Pictured on these pages are some of the major projects in the largest capital improvements program in the 71-year history of Beatrice Foods, another significant step in our long-term development plans.

Pictured on the following pages in this report are some of our key plants and services and a few of the more than 5,000 products produced by Beatrice in the 500 plants and branches operated by our 118 member companies around the world.

In the last decade, Beatrice has invested more than $152 million in plant construction and modernization and for new equipment. The total for the last fiscal year when 53 projects were initiated, was a record $27.1 million, an increase of 35 per cent from the previous high last year. Millions more have been invested in research and development, not only to create new products, but to improve the quality of those long-established in popularity under almost 200 brand names.

But plants, products and programs are merely the tangible expression of the real strength of Beatrice . . . its people.

It is this team of 23,683 employees—the finest in the company's history—that had the creativity and skills to build Beatrice sales to one billion dollars. It is this team—with more “know-how” than any comparable company in the world—that has the vision to dream of two billion dollars and beyond in the next decade.

It is this team that is building a better Beatrice for the future.

A Premier Milk Ltd., in which Beatrice Foods owns an important interest, opened this modern plant to produce condensed milk in Singapore in November, 1967.
B Wright & Wagner Special Products Division plant in Beloit, Wis., was expanded at a cost of $700,000 in 166.
C Burny Bros. is constructing a $7,000,000 addition to its bakery in Northlake, Ill., that will double the size of the plant to 300,000 square feet.
D Completion of the second phase of construction of Quincy Market Cold Storage & Warehouse Company's new waterfront warehouse in Gloucester, Mass., raises the total capacity of the plant to 2,400,000 cubic feet of refrigerated space.
E Honolulu, Hawaii, ice cream plant is being completely re-modeled and re-equipped at a cost of $500,000.
F A $750,000 plant to produce custom-styled draperies was completed in April, 1967, by Steven Robert Company, in Evergreen, Ala.
G The Farboil Co., manufacturer of specialty paints and coatings, moved into this new, multi-million dollar plant in Baltimore, Md., in the summer of 1967.
H Sanna, Inc., completed expansion of this plant in Vesper, Wis., for drying milk and other foods in 1967.
I Central research and development and quality control laboratories in Chicago were increased more than 100 per cent. Included was a new test kitchen.
J Polyvinyl Chemical's $3,000,000 plant earned natural beauty award from State of Massachusetts. Facilities were finished in 1967 and have doubled Polyvinyl's capacity.
K Squire Dingee Co. completed a $1,000,000 expansion of its facilities for producing "Ma Brown" preserves, jellies and jams in Chicago during the year.
L Tampa Cold Storage and Warehouse Corp. added this 990,000 cubic foot warehouse to its facilities in Tampa, Fla.
M New Meadow Gold plant built and operated for the U. S. Government at Qui Nhon, South Vietnam, was opened in February, 1968, to serve more than 100,000 members of the Armed Forces in the area. Similar plant at Cam Ranh Bay was opened in November, 1967. Each cost $1,700,000.
SIGN OF PROGRESS This spring, Beatrice Foods lighted one of the most distinctive signs in the world as another symbol of the company’s steady growth. Actually two signs, it is situated on Beatrice’s Squire Dingee plant adjacent to the Kennedy Expressway in Chicago where it is passed by approximately 200,000 cars daily.

The double sign combines the corporate shield with product advertising with three changing pictorials on each side and message changer under each. These are the largest pictorials ever built and the only signs which have changing pictorials synchronized with messages.

As high as a 13-story building, the signs are 105 feet in width and 51 feet in height. The shield alone measures 48 feet by 44 feet and the letters are 12 feet tall. The pictorials are 54 feet by 32 feet and the message changer has eight-foot letters. It can be seen from Chicago’s loop, four miles away.

More than 10 miles of electrical wiring were required to connect the 2,000 spotlights in the sign—enough to illuminate a small town. More than 75 tons of steel and 330 tons of concrete were required.

71st ANNUAL MEETING The 71st Annual Meeting of Stockholders will be held at 10:30 a.m. (PDT), Wednesday, June 5, 1968, in the Mural/California Room of the St. Francis Hotel, Union Square, San Francisco, Calif.

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GENERAL OFFICES: 120 SOUTH LA SALLE STREET, CHICAGO, ILLINOIS 60603
HIGHLIGHTS OF THE YEAR

<table>
<thead>
<tr>
<th></th>
<th>February 29 1968</th>
<th>February 28 1967</th>
<th>Per Cent of Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>$1,052,431,480</td>
<td>$909,603,090</td>
<td>16</td>
</tr>
<tr>
<td>Net Earnings after taxes</td>
<td>37,398,588</td>
<td>30,275,271</td>
<td>24</td>
</tr>
<tr>
<td>Per Share of Common Stock</td>
<td>3.61</td>
<td>3.26</td>
<td>11</td>
</tr>
<tr>
<td>Percentage of Sales</td>
<td>3.55</td>
<td>3.33</td>
<td>7</td>
</tr>
<tr>
<td>Working Capital</td>
<td>132,417,702</td>
<td>125,077,272</td>
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</tr>
<tr>
<td>Stockholders' Equity</td>
<td>243,671,101</td>
<td>217,523,255</td>
<td>12</td>
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<tr>
<td>Dividends Paid</td>
<td>16,494,576</td>
<td>13,504,782</td>
<td>22</td>
</tr>
<tr>
<td>Per Share of Common Stock</td>
<td>1.61/4</td>
<td>1.50</td>
<td>8</td>
</tr>
<tr>
<td>Number of Stockholders</td>
<td>20,490</td>
<td>19,928</td>
<td>3</td>
</tr>
<tr>
<td>Restating fiscal 1967 to include companies acquired in fiscal 1968 poolings of interests (see note):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>1,052,431,480</td>
<td>974,671,279</td>
<td>8</td>
</tr>
<tr>
<td>Net Earnings after taxes</td>
<td>37,398,588</td>
<td>34,413,723</td>
<td>9</td>
</tr>
<tr>
<td>Per Share of Common Stock</td>
<td>3.61</td>
<td>3.30</td>
<td>9</td>
</tr>
<tr>
<td>Stockholders' Equity</td>
<td>243,671,101</td>
<td>230,437,810</td>
<td>6</td>
</tr>
</tbody>
</table>

Note—See note (1) on Ten Years of Progress (page 25) for explanation.

SOURCE

A Dairy .......................... 45%
   (Dairy Specialties—5%)
B Grocery and Confectionery ...... 37%
C Agri-Products .................. 4%
D Warehousing, Chemical Specialties and Manufactured Products ............ 14%
TOTAL .......................... 100%

DISPOSITION

A Raw Material .......................... 52%
B Supplies and other expenses .......... 27%
C Wages and salaries .................. 15%
D Taxes ........................... 4%
E Dividends to stockholders and additions to working capital ....... 2%
TOTAL .......................... 100%
Record increases to all-time highs in sales and net earnings were achieved for the fiscal year as your company passed the one billion dollar milestone in sales.

It was the 18th consecutive year that sales have shown a gain and the 16th successive year that net earnings and earnings per share have increased. The dividend rate on the common stock was raised for the fifth consecutive year.

