk supply agreements with DFA without renewal or replacement. Otherwise, the note will expire at the end of 20 years, without any obligation to pay any portion of the principal or interest. Payments we make under this note, if any, will be expensed as incurred.

We also have the following commitments and contingent liabilities, in addition to contingent liabilities related to ordinary course litigation and audits:

- the obligation to pay performance bonuses to White Wave's management team in the event that established performance hurdles are met by the end of March 2004, which we currently expect to be approximately \$39 million; and
- certain indemnification obligations related to businesses that we have divested; and
- potential liability related to a Wells Notice we received from the staff of the Securities and Exchange Commission related to our relationship with one of our customers.

See Note 18 to our Consolidated Financial Statements for more information about our commitments and contingent obligations.

FUTURE CAPITAL REQUIREMENTS

During 2004, we intend to invest a total of approximately \$350 million in capital expenditures primarily for our existing manufacturing facilities and distribution capabilities. We intend to fund these expenditures using cash flow from operations. We intend to spend this amount as follows:

Operating Division (Dollars in millions)	Amount
Dairy Group	\$275
Branded Products Group	25
Specialty Foods Group	20
Other	30
Total	<u>\$350</u>

Notes to Consolidated Financial Statements

\$1.7 billion, including \$756.8 million of cash paid to Legacy Dean stockholders and common stock valued at \$739.4 million. The value of the approximately 46.5 million common shares issued was determined based on the average market price of our common stock during the period from April 2 through April 10, 2001 (the merger was announced on April 5, 2001). In addition, each of the options to purchase Legacy Dean's common stock outstanding on December 21, 2001 was converted into an option to purchase 2.256 shares of our stock. As discussed below, the holders of these options had the right, during the ninety day period following the acquisition, to surrender their stock options to us, in lieu of exercise, in exchange for a cash payment.

We decided to acquire Legacy Dean for the above-described consideration after considering a number of factors, including:

- The acquisition would result in us becoming the first truly national dairy and specialty foods company with the geographic reach, management depth and product mix necessary to meet the needs of large customers, who can especially benefit from the added services, convenience and value that a national dairy company can provide;
- Combining our businesses would enable us to reduce our costs by pursuing economies of scale in purchasing, product development and manufacturing, and by eliminating duplicative costs; and
- Increasing our scale would provide us with greater resources to invest in marketing and innovation.

Also on December 21, 2001, in connection with our acquisition of Legacy Dean, we purchased Dairy Farmers of America's ("DFA") 33.8% stake in our Dairy Group for consideration consisting of: (1) approximately \$145.4 million in cash, and (2) the operations of eleven plants (including seven of our plants and four of Legacy Dean's plants) located in nine states where we and Legacy Dean had overlapping operations. Also in connection with the transaction, we delivered a contingent promissory note in the original principal amount of \$40 million to secure our obligation to renew certain of our milk supply agreements with DFA until 2021. See Note 18 for a further discussion of this obligation. As a result of this transaction, we now own 100% of our Dairy Group.

In connection with the merger, we entered into a new credit facility and expanded our receivables-backed loan facilities. We used the proceeds from the credit facility and receivables-backed loan facilities to fund the cash portion of the merger consideration and the acquisition of DFA's minority interest, to refinance certain indebtedness and to pay certain transaction costs.

Legacy Dean's operations and the acquisition of DFA's minority interest are reflected in our Consolidated Financial Statements after December 21, 2001.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition of Legacy Dean, and includes the effects of divesting four Legacy Dean plants.

(In thousands)	At December 21, 2001
Current assets	\$ 694,453
Property, plant, and equipment	725,258
Intangible assets	236,978
Goodwill	1,515,267
Other assets	79,945
Total assets acquired	3,251,901
Current liabilities	540,458
Other liabilities	285,209
Long-term debt	685,645
Total liabilities assumed	1,511,312
Net assets acquired	\$1,740,589

Of the approximately \$237 million of acquired intangible assets, approximately \$206.5 million was assigned to trademarks and trade names that are not subject to amortization and approximately \$30.5 million was assigned to customer contracts that have a weighted average useful life of approximately 17 years.

Notes to Consolidated Financial Statements

The approximately \$1.52 billion of goodwill was assigned to Legacy Dean's Dairy Group, NRP and Specialty segments in the amounts of \$1.01 billion, \$215 million and \$290 million, respectively. None of the goodwill is expected to be deductible for tax purposes.

