TO THE STOCKHOLDERS OF THE BEATRICE CREAMERY COMPANY:

Hereewith is submitted annual balance sheet and earnings report for the fiscal year ended February 28, 1934.

Earnings for the year after depreciation and Federal taxes were $501,927.74, equivalent to $4.70 per share on preferred stock and a loss of $0.66 per share on common stock.

The year 1933 was one of the most difficult years from an operating standpoint in the history of the dairy business. The butter department suffered a severe loss in the third quarter due to the decline in the butter market caused by heavy production and surplus holdings. The Chicago Standards butter market was 25½¢ on July 18th and by December 14th it declined to 15c, the lowest level for the month of December in twenty-five years.

The gross earnings on ice cream decreased more than any other department, due principally to decline in volume. We are glad to report that we see definite signs of an upturn in ice cream consumption. Most of the ice cream plants show a substantial increase in sales for March as compared with last year.

The second largest decline in gross earnings was in the fluid milk department. One of the principal causes was overproduction. Sales in the milk department are still slightly less than for the corresponding period last year, but at present the indications are that milk sales will soon about equal the same period last year. Due to increasing Federal control, and in some sections State control, it is impossible for us to make any predictions as to future profits of this department.

Total sales were $44,868,398 as compared with $46,264,021 last year, a decrease of 3.02%. Total unit sales decreased 2.09%.

CURRENT ASSETS

Cash on hand and in banks amounted to $5,210,630 as compared with $4,241,606 cash and U. S. Treasury Certificates last year, an increase of $969,024 or 22.84%. The Company has steadily increased its cash position all through the depression years. This can be appreciated when the amount of cash on February 28, 1934 is compared with the balance sheet of February 29, 1928, which showed cash on hand and in banks $292,589.

The Company has $11.80 of current assets for every dollar owing. Net working capital is $8,914,315 as compared with $8,662,176 last year, an increase of 2.91%.

We believe that sufficient reserve is carried against our total receivables to fully cover doubtful and uncollectible items.

Surplus inventories of butter and eggs were liquidated prior to February 28th, and inventories of these commodities represent about the minimum necessary to transact business. We have on hand slightly increased inventories of poultry and cheese as compared with a year ago. The inventories are valued at cost or market, whichever is lower.

OTHER ASSETS

Investments and Advances—Affiliated Companies

This is shown as a separate classification this year. It covers investments in stocks and advances to companies over which we have a close operating supervision.

Notes and Accounts Receivables—Officers, Employees and Others

This account is $41,943 less than it was on the same date last year. The directors have discontinued the policy of making loans to employees for the purchase of Company stock, and this account will be liquidated as soon as possible.
Miscellaneous Investments

Since there is no listed market on any of these securities they have been appraised by officers of the Company, but in no case is the stated value in excess of cost. Included are mortgage notes taken for the sale of property, securities and mortgages accepted in the settlement of accounts receivable, city and state warrants taken for merchandise, thirteen exchange memberships, and miscellaneous securities principally owned by subsidiaries at the time of acquisition.

Land, Buildings and Equipment

On May 1, 1933 the stockholders of this Company voted to reduce the par value of the common stock from $50.00 to $25.00 per share, thereby creating a capital surplus for the purpose of writing off goodwill and writing down plant and equipment valuations. The decline in sales of ice cream (which in 1933 were only approximately 60% of the volume of 1930) necessitated the consolidation of plants to reduce operating costs. This compelled us to take a loss on equipment and plants no longer necessary to operations. Similar consolidations were necessary in other departments to reduce operating costs.

An appraisal was made of the properties by our engineers, and as of March 1, 1933 the book values were written down to conform with the appraisal valuations.

We also wrote off appreciation that appeared on the books of subsidiary companies at the time of consolidation.