In advancing to join the select number of companies in the nation with more than one billion dollars in sales, Beatrice Foods attained one of its major goals two years ahead of projections set in 1960. Sales have grown $609,372,685, or 138 per cent in that eight-year period. Net earnings have increased $27,093,280, or 263 per cent and earnings per share of common stock 111 per cent in that time.

Net earnings as a percentage of sales reached a new high of 3.55 per cent, compared to 2.33 per cent eight years ago, while our return on net worth was 16 per cent for the year, compared to 10 per cent in 1960.

The records established in virtually every phase of domestic and international operations were the result of concentration on development of internal growth and diversification into new product areas to broaden your company's opportunities for more rapid advancement by all seven divisions in the years ahead.

SALES • Dollar sales increased for the 18th consecutive year to $1,052,431,480, a gain of $142,828,390, or 16 per cent over sales reported last year. This increase in sales was greater than the total sales for your company in 1946. On a restated basis to reflect poolings of interest, the sales increase was $77,760,201. Unit sales rose for the 31st successive year.
EARNINGS • Net profits and profits per share of common stock were up for the 16th year in a row. Net earnings were $37,398,588, an increase of $7,123,317, or 24 per cent. Restated, the increase in net earnings was $2,984,865.

Net earnings per common share after dividends on preferred and preference shares outstanding went up to $3.61 on an average of 9,991,146 shares outstanding during the year. This compares to $3.26 per share reported on an average of 8,822,360 shares outstanding during last year. For comparison purposes, net earnings have multiplied more than 10 times since 1946.

CAPITAL STOCK • There were 97,500 shares of $4.00 convertible preference stock, 176,083 shares of $2.70 convertible preference stock, 65,000 shares of $4.50 convertible preference stock and 10,000,361 shares of common stock outstanding at Feb. 29, 1968. All 76,602 shares of 4 1/2 per cent cumulative preferred stock issued and outstanding were called for redemption May 15, 1967.

At the June, 1967 annual meeting, stockholders authorized an increase in the number of shares of preference stock which the company has authority to issue from 350,000 to 850,000.

DIVIDENDS • On June 7, 1967, the board of directors voted to raise the dividend on the common stock 10 per cent to an annual rate of $1.65 from $1.50. It was the fifth consecutive year that the dividend rate on the common stock had been raised and the fourth time in the last three years. In the three-year period, the total increase amounted to 57 per cent.

Record dividends of $16,494,576 were paid on the preferred, preference and common stock, an increase of 22 per cent from $13,504,782 paid the year previous.
WORKING CAPITAL • Working capital rose for the 23rd consecutive year. The total at Feb. 29, 1968, was $132,417,702, an increase of $7,340,430 from the previous year.

STOCKHOLDERS’ EQUITY • For the 31st consecutive year, book value of each share of common stock increased. Stockholders’ equity increased to a new high of $243,671,101. The book value of each common share rose to $21.68.

LEGAL PROCEEDINGS • In May, 1967, the U.S. Court of Appeals for the Ninth Circuit at San Francisco, Calif., approved a mutually satisfactory agreement which your company had reached with the Federal Trade Commission to settle the Dairy Merger Case that has been pending since 1956. Pursuant to the modified order, your company will sell six dairy processing plants in the Southwest and the milk bottling plant at Morgantown, W. Va. These operations represented 2.5 per cent of the sales and a lesser per cent of the company’s net earnings for the fiscal year ended Feb. 29, 1968. Your company has also agreed not to acquire any domestic bottled milk or ice cream firms for a 10-year period without prior approval of the commission.

EMPLOYEES • We take this opportunity to express our deepest thanks to the employees of Beatrice Foods in this country and around the world. Our record of growth is a record of the collective efforts, countless contributions and enthusiasm of the finest team of employees in our history.

MANAGEMENT • We regretfully report the death on May 6, 1967, of Robert B. Price, of El Paso, Texas, who had served the company ably as a director for 14 years and as a vice president and district manager of the Southwest District for 12 years.
Harry Niemiec, vice president of your company and general manager of the Grocery Division, was elected a director to succeed Mr. Price. Mr. Niemiec also was elected an executive vice president of the company.

Brown W. Cannon, Denver, Colo., and Wallace N. Rasmussen, Nashville, Tenn., were elected to the newly created positions of senior vice presidents of your company. Mr. Cannon, formerly a vice president of your company and a director since 1950, is in charge of all dairy plants west of the Mississippi River, including Hawaii and the Far East. He also continues as general manager of the Agri-Products Division. Mr. Rasmussen, formerly a vice president and a veteran of 33 years service with Beatrice Foods, supervises all dairy plants east of the Mississippi.

George W. Kall, Denver, Colo., E. A. Walker, Salt Lake City, Utah, and Gordon E. Swaney, Archbold, Ohio, were elected vice presidents of the company. Mr. Kall is responsible for the newly created West Central Dairy Region, and Mr. Walker supervises the newly created Far Western Dairy Region. Mr. Swaney is assistant general manager of the Grocery Division. Mr. Kall has served your company for 21 years, Mr. Walker for 31 years and Mr. Swaney for 21 years.

STOCKHOLDERS • We are appreciative of the many constructive suggestions and comments contributed through the year by our stockholders and thank you for your interest and expressions of encouragement and confidence. The number of stockholders in your company increased for the 17th consecutive year and totaled 20,490 at Feb. 29, 1968.

THE YEAR AHEAD • Your company, more firmly established than ever as a growing, diversified international food company, began the new fiscal year in the strongest financial position in its history. We look forward to another year of progress with the invaluable cooperation and support of our stockholders, employees, customers, producers and suppliers.

Yours sincerely,

William G. Karnes
President
Sales of the dairy division continued to grow at a faster rate than the national average, increasing seven per cent to a new record. In the last five years, sales of dairy products and dairy specialty products, marketed principally under the Meadow Gold, Dannon, Blue Valley, Holland Dutch, American Hostess and Louis Sherry brands, have increased $91 million. Unit sales also reached a new high.

All departments contributed to the division's increase, which was almost entirely the result of internal growth. Dollar sales of bottled milk and cream went up for the 29th consecutive year. Sales of ice cream, related frozen dessert products and dairy specialties also reached new highs.

Major additions to the dairy division were Sanna, Inc., of Madison, Wis., and Meadow Gold Dairies of Florida, located at Orange City. Sanna is a leading manufacturer of specialty dairy and other foods distributed nationally.

During the year, your company successfully introduced its Royal Danish line of imitation milk and related products which now are distributed in nine states. Initial consumer response has been good.

Overseas, Beatrice placed into operation plants built for the United States Government in Cam Ranh Bay and Qui Nhon, South Vietnam, to provide dairy products for the U. S. Armed Forces there. Your company also has an interest in a manufactured milk plant opened in Singapore in 1967.


B Spec. 4C Robert C. Erickson, of Chicago, Ill., displays one of cartons of Meadow Gold Egg Nog that was flown in to U. S. Army forces in jungles of South Vietnam during Christmas holidays.

C Meadow Gold dairy products are loaded aboard helicopter at newly opened plant in Qui Nhon, South Vietnam, for delivery to troops in the field.