The final allocation of the purchase price to the fair values of assets and liabilities of Legacy Dean and the related business integration plans was completed in the fourth quarter of 2002. This final allocation process increased goodwill by approximately \$55.4 million, primarily as a result of the final determination of the fair values of depreciable tangible assets and business integration plans.

The purchase price allocation of Legacy Dean included a liability for payment obligations to Legacy Dean employees related to Legacy Dean stock options as a result of the change in control of Legacy Dean. Under Legacy Dean's stock option agreements, upon a change in control, employees had the right to surrender their stock options to us, in lieu of exercise, in exchange for a cash payment during the ninety day period following the change in control. The required cash payment varied depending on the type of stock option and the grant date with certain stock options requiring a cash payment equal to the difference between the exercise price and the highest closing price of our stock during the sixty day period beginning thirty days before and ending 30 days after the completion of the change in control transaction, and certain of the stock option agreements required a tax gross-up payment upon surrender. Cash payments of approximately \$44.2 million were made. At the conclusion of the surrender period, the remaining liability of approximately \$30.5 million was transferred to stockholders' equity as the underlying stock options remained outstanding.

We also incurred a change in control obligation of approximately \$4.9 million for payments to 18 officers under Legacy Dean's long-term incentive plan and transition bonuses to 5 officers of Legacy Dean, both of which became earned and payable upon consummation of the merger; and severance obligations of approximately \$17.5 million related to the termination of certain employees and officers of Legacy Dean as a result of the decision to eliminate certain Legacy Dean administrative functions.

The unaudited results of operations on a pro forma basis for the year ended December 31, 2001 as if the acquisition of Legacy Dean, and the purchase of DFA's minority interest (including the divestiture of the 11 plants transferred in partial consideration of that interest) had occurred as of the beginning of 2001 are as follows:

(In thousands, except per share data)	Year Ended December 31, 2001
Net sales	\$10,058,288
Income from continuing operations before taxes	289,058
Net income from continuing operations	178,411
Earnings per share from continuing operations:	
Basic	\$ 1.38
Diluted	\$ 1.28

Minority Interest in Spanish Operations - In August of 2001, we purchased the 25% minority interest in Leche Celta, our Spanish dairy processor that we did not already own, for approximately \$12.6 million. We funded this purchase with cash flow from operations.

DIVESTITURES

In order to more closely align both our assets and our management resources with our strategic direction, part of our strategy in 2003 and 2002 was to divest certain assets. On July 31, 2003, we completed the sale of the frozen pre-whipped topping and frozen coffee creamer operations of Morningstar Foods. We recorded a pre-tax gain on the sale of approximately \$66.2 million. Also in July 2003, we sold certain Dairy Group delivery trucks and customer relationships in New York. The proceeds from the sale of businesses during 2003 was approximately \$90 million. During 2002, we completed the sale of the following non-core businesses acquired as part of Legacy Dean's Specialty Foods division: on January 4, 2002, we completed the sale of the stock of DFC Transportation Company, a contract hauler; on February 7, 2002, we completed the sale of the assets related to a boiled peanut business; and on October 11, 2002, we completed the sale of EBI Foods Limited, a U.K.-based manufacturer of powdered food coatings. Net proceeds from the sale of these three businesses totaled approximately \$28.9 million. No gain or loss was recorded on the divestiture of Legacy Dean's businesses during 2002 because the sales prices equaled the carrying values.

Notes to Consolidated Financial Statements

17. Supplemental Cash Flow Information

(In thousands)	Year Ended December 31		
	2003	2002	2001
Cash paid for interest and financing charges, net of capitalized interest	\$182,825	\$224,561	\$139,984
Cash paid for taxes	19,788	44,738	24,983
Noncash transactions:			
Exchange of trust issued preferred securities	582,986		
Issuance of common stock in connection with business acquisitions			739,366
Operations of 11 plants in connection with acquisition of minority interest			287,989

18. Commitments and Contingencies

Leases – We lease certain property, plant and equipment used in our operations under both capital and operating lease agreements. Such leases, which are primarily for machinery, equipment and vehicles, have lease terms ranging from 1 to 20 years. Certain of the operating lease agreements require the payment of additional rentals for maintenance, along with additional rentals based on miles driven or units produced. Certain leases require us to guarantee a minimum value of the leased asset at the end of the lease. Our maximum exposure under those guarantees is not a material amount. Rent expense, including additional rent, was \$121.2 million, \$124.5 million and \$86.9 million for the years ended December 31, 2003, 2002 and 2001, respectively.