The following is a schedule of the write-down of plants and equipment:

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>LAND</th>
<th>BUILDINGS</th>
<th>EQUIPMENT</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance—</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>February 28, 1933...</td>
<td>$2,532,076.16</td>
<td>$12,204,544.81</td>
<td>$21,716,711.40</td>
<td>$36,453,332.37</td>
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<tr>
<td>Deduct adjustments</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>March 1, 1933:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appreciation written off</td>
<td>78,431.25</td>
<td>1,291,593.52</td>
<td>1,171,809.83</td>
<td>2,541,834.60</td>
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<tr>
<td>Cost values written down</td>
<td>167,366.60</td>
<td>1,043,107.90</td>
<td>5,964,707.51</td>
<td>7,175,382.01</td>
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<tr>
<td>Adjusted Balance</td>
<td>245,997.85</td>
<td>2,334,701.42</td>
<td>7,136,517.34</td>
<td>9,717,216.61</td>
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<tr>
<td>Balance—</td>
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<td></td>
<td></td>
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<tr>
<td>February 28, 1934...</td>
<td>15,981.49</td>
<td>13,949.09</td>
<td>324,467.50</td>
<td>326,499.00</td>
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<tr>
<td>Depreciation Reserve</td>
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<td></td>
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<tr>
<td>Balance—</td>
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<tr>
<td>February 28, 1933...</td>
<td></td>
<td>3,867,107.27</td>
<td>13,293,603.97</td>
<td>17,160,711.24</td>
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<tr>
<td>Deduct adjustments</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>March 1, 1933:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve for depreciation on</td>
<td>250,657.48</td>
<td>594,809.80</td>
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<td>845,467.28</td>
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<tr>
<td>appreciation written off...</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Reserve for depreciation on</td>
<td>254,929.39</td>
<td>2,327,025.33</td>
<td>2,581,954.72</td>
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<tr>
<td>cost values written down...</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted balance</td>
<td>505,586.87</td>
<td>2,921,835.13</td>
<td>3,427,422.00</td>
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</tr>
<tr>
<td>Balance—</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>February 28, 1933...</td>
<td>3,361,520.40</td>
<td>10,371,768.84</td>
<td>13,733,289.24</td>
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</tr>
<tr>
<td>Add depreciation provided for</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>year ended February 28, 1934...</td>
<td>241,931.92</td>
<td>1,084,147.05</td>
<td>1,326,078.97</td>
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</tr>
<tr>
<td>Deduct depreciation on</td>
<td>3,603,452.32</td>
<td>11,455,915.89</td>
<td>15,059,368.21</td>
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</tr>
<tr>
<td>disposals, etc...</td>
<td>41,393.26</td>
<td>148,924.17</td>
<td>190,317.43</td>
<td></td>
</tr>
<tr>
<td>Balance—</td>
<td>3,562,059.06</td>
<td>11,306,991.72</td>
<td>14,869,050.78</td>
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</tr>
<tr>
<td>Net book values</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>February 28, 1934...</td>
<td>$2,302,059.80</td>
<td>$6,293,835.24</td>
<td>$3,597,669.84</td>
<td>$12,193,564.88</td>
</tr>
</tbody>
</table>
Reduction in depreciation for the year due to write-down in plant and equipment account is estimated at $466,000. Last year's depreciation was further reduced by the elimination of depreciation on items fully depreciated. The operating plants and equipment are well maintained.

Goodwill

Goodwill amounting to $2,000,000 has been written off to capital surplus. This represents the remaining balance after writing off various amounts to earned surplus account in prior years.

Expense

Reduction in selling and overhead expenses during the year amounted to $1,440,593. The largest item of expense is selling expense, which includes selling and delivery of ice cream, butter and milk. This includes the cost of operating 1478 motor vehicles and 208 horse drawn vehicles.

The only item which shows an appreciable increase is taxes other than Federal taxes. This is caused by various additional taxes being levied in the states and localities where we do business.

During the year we purchased subsidiary stocks and bonds amounting to $96,150 and also purchased at the market 881 shares of our preferred stock making a total of $184,250 prior securities purchased during the year out of cash. All preferred stock held in the treasury was retired in February this year and the discount on the stock purchased in the current year credited to capital surplus account.

The Company has 7333 stockholders and 4321 employees, of which 606 are stockholders.

The directors and management regret that the showing for the year was not more favorable. We are encouraged over the outlook because total earnings for the first three months of this calendar year show an improvement over last year. This makes us still hopeful of better profits in this fiscal year.