D Helping Bill R. Terrill (left), manager of Meadow Gold dairy in Salt Lake City, and chairman of June Dairy Month in Utah, promote dairy foods are Vicky Edwards, 1967 Utah Dairy Princess, and Lyle Grainger, of Grainger's IGA Market, Rose Park, Utah. (Photo Courtesy Intermountain Food Retailer)

E Joining the family of Beatrice quality food products are these "flavor firsts" created by Sanna, Inc., Madison, Wis.

F Airstream trailer made the rounds of the spring training baseball camps in Florida displaying signs announcing that Meadow Gold has been endorsed as the official milk of the Major League Baseball Players Association. Here Cincinnati players inspect trailer at Tampa, Fla.

G Wall-to-wall sign on Springfield, Ill., Meadow Gold dairy plant spurred driver-salesmen to prize-winning performance in Company's annual President's Month contest in July.
Dollar and unit sales of the Grocery Division, which now numbers 34 companies, set new records for the year. Sales for the division increased 12 percent. Since 1960, sales of this fast-growing division have increased by $221 million, or 189 percent.

New additions to the division during the fiscal year were Mother's Cookie Co., Louisville, Ky.; South Georgia Pecan Co., and its affiliate, Southeastern Reduction Co., both of Valdosta, Ga.; and J. Warren Bowman, Inc., St. Petersburg, Fla.

South Georgia processes and distributes shelled and unshelled pecans in the United States, Canada, and Europe. Its principal brand is "Sun Ray." Southeastern Reduction Co. processes pecan shells. J. Warren Bowman's principal products are glass-packed snack foods in cocktail and party shapes under the "Time 4" brand.

The division’s marketing team, created three years ago, was expanded to assist further in developing sales and customer service programs for all companies.
At the end of the fiscal year, confectionery products, previously a department of the Grocery Division, was established as the Confectionery Division because of its rapid growth.


Sales increased for the eighth successive year and were up 11 per cent from the previous year.

Switzer and Jolly Rancher expanded their production facilities and the Candy Kitchens of Beatrice Foods were established in Chicago to augment growth. In addition, Holloway Milk Duds now are being manufactured in the new facilities at Jolly Rancher to provide for faster shipment of fresh product to the West Coast.

A John W. Hoermann (right), general manager of the Confectionery Division and president of M. J. Holloway & Co., and John Randag, Holloway vice president, review the Milk Dud packaging operation at plant in Chicago.
B Pollywog confections move through the coating machine under the inspection of James Weiss (left), president, and Warren Schumacher, plant manager, at Chesterton Candy Co., Chicago.
C Master "weavers" create the famed Clark bar at the D. L. Clark plant in Pittsburgh, Pa.
D Frank X. Slack (left), general manager, and John K. Switzer, president, check licorice confection production at Switzer plant in St. Louis, Mo.
E Jolly Rancher's popular "Fire Stix" are packaged by this high-speed equipment at plant in Wheatridge, Colo.
Sales of this rapidly growing division increased 139 per cent from the previous year.

This division includes 18 companies with 25 domestic plants. Your company's development program calls for expansion in the five departments established in this division: Chemical Specialties, Home and Garden Accessories, Institutional Products and Supplies, Industrial Products, and Recreation Equipment which was created during the last fiscal year.


Airstream, pioneer developer and the nation's leading producer of travel trailers, is building a 111,000 square foot plant in Ceritos, Calif. It also operates a plant in Jackson Center, Ohio. Imperial Oil & Grease Co., a leading producer of metallic lubricants, and World Dryer, which manufactures electric hand and hair dryers for offices and plants, have expanded their distribution substantially since joining Beatrice Foods.

Charmglow produces gas lamps and gas-fired barbecues for home use, while Vogel-Peterson, "The Coat Rack People," makes wardrobe racks and checkroom equipment. Indiana Moulding produces fine quality wood picture frames and bulk picture framing. Max Kahn is a leading manufacturer of ready-made draperies which are distributed nationally. Farboil is one of the world's leading manufacturers of specialty coatings and paints.

A Flavel A. Wright (right), a director of Beatrice Foods, and G. E. Bonecker, vice president-gas operations, Western Power & Gas, Lincoln, Neb., check the world's largest gas light. Built by Charmglow Products, Inc. and the Blue Flame Gas Association for the Nebraska Centennial Celebration in Lincoln, the light is 12½ feet tall and five feet wide.

B "NeoVac" Colored Plastic Pigment Chips were one of the new products introduced to the seamless flooring field by Polyvinyl Chemicals in 1967.

C A caravan of British families, members of Caravan Club of Great Britain, leaves Washington, D.C., in Airstream travel trailers for a three-week cross-country tour of the United States in June, 1967. The tour was part of a non-profit "Caravan America" people-to-people program in which 20 groups from France and a diplomatic group of 14 families also participated.

D Vogel-Peterson, of Elmhurst, Ill., is a leading manufacturer of wardrobe racks and checkroom equipment such as this mirror front rack for offices, nursing homes and dormitories.

E Singing star Dinah Shore displays her skills with a Charmglow gas-fired barbecue grill.
One of the fastest growing divisions of your company, public warehousing increased its total freezer, cooler and dry storage capacity 6.3 per cent to 80,441,731 cubic feet. Revenues increased 19 per cent from a year earlier.

Your company now operates 24 cold storage warehouses and two dry storage warehouses in key markets across the nation.

These facilities are equipped to handle thousands of food and grocery items ranging from fish and berries in the East to shrimp and citrus fruits from the Gulf states and fruits and vegetables from the Far West as well as dairy and dry grocery products.

Completed this year were additional warehouse facilities for Quincy Market Cold Storage and Warehouse Company, Boston, Mass., Tampa Cold Storage and Warehouse Corp., Tampa, Florida and Inland Underground Facilities, Inc., Kansas City, Kansas.

Quincy opened a new freezer storage warehouse in Gloucester, Mass., and will build another in Boston this year. Tampa completed a 990,000 cubic foot freezer warehouse in Tampa, Florida, and Inland Underground finished a 2,849,600 cubic foot addition to its storage space to increase its capacity to 37 million cubic feet.

A Joseph E. Press (right), vice president of Inland Underground Facilities, Kansas City, Kan., explains Inland's underground storage complex to touring Japanese Agricultural Productivity Team.

B Shown here are processing operations and exterior view of Tampa Cold Storage and Warehouse Corporation's main warehouse in Tampa, Fla.

C With completion of fourth warehouse in Gloucester, Mass., Quincy Market Cold Storage and Warehouse Co., will operate the largest frozen seafood complex in the world.
The Agri-Products Division comprises 27 plants and branches across the country engaged in processing animal by-products, including hides, wool, animal feed supplements, frozen mink and pet foods and inedible tallow.

Major emphasis in this division is in developing feed additives and protein supplements to meet the world’s future protein needs.

During the year, San Angelo By-Products, Inc., San Angelo, Texas, and three associated companies, Dreiling Hide Company, San Angelo, Lubbock Rendering Company, Lubbock, Texas, and Lone Star Rendering Company, Dallas, Texas, joined Beatrice Foods. The four firms are engaged in the handling of hides, rendering of inedible fats and manufacturing of animal proteins.

Ross-Wells opened a new plant in Empire, La., to process fish for protein feed supplements. Western By-Products completed an addition to its plant facilities in Omaha, Neb. Unit volume for the division was up this year, but dollar sales declined because of depressed tallow prices.

