Beatrice Foods Co.

73rd Annual Report for the fiscal year ended February 28, 1971

The Wide World Of Beatrice Companies

The Wide World of Beatrice food products

. . . a few of the leading foods marketed in the United States

International Snacks

International Candy

Caribbean Dairy

Europe Dairy

Canada Dairy

International Grocery

The wide world of Beatrice companies

Depicted on the cover of this 73rd Annual Report are the flags of the United States and 25 of the nations around the world in which Beatrice Foods Co. operates plants and major branches, including joint ventures. A multinational, multi-product company, Beatrice has more than 600 plants and branches producing and marketing in excess of 8,000 products and services. Represented on the opposite and following pages are some of the foods processed by Beatrice under more than 200 well-known brands—all with a reputation for fine quality and nutrition and marketed in convenient, highly-protective packages.

74th annual meeting

The 74th Annual Meeting of Stockholders will be held at 10:30 a.m. (CDT) on Wednesday, June 2, 1971, in the International Ballroom of the Fairmont Hotel, Ross and Akard Streets, Dallas, Texas.

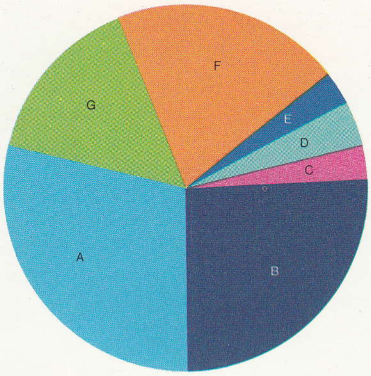
Contents

Highlights of the year

	FEBRUARY 28, 1971	FEBRUARY 28, 1970	PER CENT OF INCREASE
Net Sales	$1,827,306,807	$1,576,064,808	16
Net Earnings After Taxes	62,075,977	52,931,437	17
Per Share of Common Stock (Note)	2.22	2.03	9
Working Capital	253,595,561	217,857,895	16
Stockholders' Equity	421,979,393	367,941,103	15
Dividends Paid	28,173,199	26,156,465	8
Per Share of Common Stock	1.00	1.00	
Number of Stockholders	28,129	26,716	5
Restating Fiscal 1970 to Include Companies Acquired in Fiscal 1971 Poolings of Interests:			
Net Sales	1,827,306,807	1,650,408,971	11
Net Earnings After Taxes	62,075,977	56,647,841	10
Per Share of Common Stock (Note)	2.22	2.03	9
Working Capital	253,595,561	227,525,315	11
Stockholders' Equity	421,979,393	383,730,767	10

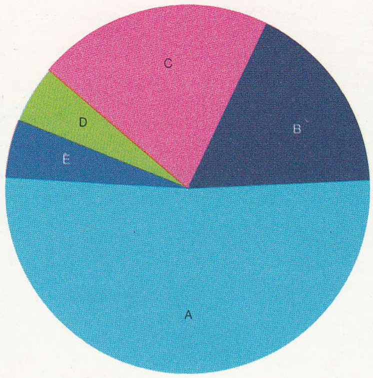
Note—See note 13 to financial statements (page 22) for additional data.

Beatrice sales dollar 1971



SOURCE

A. Dairy	29¢
B. Grocery	26¢
C. Confectionery	3¢
D. Warehousing	4¢
E. Agri-Products	3¢
F. Chemical and Manufacturing	20¢
G. International	15¢
TOTAL	$1.00



DISPOSITION

A. Raw materials	52¢
B. Wages and salaries	18¢
C. Supplies and other expenses	20¢
D. Taxes	5¢
E. Dividends to stockholders and earnings retained in the business	5¢
TOTAL	$1.00

To the Stockholders of Beatrice Foods Co.

Sales and earnings increased to all-time highs for the 19th consecutive year as your company established records in virtually every phase of domestic and international operations for the fiscal year ended Feb. 28, 1971.

All seven divisions reported sales gains, the major portion of which was generated internally.

Particularly encouraging was the continuing growth of dairy, grocery and related food products and services which accounted for $1.4 billion, or 78 per cent, of the company's total sales for the fiscal year. Sales of foods and related products and services increased $183,927,198, or 15 per cent, from the previous year. Restated to reflect "poolings of interests" mergers, the increase was $157,160,350, or 12 per cent.

This was accomplished in a business environment troubled by inflation, a downward trend in the economy, strikes and cutbacks in defense expenditures.