Respectfully submitted,

C. H. HASKELL, President.

Chicago, Illinois, April 4, 1934.
### BEATRICE CREAMERY COMPANY AND SUBSIDIARY COMPANIES
### CONSOLIDATED BALANCE SHEETS AS AT FEBRUARY 28, 1934

#### ASSETS

**Current Assets:**
- Cash .................................................. $ 5,210,630.08
- Accounts receivable .......................... $ 2,311,305.86
- Notes receivable .............................. 775,105.40
- Ice cream equipment notes and accounts receivable .. 306,439.43
- Less—Provision for doubtful .................. $ 3,010,973.18
- Interest receivable .............................. 3,016.38

**Inventories:**
- Dairy products and other merchandise, supplies and stores, etc., at the lower of cost or market... 1,505,877.77

**Total Current Assets** .................................. $ 9,739,797.41

**Other Assets:**
- Investments and advances—Affiliated Companies—less reserve .................. $ 445,522.96
- Deposits in closed banks, less reserve .......... 141,038.53
- Cash surrender value of life insurance ....... 18,628.39
- Notes and accounts receivable—officers, employees and others—less reserve ........ 178,577.66
  (Including employees' notes with Company stock as collateral, amounting to $118,864.13)
- Miscellaneous investments (at the lower of cost or appraised value) ........ 245,043.73

**Land, Buildings and Equipment:**
- At cost, or less as inventoried and valued by the Company's engineers as at March 1, 1933, plus additions at cost:
  - Land ........................................... $ 2,302,059.80
  - Buildings ..................................... 9,855,894.30
  - Equipment (including cans and milk bottles) .... 14,904,661.56
- Less—Reserves for depreciation ................. 14,869,050.78

**Real Estate and Equipment for Sale** ............... 12,193,564.88

**Deferred Charges:**
- Insurance unexpired, stationery, advertising supplies, etc. ........ 238,472.03

**TOTAL** .................................................. $ 23,393,431.77

*Note—Notes receivable includes notes amounting to $460,014.06, representing advances to customers by subsidiary public cold storage warehouses, secured by negotiable warehouse receipts.*

#### LIABILITIES

**Current Liabilities:**
- Accounts payable .................................. $ 350,859.80
- Accrued wages, interest, etc. ................. 67,561.34
- Real estate mortgage serial note of subsidiary company, due within one year .......... 25,000.00
- Provision for domestic taxes .................. 205,625.47
- Provision for Federal income tax ............ 176,436.10

**Total Current Liabilities** .................................. $ 825,482.71

**Minority Interest in Capital and Surplus of Subsidiary Companies:**
- Preferred stock .................................. $ 84,350.00
- Common stock ..................................... 3,390.32

(Subsidiary company dividends on minority interest in preferred stock unpaid—$546.00)

**Net Worth:**
- Capital stock authorized:
  - 125,000 shares 7% cumulative Preferred (Par value $100.00) .......... $12,500,000.00
  - 750,000 shares Common (Par value $25.00) ........................................ 18,750,000.00

**Capital stock outstanding:**
- Preferred—106,700 shares ...................... $10,670,000.00
- Common—377,719 shares ........................ 9,442,975.00

**Surplus:**
- Earned ........................................... $1,218,356.34
- Capital ........................................... 1,148,877.40

**TOTAL NET WORTH** .................................. $22,480,208.74

**TOTAL** .................................................. $ 23,393,431.77
CONSOLIDATED STATEMENT OF PROFIT AND LOSS
For the Year Ended February 28, 1934

Net Sales (excluding inter-company sales) ..................... $44,868,398.18

Deduct:
  Cost of sales ..................................................... $34,612,829.44
  Repairs and maintenance .................................. 1,023,241.26

Total Deductions ................................................ $35,636,070.70

Selling expense including delivery expense .................. $ 4,089,940.65

Advertising ..................................................... 309,860.35

Administrative expense ......................................... 2,078,928.09

Insurance ......................................................... 302,190.86

Rent ............................................................... 288,088.10

Taxes ............................................................... 390,221.16

Interest ............................................................ 23,771.60

Depreciation ....................................................... 4,399,801.00

Other income ..................................................... 2,078,928.09

Provision for Federal income tax ............................. $ 390,221.16

Consolidated Net Profits for Year ............................. $ 501,927.74

Deduct:
  Dividend requirements for full year on preferred stock of subsidiary companies outstanding February 28, 1934, held by the public ........................................ $ 5,067.00

Dividend requirements for full year on preferred stock of Beatrice Creamery Company ................................ $ 746,900.00

Balance—equivalent to loss of $0.66 per share on 377,719 shares of common stock of Beatrice Creamery Company outstanding February 28, 1934 ........................................ $ 250,039.26
CONSOLIDATED STATEMENT OF SURPLUS
For the Year Ended February 28, 1934