A Vigortone Products plans to expand its plant and office area in Cedar Rapids, Iowa, by 50 per cent in 1968 to provide for rising demand for its vitamin-mineral pre-mixes and animal health products.

B and C In addition to handling hides and operating rendering plants, Colorado By-Products, Denver, Colo., also has developed high-speed wool pulleries as shown in these two scenes.

D Lubbock Rendering Company operates this modern plant to handle hides, render inedible fats and manufacture animal proteins in Lubbock, Texas.

E Lone Star Rendering Company is engaged in similar operations in Dallas, Texas.

F A leader in its field in the Southwest, San Angelo By-Products operates this expanded plant in San Angelo, Texas.

G Careful blending, measuring and quality control insure that Vigortone animal feed additives and health products, such as Bovotone No. 12 being packaged here, are of the highest standards.
The International Division, launched seven years ago, accounted for $107 million in sales for the last fiscal year. This represented an increase of 53 per cent from $70 million for the year previous.

During the last fiscal year your company acquired a half interest in the common stock of Artic S. A., Brussels, Belgium, a leading manufacturer of ice cream and frozen desserts in the European Common Market.

In its first venture into the food business in Spain, Beatrice purchased an 88 per cent interest in "Marisa," Barcelona, Spain, a major manufacturer of ice cream, frozen desserts and confections. Your company also acquired Dairyworld S.A., Geneva, Switzerland, an international dealer in basic dairy products.

Beatrice Foods now operates 47 plants in 22 countries outside the United States. It also has major sales offices and branches in 17 nations and franchise agreements with companies in 12 nations.
DIRECTORS

STEPHEN J. BARTUSH
Detroit, Michigan

BROWN W. CANNON
Denver, Colorado

ALVIE J. CLAXTON
Pinehurst, North Carolina

GEORGE A. GARDELLA
Detroit, Michigan

DON L. GRANTHAM
Chicago, Illinois

WILLARD V. HASKELL
Topeka, Kansas

JOHN F. HAZELTON, SR.
Chicago, Illinois

WILLIAM G. KARNES
Chicago, Illinois

PAUL T. KESSLER, JR.
Chicago, Illinois

BERNARD A. MONAGHAN
Birmingham, Alabama

EDWARD M. MULDOON
Sun City Center, Florida

JAY C. NEUBAUER
Waukegan, Illinois

HARRY NIEMIEC
Chicago, Illinois

CHARLES H. PATTEN
Phoenix, Arizona

HARRY F. PATTEN
Pinehurst, North Carolina

DON L. GRANTHAM
President
Chief Executive Officer

WILLIAM W. GRANGER, JR.
Executive Vice President
For Western Dairy Region

JOHN F. HAZELTON, JR.
Executive Vice President
East Central Dairy Region

EXECUTIVE COMMITTEE OF BOARD OF DIRECTORS

William G. Karnes
Brown W. Cannon
George A. Gardella
Don L. Grantham

EXECUTIVE COMPENSATION COMMITTEE

Harold F. Nichols,
Chairman

Bernard A. Monaghan
Charles H. Patten

PENSION PLANNING COMMITTEE

Harold F. Nichols,
Chairman

Bernard A. Monaghan
Charles H. Patten

KEY EMPLOYEE STOCK OPTION PLAN COMMITTEE

Harold F. Nichols,
Chairman

Bernard A. Monaghan
Charles H. Patten

AUDIT COMMITTEE

Bernard A. Monaghan,
Chairman

Charles H. Patten
Harold F. Stotzer

JUAN E. METZGER
Vice President
International Division

LEE W. SCHUYTER
Vice President
Corporate Development

GORDON E. SWAN
Vice President
Assistant General Manager, Grocery Division

WILLIAM G. MITCHELL
Secretary

JOHN P. FOX, JR.
General Attorney

JAMES J. CULLEN
Assistant Treasurer
Assistant Secretary

CARL T. E. SUTHERLAND
Assistant Secretary
Assistant Treasurer

EXECUTIVE COMPENSATION COMMITTEE

WILLIAM G. KARNES
President
Chief Executive Officer

DON L. GRANTHAM
Executive Vice President
Dairy, Agri-Products, Warehouse

PAUL T. KESSLER, JR.
Executive Vice President
Finance, Administration, International

HARRY NIEMIEC
Executive Vice President
Grocery

BROWN W. CANNON
Senior Vice President
Western Dairy Area, General Manager, Agri-Products

WALLACE N. EASMUSSEN
Senior Vice President
Eastern Dairy Area

JOHN F. HAZELTON, JR.
Vice President
Northeast Dairy Region

ALEX MACTAGGART
Vice President
General Manager, Warehouse Division

GEORGE W. KALL
Vice President
West Central Dairy Region

CHARLES H. McCONNELL
Vice President
Iowa-Missouri Dairy District

E. A. WALKER
Vice President
For Eastern Dairy Region

JOHN P. FOX, JR.
Assistant Treasurer
Assistant Secretary

ROBERT W. FRANCE
Treasurer

MAY E. SCHUTTER
Vice President
International Division

GORDON E. SWANEY
Vice President
Assistant General Manager, Grocery Division

WILLIAM G. MITCHELL
Secretary

JOHN P. FOX, JR.
General Attorney

JAMES J. CULLEN
Assistant Treasurer
Assistant Secretary

CARL T. E. SUTHERLAND
Assistant Secretary
Assistant Treasurer
Continuing expansion of research facilities and efforts in all seven divisions have resulted in an increasing flow of new and substantially improved products as an ever-strengthening source of internal growth.

Your company has introduced more than 500 products in the last three years including a record total of 216 in the fiscal year ended Feb. 29, 1968. They reflect the diversification of Beatrice which now markets more than 5,000 products, including 2,000 food items, all convenience foods.

The range of new products extends from 15 candy items to a dozen new snack treats; from delicious bakery goods such as Burny’s Fudge Sundae Whip Cream Cake and tempting cookies from Murray Biscuit Co. and Mother’s Cookie Co. to Mexican specialties from Gebhardt and Rosarita.

Meadow Gold successfully introduced its Royal Danish line of imitation milk and related products, including dips, dressings, and a coffee whitener. Additions to the line are planned for 1968.

Distinctive new products from other divisions included decorative flower sprinklers from Melnor, 57 table, floor, and pendant lamps styled by Stiffel and electric chafers, Silex Tuf-Lip decanters and related food service equipment from Bloomfield.

Commercial products included a wall-washing kit by Geerpres, five new floor maintenance and polishing products from James H. Rhodes and a multi-flavor Shakesmaster by Taylor Freezer (lower right corner, next page.)

On March 1, 1968, Beatrice companies already had 110 more new or substantially improved products scheduled for introduction.
ACHIEVEMENTS AND AWARDS

A Crews at Chicago Cold Storage warehouse help Girl Scouts distribute cookies for annual fund drive in April, 1967, after truck strike curtailed deliveries. Over 100,000 cases were picked up by scout leaders in four-day period.