Net earnings for the year were 3.4 per cent of sales, while return on net worth was over 15 per cent.

YEAR IN REVIEW

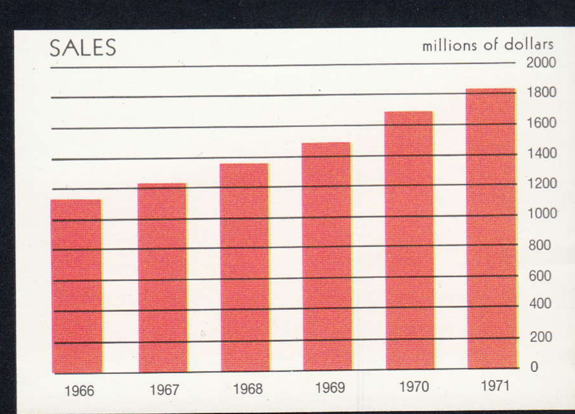
Sales — Dollar sales increased to $1,827,306,807, a gain of $251,241,999, or 16 per cent, over the previous year on a reported basis. Restated, the increase was $176,897,836, or 11 per cent.

In the last two years, sales have increased $477 million, or 35 per cent, on a reported basis and $331 million, or 22 per cent, on a restated basis, reflecting the continuing growth momentum of your company.

Earnings—Net earnings increased $9,144,540,

"Sales and earnings increased for the 19th consecutive year."

This portrait of William G. Karnes was commissioned by the members of Board of Directors at their personal expense and presented to the company in recognition of the beginning of his 20th year as President and Chief Executive Officer on March 25, 1971.



or 17 per cent on a reported basis to $62,075,977. After restating the prior year's net earnings to include earnings of companies acquired in poolings of interests, the increase was $5,428,136, or 10 per cent.

Net earnings per common share increased nine per cent to $2.22 from $2.03 earned in the previous year on both a reported and restated basis.

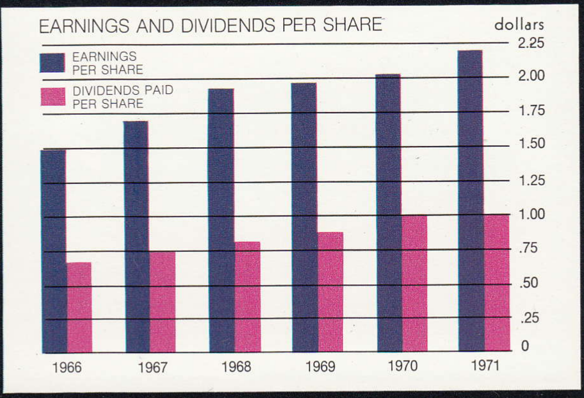
Net earnings per share of common stock would be reduced only five cents in the year by assuming full conversion of debentures and preference stocks, compared with four cents reported and three cents restated for the previous year.

Capital Stock—There were five series of convertible preference stock outstanding, comprising a total of 586,587 shares, at Feb. 28, 1971. There were 27,023,747 shares of common stock outstanding.

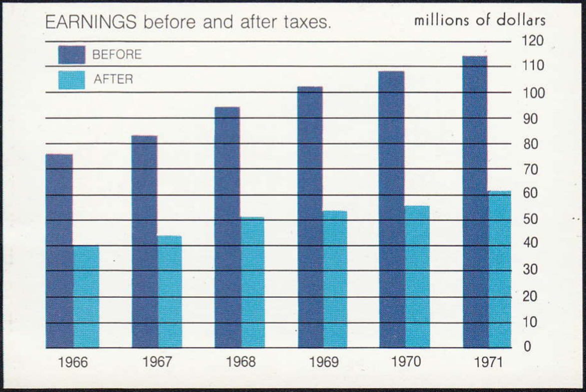
Dividends—Record dividends of $28,173,199 were paid on preference and common stocks during the fiscal year, an increase of eight per cent from $26,156,465 paid the previous year.