EARNED SURPLUS—February 28, 1933 .......................... $1,537,761.44
Deduct—Adjustment of Federal income and capital stock taxes for prior years ........................................... 12,690.68
Net profits for the year ended February 28, 1934 .......................... $1,525,070.76

Deduct:
Dividends paid on preferred capital stock of Beatrice Creamery Company ........ $ 753,067.00
Dividends paid on stocks of subsidiary companies held by the public .......... 8,169.76
Reduction of miscellaneous securities to appraised value and other charges .......... 47,405.40
Earned Surplus—February 28, 1934 .................................. $808,642.16

CAPITAL SURPLUS—Created by reduction of par value of the common capital stock from $50.00 to $25.00 per share as authorized by the stockholders May 1, 1933 .................. $9,442,975.00
Deduct:
Balance of goodwill written off ................................ $2,000,000.00
Reduction of net value of land, buildings and equipment in accordance with the Company's appraisal of certain properties as at March 1, 1933:
Asset accounts ....................... $7,175,382.01
Depreciation reserve accounts 2,581,954.72
Net reduction ....................... 4,593,427.29
Appreciation by appraisal of fixed assets of certain subsidiaries placed on books in prior years, less accumulated depreciation on appreciation to February 28, 1933:
Asset accounts ....................... 2,541,834.60
Depreciation reserve accounts 845,467.28
Net amount written off ............... 1,696,367.32
Loss on sale of former subsidiary ............. 20,560.77
Premium on preferred stock purchased and retired by subsidiary company .......... 4,410.00
Add:
Discount on Beatrice Creamery Company preferred stock purchased and retired .................. 18,897.78
Discount on subsidiary minority stock interests purchased .................. 1,770.00
Capital Surplus—February 28, 1934 .................................. $1,148,877.40
To the Board of Directors,
Beatrice Creamery Company:

We have made an examination of the general and branch books and accounts of the Beatrice Creamery Company (a Delaware corporation) and its subsidiary companies, pertaining to the assets and liabilities as at February 28, 1934, and have reviewed the operating accounts for the year then ended.

Cash was verified by count and certificates from depositaries. Based on our analysis of the accounts and notes receivable and information obtained, we are of the opinion that the reserves provided are sufficient for losses which may be sustained in collection. Inventories as certified to us by the management, were tested by us as to quantities, and we satisfied ourselves that the prices used were the lower of cost or market, and that only saleable merchandise and usable supplies have been included.

Investment securities were examined, and there being no quoted market, they have been valued at cost or less by officers of the Company.

Additions to capital assets were examined and were found to be proper charges thereto. Adequate depreciation has been charged to the current year's operations.

Liabilities for trade payables and mortgage indebtedness were verified by communication with creditors, and, based upon our examination of the accounts and information obtained, we are of the opinion that all liabilities are included. As far as we were able to ascertain, neither the parent nor the subsidiary companies had any contingent liabilities.

In addition to our examination of the books and accounts as at February 28, 1934, we visited the various branch and subsidiary offices during the year and made extensive tests of the cash transactions and of the income and expense accounts; and we verified the receivables at various interim dates by communication with customers and others.

In our opinion, based upon such examinations, the accompanying consolidated balance sheet and consolidated statements of surplus and profit and loss, fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year, the financial position of the Beatrice Creamery Company and subsidiary companies as at February 28, 1934, and the results of operations for the year ended that date.

J. H. GREENHALGH & COMPANY
By D. Greenhalgh,
Certified Public Accountant.
DIRECTORS

H. Brown Cannon        Paul W. Cleveland
Omer N. Custer        Ernest H. Daniel        John T. Dorgan
Morris Friend        Clinton H. Haskell
Clyde T. Hays        Clifford V. Huenke
Charles S. Hutchinson        John H. Lambrecht        Arthur T. McClintock
John T. McGreer        Louis Nielson

OFFICERS

Clinton H. Haskell, President

John T. Dorgan, Vice President        Frederick A. Jorgensen, Vice President
Louis Nielson, Vice President        Thomas A. Borman, Vice President
John T. McGreer, Vice President        Charles S. Hutchinson, Vice President
Arthur T. McClintock, Vice President        Clifford V. Huenke, Vice President
Clyde T. Hays, Secretary and Treasurer

Registrars of Stock

The Chase National Bank of the City of New York
New York

City National Bank and Trust Company of Chicago
Chicago

Stock Transfer Agents

Guaranty Trust Company of New York
New York

Continental Illinois National Bank and Trust Company of Chicago
Chicago