B Dr. George W. Shadwick (center), director of quality control and technical services for Beatrice Foods, is presented with Illinois 4-H Alumni Recognition Award by T. W. Thompson (left), director of program services for the National 4-H Service Committee, and Marilyn C. Heyen, associate extension advisor, agriculture, University of Illinois Extension Service.

C Alvie J. Claxton (left), a director of Beatrice Foods, receives award in recognition of his four years of service on the board of directors of the U.S. Chamber of Commerce from Arch N. Booth, executive vice president of chamber.

D Max Potash (right), president of Polyvinyl Chemicals, Inc., receives Industrial Plant Beautification Award of the Governor's Conference on Natural Beauty from Robert L. Yasi, commissioner of natural resources for Massachusetts for new plant in Wilmington.

E "Beatrice Foods, News Report From Around The World," a full-color motion picture produced by Dr. George W. Shadwick, director of quality control and technical services, for the 1967 stockholders' meeting, won a special citation in annual competition held by "Industrial Photography" magazine.

F William G. Karnes (center), president of Beatrice Foods Co., and a member of the board of trustees of the National Jewish Hospital at Denver, Colo., is awarded plaque at dinner in Chicago attended by 1,500 persons. Presenting plaque are dinner co-chairmen, Norman A. Stepelton (left), president of National Tea Co., and Charles R. Walgreen, Jr., chairman of Walgreen Co. (Photo Courtesy Chicago Sun-Times)

G Don Tumlin, Gadsden, Ala., receives medal of first place as most impressive delivery route salesman in the nation from Don L. Grantham (left), executive vice president, and William G. Karnes, president, at annual dairy sales meeting.

H Robert Winton (right), director of trade relations, accepts first place award for outdoor advertising from J. William Martin, president of the Milk Industry Foundation, on behalf of Meadow Gold Dairy Division. Meadow Gold tied with the Dannon Milk Products Division for first prize in MIF's annual competition. Dannon also won a first prize for its series of newspaper ads and three honorable mentions.

I National Agricultural Advertising and Marketing Association's award for the best farm advertising program is presented to Givortone's president, Art Swarzentruher (left), by Stan Priske of Three Arts Advertising.

J G. Roy Weaver (right), general manager of Clover Creamery Co. division, Roanoke, Va., accepts plaque from R. G. Bundy, supervisor, Metropolitan Life Insurance Company, on behalf of Clover employees. Plaque commemorates 45th anniversary of Clover Creamery's employee group insurance plan with Metropolitan.
LARGEST PROGRAM IN HISTORY

Major league baseball . . . the circus . . . prime time television shows on all three major networks . . . more than 100 million coupons . . . contests . . . large space newspaper ads . . . radio spots . . . outdoor billboards . . . consumer and trade magazine ads . . . new packages and display materials . . . other special promotions.

They all add up to billions of exposures of Beatrice products in all available media . . . the largest advertising and sales promotion program in the company's history.

Meadow Gold has been endorsed as the official milk of the Major League Baseball Players Association. Stars such as Harmon Killebrew, Lou Brock, Joe Horlen and Bill Mazeroski will be featured in TV spots in all Meadow Gold markets across the nation. The official MLB symbol will appear on half a billion Meadow Gold milk cartons.

Meadow Gold also is coordinating promotions across the nation with the Clyde Beatty-Cole Bros. Circus. More than 1,000 billboards along with radio, television and newspapers will promote other Meadow Gold products.

Miracle White, which has more than doubled its 1967 budget, scheduled 84 prime network television shows, on all three networks. This is supplemented by the "Today" and "Tonight" shows, spot radio and spot TV, a direct mailing of 44 million coupons, and sponsorship of the election returns on NBC with Huntley-Brinkley in November, plus distribution of 50 million Miracle White stain charts.

La Choy substantially augmented its investment in advertising-promotion through sponsorship of five prime time network TV shows, consumer ads in both color and black and white in 150 newspapers coupled with radio, billboards, premiums and coupons.

Other divisions with major programs include Melnor with ads in leading magazines such as Look and Reader's Digest and metro Sunday supplements together with extensive TV, radio and trade exposure. Stiffel lamps and Airstream trailers can be seen in leading magazines. Airstream also is conducting a national prize sweepstakes. Clark, Holloway, and Jolly Rancher candies also have major TV schedules.
## ASSETS

<table>
<thead>
<tr>
<th></th>
<th>1968</th>
<th>1967 PREVIOUSLY REPORTED</th>
<th>1967 RESTATED FOR POOLINGS (NOTE 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$30,440,649</td>
<td>$31,455,157</td>
<td>$33,125,266</td>
</tr>
<tr>
<td>U.S. Government and other marketable securities, at cost (note 2)</td>
<td>1,450,563</td>
<td>12,175,532</td>
<td>12,365,392</td>
</tr>
<tr>
<td>Receivables, less allowance for losses, $5,683,544 and $4,932,852 (restated $5,218,360) at respective dates</td>
<td>81,590,117</td>
<td>66,011,764</td>
<td>71,588,718</td>
</tr>
<tr>
<td>Inventories, at lower of cost (first-in, first-out) or market</td>
<td>82,332,497</td>
<td>60,108,373</td>
<td>68,786,335</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>2,713,616</td>
<td>2,143,625</td>
<td>2,338,573</td>
</tr>
<tr>
<td>Total current assets</td>
<td>198,527,442</td>
<td>171,894,451</td>
<td>188,204,284</td>
</tr>
<tr>
<td><strong>Investments and advances, less allowance for losses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments and advances, less allowance for losses $1,652,087 and $1,643,811 at respective dates</td>
<td>19,566,911</td>
<td>11,527,603</td>
<td>11,970,681</td>
</tr>
<tr>
<td><strong>Plant and equipment, at cost less depreciation:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>7,627,895</td>
<td>7,342,691</td>
<td>7,404,616</td>
</tr>
<tr>
<td>Buildings</td>
<td>76,952,026</td>
<td>67,624,516</td>
<td>70,428,578</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>135,869,511</td>
<td>122,490,401</td>
<td>129,190,157</td>
</tr>
<tr>
<td></td>
<td>220,449,432</td>
<td>197,457,608</td>
<td>207,023,351</td>
</tr>
<tr>
<td><strong>Less allowance for depreciation (note 3)</strong></td>
<td>103,394,499</td>
<td>97,809,928</td>
<td>101,780,114</td>
</tr>
<tr>
<td></td>
<td>117,054,933</td>
<td>99,647,860</td>
<td>105,243,237</td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td>8,296,934</td>
<td>3,448,220</td>
<td>3,656,247</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$343,446,220</td>
<td>$286,517,954</td>
<td>$309,074,449</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
## LIABILITIES AND STOCKHOLDERS' EQUITY