The composition of capital leases which are reflected as property, plant and equipment in our consolidated balance sheets are as follows:

(In thousands)	December 31	
	2003	2002
Buildings and improvements	\$ 707	\$ 508
Machinery and equipment	1,940	9,200
Less accumulated amortization	(779)	(5,347)
	<u>\$1,868</u>	<u>\$ 4,441</u>

Future minimum payments at December 31, 2003, under non-cancelable capital and operating leases with terms in excess of one year are summarized below:

(In thousands)	Capital Leases	Operating Leases
2004	\$375	\$ 90,662
2005	158	76,356
2006	99	61,556
2007	116	51,403
Thereafter		172,215
Total minimum lease payments	<u>\$748</u>	<u>\$452,272</u>
Less amount representing interest	<u>(75)</u>	
Present value of capital lease obligations	<u>\$673</u>	

Contingent Obligations Related to Milk Supply Arrangements – On December 21, 2001, in connection with our acquisition of Legacy Dean, we purchased DFA's 33.8% stake in our Dairy Group. In connection with that transaction, we issued a contingent, subordinated promissory note to DFA in the original principal amount of \$40 million. DFA is our primary supplier of raw milk, and the promissory note is designed to ensure that DFA has the opportunity to continue to supply raw milk to certain of our plants until 2021, or be paid for the loss of that business. The promissory note has a 20-year term and bears interest based on the consumer price index. Interest will not be paid in cash, but will be added to the principal amount of the note annually, up to a maximum principal amount of \$96 million. We may prepay the note in whole or in part at any time, without penalty. The note will only become payable if we ever materially breach or terminate one of our milk supply agreements with DFA without renewal or replacement. Otherwise, the note

Notes to Consolidated Financial Statements

Acquired Facility Closing Costs – As part of our purchase price allocations, we accrued costs from time to time pursuant to plans to exit certain activities and operations of acquired businesses in order to rationalize production and reduce costs and inefficiencies. During 2003, we accrued costs related to the closing of an ice cream plant acquired in July 2003 by our Dairy Group. One plant was closed in connection with our acquisition of Marie's in May 2002 and several plants were closed in connection with our acquisition of Legacy Dean.

The principal components of the plans include the following:

- Workforce reductions as a result of plant closings, plant rationalizations and consolidation of administrative functions;
- Shutdown costs, including those costs that are necessary to clean and prepare the plant facilities for closure and costs incurred after shutdown such as lease obligations or termination costs, utilities and property taxes after shutdown.

Activity with respect to these acquisition liabilities for 2003 is summarized below:

(In thousands)	Accrued Charges at December 31, 2002	Accruals	Payments	Accrued Charges at December 31, 2003
Workforce reduction costs	\$ 9,002	\$100	\$ (6,231)	\$2,871
Shutdown costs	11,637	500	(5,820)	6,317
Total	\$20,639	\$600	\$(12,051)	\$9,188

Activity with respect to these acquisition liabilities for 2002 is summarized below:

(In thousands)	Accrued Charges at December 31, 2001	Accruals	Payments	Accrued Charges at December 31, 2002
Workforce reduction costs	\$20,029	\$11,205	\$(22,232)	\$ 9,002
Shutdown costs	12,821	7,880	(8,864)	11,637
Total	\$32,850	\$19,085	\$(31,096)	\$20,839

16. Other Operating (Income) Expense

In the third quarter of 2003, we recognized a gain on the sale of our frozen pre-whipped topping and frozen creamer operations of \$66.2 million.

During the fourth quarter of 2003, we recognized \$2.5 million of other operating income as a result of certain contingencies related to the divestiture of 11 plants in 2001 being favorably resolved.

During the fourth quarter of 2001, we recognized a net of \$17.3 million of other operating income which includes the following:

- A gain of \$47.5 million on the divestiture of the 11 plants divested in connection with the acquisition of Legacy Dean. The gain represented the difference between fair value and the carrying value of the plants;
- An expense of \$28.5 million resulting from a payment to DFA as consideration for certain modifications to our existing milk supply arrangements; and
- An expense of \$1.7 million resulting from the impairment in value of a water plant.