<table>
<thead>
<tr>
<th></th>
<th>1968</th>
<th>1967 PREVIOUSLY REPORTED</th>
<th>1967 RESTATED FOR POOLINGS (NOTE 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$ 54,137,960</td>
<td>$ 34,336,405</td>
<td>$ 41,323,381</td>
</tr>
<tr>
<td>U.S. income taxes</td>
<td>11,971,780</td>
<td>12,480,774</td>
<td>14,407,462</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>66,109,740</td>
<td>46,817,179</td>
<td>55,730,843</td>
</tr>
<tr>
<td><strong>Indebtedness incurred upon acquisition of other companies</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>10,669,907</td>
<td>8,070,863</td>
<td>8,776,656</td>
</tr>
<tr>
<td>Deferred U.S. income taxes (note 3)</td>
<td>5,580,000</td>
<td>4,650,000</td>
<td>4,650,000</td>
</tr>
<tr>
<td>Deferred credits (note 4)</td>
<td>12,410,753</td>
<td>6,633,218</td>
<td>6,633,218</td>
</tr>
<tr>
<td>Other non-current liabilities (self-insurance, pensions, income taxes, etc.)</td>
<td>5,004,719</td>
<td>2,823,439</td>
<td>2,845,922</td>
</tr>
<tr>
<td><strong>Stockholders' equity (notes 5 and 6):</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 1/2% cumulative preferred stock</td>
<td>—</td>
<td>7,660,200</td>
<td>7,660,200</td>
</tr>
<tr>
<td>Preference stock</td>
<td>26,814,980</td>
<td>27,184,160</td>
<td>27,184,160</td>
</tr>
<tr>
<td>Common stock</td>
<td>72,635,140</td>
<td>64,032,072</td>
<td>72,330,067</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>1,324,130</td>
<td>285,009</td>
<td>285,009</td>
</tr>
<tr>
<td>Earned surplus (retained earnings)</td>
<td>143,908,449</td>
<td>118,387,877</td>
<td>123,004,437</td>
</tr>
<tr>
<td></td>
<td>244,682,699</td>
<td>217,549,318</td>
<td>230,463,873</td>
</tr>
<tr>
<td>Less common stock in treasury, at cost</td>
<td>1,011,598</td>
<td>26,063</td>
<td>26,063</td>
</tr>
<tr>
<td>Stockholders' equity</td>
<td>243,671,101</td>
<td>217,523,255</td>
<td>230,437,810</td>
</tr>
<tr>
<td></td>
<td>$343,446,220</td>
<td>$286,517,954</td>
<td>$309,074,449</td>
</tr>
</tbody>
</table>
### STATEMENT OF CONSOLIDATED EARNINGS

**BEATRICE FOODS CO. AND SUBSIDIARY COMPANIES**

**Years Ended February 29, 1968, and February 28, 1967**

<table>
<thead>
<tr>
<th>Income:</th>
<th>1968</th>
<th>1967 PREVIOUSLY REPORTED</th>
<th>1967 RESTATED FOR POOLINGS (NOTE 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>$1,052,431,480</td>
<td>$909,603,090</td>
<td>$974,671,279</td>
</tr>
<tr>
<td>Other income (net)</td>
<td>2,415,009</td>
<td>3,452,893</td>
<td>3,519,757</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>1,054,846,489</strong></td>
<td><strong>913,055,983</strong></td>
<td><strong>978,191,036</strong></td>
</tr>
<tr>
<td>Income deductions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>745,144,014</td>
<td>658,306,363</td>
<td>702,908,205</td>
</tr>
<tr>
<td>Selling, delivery, administrative and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>general expenses</td>
<td>225,306,004</td>
<td>185,286,431</td>
<td>197,481,256</td>
</tr>
<tr>
<td>Provision for depreciation (note 3)</td>
<td>13,997,883</td>
<td>13,187,918</td>
<td>13,809,940</td>
</tr>
<tr>
<td>Provision for U.S. and foreign income taxes</td>
<td>33,000,000</td>
<td>26,000,000</td>
<td>29,577,912</td>
</tr>
<tr>
<td><strong>Total Income Deductions</strong></td>
<td><strong>1,017,447,901</strong></td>
<td><strong>882,780,712</strong></td>
<td><strong>943,777,313</strong></td>
</tr>
<tr>
<td>Net earnings</td>
<td><strong>$37,398,588</strong></td>
<td><strong>$30,275,271</strong></td>
<td><strong>$34,413,723</strong></td>
</tr>
</tbody>
</table>

Net earnings per share of common stock (note 9)... $3.61 $3.26 $3.30

See accompanying notes to consolidated financial statements.

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John Raymond Brown II, Honolulu, Hawaii, romps off with first place trophy in division for one-year-olds in 14th Annual Healthy Baby Contest in Honolulu. Event is co-sponsored by the Honolulu Chinese Junior Chamber of Commerce and Meadow Gold Dairies of Hawaii. (Photo courtesy Honolulu Star-Bulletin.)
STATEMENT OF CONSOLIDATED EARNED SURPLUS
BEATRICE FOODS CO. AND SUBSIDIARY COMPANIES

Year Ended February 29, 1968
Balance at beginning of year, previously reported .........................
Earned surplus at February 28, 1967, of companies acquired in
poolings of interests during year ended February 29, 1968, less
charge of $5,748,726 resulting from the pooling transactions ..........
Balance at beginning of year, restated for poolings ......................
Net earnings for the year ...........................................
Deduct dividends paid during the year:
  4 1/2% cumulative preferred stock ...................................
  $4.00 convertible preference stock ...................................
  $2.70 convertible preference stock ...................................
  $4.50 convertible preference stock ...................................
  Common stock, $1.61 1/4 a share ...................................
  Capital stocks of pooled companies prior to date of acquisition
Balance at end of year ..............................................

STATEMENT OF CONSOLIDATED CAPITAL SURPLUS
Year Ended February 29, 1968
Balance at beginning of year ...........................................
Excess of stated value of 6,153 converted shares of $2.70
  preference stock over the stated value of 7,159 shares of
  common stock issued upon conversion ................................
Excess of proceeds over stated value of 34,920 shares of
  common stock issued under stock options ...........................
Balance at end of year ..............................................
See accompanying notes to consolidated financial statements.

CAPITAL STOCK LISTING
REGISTRARS OF STOCK
- New York Stock Exchange
- The Chase Manhattan Bank
- The Northern Trust Company

STOCK TRANSFER AGENTS
- Morgan Guaranty Trust Company of New York
- Continental Illinois National Bank and Trust Company of Chicago

DIVIDEND DISBURSEMENT AGENT
- Continental Illinois National Bank and Trust Company of Chicago
NOTES to Consolidated Financial Statements

(1) PRINCIPLES OF CONSOLIDATION AND POOLINGS OF INTERESTS: Wholly-owned subsidiaries operating in the United States, Canada, and Europe have been included in the consolidated financial statements. The net assets and operations of the unconsolidated subsidiaries (principal companies located in Australia and Latin America) are not significant in relation to the consolidated figures.

During the year ended February 28, 1968, the Company acquired several companies in poolings of interests. The comparative figures for the year ended February 28, 1967, are shown herein as previously reported for that year and also as restated to include the companies acquired during the current year.

(2) U.S. GOVERNMENT SECURITIES: The figures at February 28, 1967, have been revised to show U.S. Government securities as current assets rather than as a deduction from the income tax liability. This revision had no effect on working capital.

(3) DEPRECIATION: The Company uses the straight-line method of computing depreciation with respect to major classes of depreciable assets. For income tax purposes, an accelerated method is employed and provision has been made for the resulting deferred income tax.

(4) DEFERRED CREDITS: Certain manufacturing and warehousing facilities were sold during the years ended February 28, 1967 and February 29, 1968 and leased back. The excess of the sales proceeds over the book value of the properties sold (net of income taxes) has been deferred and is being amortized by credits to rental expense over the terms of the leases. The unamortized balance of such excess amounted to $10,168,373 at February 28, 1966.

Other deferred credits consist of the investment credits which are being reflected in earnings over the average lives of the acquired assets subject to a maximum period of eight years.

(5) CAPITAL STOCK: Shares of capital stock authorized, issued and outstanding at February 29, 1968 and February 28, 1967 (restated) are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>1968</th>
<th>1967</th>
</tr>
</thead>
<tbody>
<tr>
<td>4½% cumulative preferred stock (redeemed on May 15, 1967)</td>
<td>$7,660,200</td>
<td>$7,660,200</td>
</tr>
<tr>
<td>Preference stock (without par value)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Shares issued and outstanding:</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>$4.00 convertible preference stock (stated value $100.00) 97,500 shares</td>
<td>$9,750,000</td>
<td>$9,750,000</td>
</tr>
<tr>
<td>$2.70 convertible preference stock (stated value $60.00) 1968-176,083 shares; 1967-182,326 shares</td>
<td>$10,594,980</td>
<td>$10,594,980</td>
</tr>
<tr>
<td>$4.50 convertible preference stock (stated value $100.00) 65,000 shares</td>
<td>$6,500,000</td>
<td>$6,500,000</td>
</tr>
<tr>
<td>Common stock (without par value; stated value $7.25)</td>
<td>$27,184,160</td>
<td>$27,184,160</td>
</tr>
</tbody>
</table>

The outstanding shares of preference stock are convertible into shares of common stock at specified prices per share of common stock; 573,907 shares of common stock are reserved for this purpose.

Certain agreements under which the Company has acquired other companies provide for issuance of additional shares of the Company's common stock contingent upon the attainment of specified future earnings levels by the companies acquired. At February 29, 1968, 241,912 shares of common stock are reserved for this purpose.

During the year the Company purchased 31,502 shares of its common stock for the treasury and used 13,940 treasury shares in connection with acquisitions.

(6) STOCK OPTIONS: The 1959 and 1965 key employee stock option plans authorized the granting of options to purchase shares of the Company's common stock at prices not less than 100% of market value at date of grant. The changes in the outstanding stock options during the year are summarized as follows:

<table>
<thead>
<tr>
<th>Number of Shares</th>
<th>Total Option Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares under option at February 28, 1967</td>
<td>301,300</td>
</tr>
<tr>
<td>Options exercised</td>
<td>34,920</td>
</tr>
<tr>
<td>Options cancelled</td>
<td>11,618</td>
</tr>
<tr>
<td>Shares under option at February 29, 1968</td>
<td>310,287</td>
</tr>
</tbody>
</table>

*Options to purchase 128,733 shares are currently exercisable and 210 shares of common stock are reserved for the granting of additional options.

(7) LEASES: The Company holds certain equipment under leases which provide for total rental payments of approximately $6,000,000 at February 28, 1968. Of this amount, $2,300,000 becomes due during the year ending February 28, 1969 and the balance in decreasing amounts thereafter through 1977. Other noncancelable leases provide for minimum annual rentals of approximately $7,800,000. Of this amount, $2,800,000 relates to leases expiring within three years, $1,900,000 to leases expiring after three but within ten years, $1,700,000 to leases expiring after ten but within twenty years and the balance of $2,000,000 to leases expiring after twenty years.

(8) PENSION PLANS: The Company has pension plans which cover salaried employees and certain hourly-paid employees. The amount charged to earnings under such plans totaled $1,000,000 for the year ended February 29, 1968. Such amount includes the normal cost of the plans and amortization of past service cost (as to the principal plans on a ten-year basis). At February 29, 1968 there was no significant excess of vested benefits (actuarily computed) over the total of the assets in the pension funds and the balance sheet accruals. The Company also contributed approximately $2,500,000 under plans jointly administered by industry and union representatives. In general, the Company's policy is to fund pension cost when charged to earnings.

(9) EARNINGS PER SHARE: Net earnings per share of common stock are based on the average number of common shares outstanding during the year. The pro forma net earnings per share of common stock amounted to $3.49 for the year ended February 29, 1968. Such pro forma earnings per share are based on the assumption that the outstanding convertible preference shares are converted into shares of common stock, the outstanding stock options are exercised, and the contingent common shares referred to in note 5 are issued. Effect has been given in the calculation to the elimination of dividends on the preference stock, the inclusion of interest earnings (net of income tax) on the proceeds which would be realized upon issuance of option shares and the earnings levels to be attained by the acquired companies before issuance of the contingent shares.

(10) CONTINGENCIES: Possible losses with respect to guarantees, etc. have been provided for in the accounts. Reference is made to the President's letter for information concerning settlement of Federal Trade Commission proceedings against the Company.
SOURCE AND DISPOSITION OF FUNDS | Year Ended February 29, 1968

Working Capital at beginning of year, previously reported............. $125,077,272
Add working capital of companies acquired in poolings of interests
during year ended February 29, 1968................................. 7,396,169

Source of Funds:
Net earnings ................................................................. $37,399,588
Depreciation and other charges against earnings not requiring
use of funds.............................................................. 15,315,379
Sale of common stock under option plans................................ 975,014
Proceeds from sale and leaseback of properties (net).................. 6,926,951
Increase in other non-current liabilities................................ 4,052,048

Disposition of Funds:
Cash dividends paid..................................................... 16,494,576
Redemption of 4 1/2% cumulative preferred stock....................... 7,660,200
Plant and equipment expenditures (net)................................ 27,120,237
Increase in investments, intangible assets, etc........................ 13,448,706

Total Source of Funds.................................................... $197,141,421

Working Capital at end of year.......................................... $132,417,702

Accountants' Report

The Stockholders
Beatrice Foods Co.:  

We have examined the consolidated balance sheet of Beatrice Foods Co. and subsidiaries as of February 29, 1968 and the related statements of earnings and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated earnings and surplus present fairly the financial position of Beatrice Foods Co. and subsidiaries at February 29, 1968 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying summary of source and disposition of funds presents fairly the information shown therein.

Chicago, Illinois
April 12, 1968

Pat, Harris, Mitchell & Co.
### TEN YEARS OF PROGRESS

#### EARNINGS

<table>
<thead>
<tr>
<th>Year</th>
<th>1968</th>
<th>1967</th>
<th>1966</th>
<th>1965</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>$1,052,431,480</td>
<td>$909,603,090</td>
<td>$796,443,487</td>
<td>$681,385,124</td>
</tr>
<tr>
<td>Other Income</td>
<td>2,415,009</td>
<td>3,452,893</td>
<td>2,686,111</td>
<td>3,166,889</td>
</tr>
<tr>
<td>Total</td>
<td>1,054,846,489</td>
<td>913,055,983</td>
<td>799,129,598</td>
<td>684,552,013</td>
</tr>
<tr>
<td>Cost of Sales and Operating Expenses</td>
<td>970,450,018</td>
<td>843,592,794</td>
<td>739,758,347</td>
<td>638,520,642</td>
</tr>
<tr>
<td>Depreciation</td>
<td>13,997,883</td>
<td>13,187,918</td>
<td>12,323,936</td>
<td>9,986,080</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>33,000,000</td>
<td>26,000,000</td>
<td>22,500,000</td>
<td>18,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>1,017,447,901</td>
<td>882,780,712</td>
<td>774,491,283</td>
<td>666,505,722</td>
</tr>
<tr>
<td>Net Earnings</td>
<td>$37,398,588</td>
<td>$30,275,271</td>
<td>$24,638,315</td>
<td>$18,045,291</td>
</tr>
<tr>
<td>Percentage of Sales</td>
<td>3.55%</td>
<td>3.33%</td>
<td>3.09%</td>
<td>2.65%</td>
</tr>
<tr>
<td>Net Earnings Per Common Share</td>
<td>$3.61</td>
<td>$3.26</td>
<td>$2.95</td>
<td>$2.49</td>
</tr>
<tr>
<td>Dividends Per Common Share</td>
<td>$1.61 1/4</td>
<td>$1.50</td>
<td>$1.35</td>
<td>$1.16</td>
</tr>
</tbody>
</table>

#### FINANCIAL CONDITION

<table>
<thead>
<tr>
<th>Current Assets:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
</tr>
<tr>
<td>U.S. Government and Other Securities (note 2)</td>
</tr>
<tr>
<td>Receivables (Net)</td>
</tr>
<tr>
<td>Inventories</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
</tr>
<tr>
<td>Total Current Assets</td>
</tr>
<tr>
<td>Deduct Current Liabilities</td>
</tr>
<tr>
<td>Working Capital</td>
</tr>
<tr>
<td>Investments and Advances (Net)</td>
</tr>
<tr>
<td>Plant and Equipment (Net)</td>
</tr>
<tr>
<td>Intangible Assets</td>
</tr>
<tr>
<td>Deduct:</td>
</tr>
<tr>
<td>Indebtedness</td>
</tr>
<tr>
<td>Deferred Taxes and Other Credits</td>
</tr>
<tr>
<td>Stockholders' Equity</td>
</tr>
<tr>
<td>Ratio of Current Assets to Current Liabilities (note 2)</td>
</tr>
<tr>
<td>Book Value Per Common Share</td>
</tr>
</tbody>
</table>

#### EARNINGS DATA (1964-1967 Restated For Poolings—note 1)

<table>
<thead>
<tr>
<th>Year</th>
<th>1964-1967 Restated For Poolings—note 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>$1,052,431,480</td>
</tr>
<tr>
<td>Net Earnings</td>
<td>37,398,588</td>
</tr>
<tr>
<td>Net Earnings Per Common Share</td>
<td>$3.61</td>
</tr>
</tbody>
</table>

#### CONDENSED FINANCIAL CONDITION (1964-1967 Restated For Poolings—note 1)

<table>
<thead>
<tr>
<th>Year</th>
<th>1964-1967 Restated For Poolings—note 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Capital</td>
<td>$132,417,702</td>
</tr>
<tr>
<td>Investments and Advances (Net)</td>
<td>19,566,911</td>
</tr>
<tr>
<td>Plant and Equipment (Net)</td>
<td>117,054,933</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>8,296,934</td>
</tr>
<tr>
<td>Deduct:</td>
<td></td>
</tr>
<tr>
<td>Indebtedness</td>
<td>10,669,907</td>
</tr>
<tr>
<td>Deferred Taxes and Other Credits</td>
<td>22,995,472</td>
</tr>
<tr>
<td>Stockholders' Equity</td>
<td>$243,671,101</td>
</tr>
<tr>
<td>------</td>
<td>--------</td>
</tr>
<tr>
<td></td>
<td>$606,157,642</td>
</tr>
<tr>
<td></td>
<td>2,856,931</td>
</tr>
<tr>
<td></td>
<td>609,014,573</td>
</tr>
<tr>
<td></td>
<td>569,002,962</td>
</tr>
<tr>
<td></td>
<td>9,800,008</td>
</tr>
<tr>
<td></td>
<td>15,500,000</td>
</tr>
<tr>
<td></td>
<td>594,302,970</td>
</tr>
<tr>
<td></td>
<td>$14,711,603</td>
</tr>
<tr>
<td></td>
<td>2.43%</td>
</tr>
<tr>
<td></td>
<td>$2.11</td>
</tr>
<tr>
<td></td>
<td>$1.05</td>
</tr>
</tbody>
</table>

|      | $23,916,358  | $19,856,338 | $17,245,523 | $16,177,291 | $17,334,423  | $14,602,723 |
|      | 8,035,589    | 6,890,545   | 6,855,578   | 5,850,949   | 6,034,043    | 5,940,228  |
|      | 41,055,372   | 36,754,074  | 34,703,535  | 29,148,338  | 25,099,076   | 22,228,153 |
|      | 30,236,052   | 28,104,422  | 26,845,581  | 22,623,907  | 21,351,169   | 18,660,123 |
|      | 1,370,412    | 1,313,550   | 1,215,293   | 1,060,514   | 905,227      | 815,551    |
|      | 104,613,783  | 92,918,929  | 86,865,510  | 74,860,999  | 70,723,938   | 62,246,778 |
|      | 27,337,692   | 23,636,432  | 23,466,663  | 20,142,054  | 18,605,141   | 17,423,806 |
|      | 77,276,091   | 69,282,497  | 63,400,847  | 54,718,945  | 52,118,797   | 44,822,972 |
|      | 4,445,746    | 3,849,244   | 3,706,096   | 2,877,878   | 1,989,740    | 1,316,486  |
|      | 64,064,365   | 59,097,461  | 55,846,398  | 52,364,539  | 49,519,407   | 44,516,114 |
|      | 821,500      | 874,500     | 927,500     | 2,589,700   | 2,726,000    | —          |
|      | $146,607,702 | $133,103,702 | $123,880,814 | $112,550,971 | $106,353,944 | $90,655,572 |
|      | 4,676,210    | 2,706,615   | 1,500,000   | 750,000     | 1,000,000    | 1,250,000  |
|      | $141,931,492 | $130,397,087 | $122,380,841 | $110,600,971 | $104,453,944 | $88,955,572 |
|      | 3.8:1        | 3.9:1       | 3.7:1       | 3.7:1       | 3.8:1        | 3.6:1      |
|      | $18.78       | $18.42      | $18.23      | $17.42      | $16.58       | $15.57     |

**NOTES:**

1. A number of companies have been acquired over the years in exchange for shares of capital stock of Beatrice Foods Co. and such acquisitions are usually accounted for as "poolings of interests." In accordance with an Opinion issued by the Accounting Principles Board, the financial statements for the year ended February 28, 1967 included herein and the Earnings Data and Condensed Financial Condition have been restated to include the applicable figures for companies subsequently acquired in poolings of interests. Management believes that the true growth of Beatrice Foods Co. is shown by a comparison of the actual figures for the current fiscal year and previous years. Accordingly, the financial statements and the Ten Years of Progress show the figures as previously reported as well as restated figures for the years 1964-1967 to reflect the pooling of interests accounting principle.

2. The figures for the years 1959-1967 have been revised to show U.S. Government securities as current assets rather than as a deduction from the income tax liability. This revision changed the totals of current assets and current liabilities and the resulting ratio of current assets to current liabilities but had no effect on working capital.