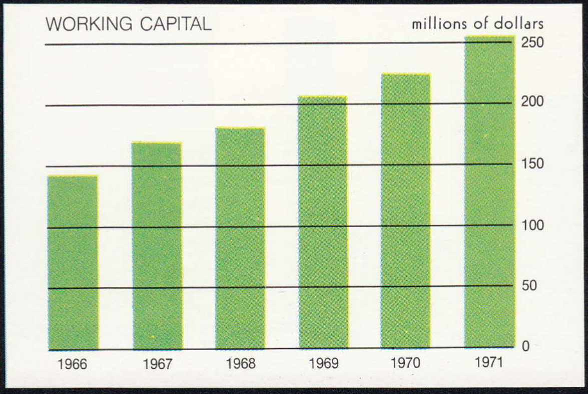
On March 3, 1971, your directors established a new annual dividend rate of $1.16 per common share with the first quarterly dividend at the new rate payable April 1, 1971, to stockholders of record March 15, 1971. This is the sixth increase in the common stock dividend rate since March 1, 1965. In that time, the annual dividend rate has been increased 93 per cent to $1.16 per share from 60 cents per share after adjustment for a two-for-one common stock distribution on March 3, 1969.

Capital Expenditures—Your company invested $45.7 million in property, plant construction and equipment during the fiscal year.



All years have been restated for pooling of interests mergers in all applicable charts.





A total of 119 projects was initiated, including 38 for dairy plants and 31 for other food plants.

These figures exclude plants and equipment acquired as parts of going businesses.

Working Capital—Working capital increased for the 26th consecutive year. The total at year end was $253,595,561, compared to $217,857,895 at the conclusion of the previous year. The increase of $36 million was the largest in the company's history and included $10 million from companies acquired in poolings of interests mergers.

Stockholders' Equity—Stockholders' equity increased $54 million, or 15 per cent, to a record $422 million. Restated for poolings, the increase was $38 million, or 10 per cent. Book value of each share of common stock increased for the 34th consecutive year.

Management—George A. Gardella and Stephen J. Bartush retired as directors of your company on June 3, 1970. Mr. Gardella joined the company in 1915 and retired in 1963 as vice president and director of the Grocery Division to which he made a major contribution. First elected in 1942, he served one of the longest terms as director in the company's history. Mr. Bartush, founder of Shedd-Bartush Foods, Inc., Detroit, Mich., had been a director since 1959. Both were elected directors emeritus.

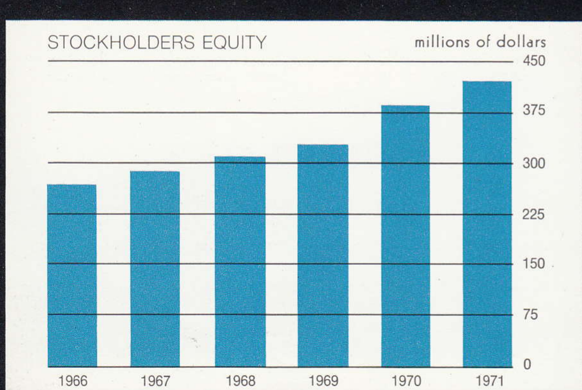
Charles H. Patten, senior vice president of the Valley National Bank of Arizona, and a director of your company since 1961, passed away on June 15, 1970. George W. Kall, vice president of the Colorado-Arizona-California Dairy District, retired after 26 years with your company.

(left to right)

Paul T. Kessler, Jr.
Executive Vice President
Finance, Administration, International

Harry Niemiec
Executive Vice President
Grocery, Confectionery

Don L. Grantham
Executive Vice President
Dairy, Warehouse, Agri-Products



We are deeply appreciative of the dedicated and invaluable contributions to the progress of your company made by these four men.

Wallace N. Rasmussen, senior vice president, was elected as a new director at the June 3, 1970, annual meeting. Mr. Rasmussen joined the company in 1934.

John E. Rudolph, senior group manager supervising the Snack Food and Industrial Foods Groups, was elected a vice president. Leo J. Himmelsbach, a veteran of more than 40 years service with your company and formerly general auditor, was elected an assistant treasurer.

Employees—To our management-employee team, which numbers more than 46,000, we express our appreciation of their loyalty, dedication and countless contributions that enabled the company to continue its progress in spite of the many challenges of the economy last year.

Stockholders—The number of stockholders in your company increased for the 20th consecutive year and totaled 28,129 at year end. We are appreciative of this encouraging support.

The Future—Your company, more firmly established than ever as a growing, diversified, multinational 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 valued support and cooperation of our employees, stockholders, customers and suppliers.

Yours sincerely,

William G. Karnes
President

Sales and Earnings by Major Operating Area

(Dollars in Thousands)

	1971		1970		1970 (Restated for Poolings)	
SALES						
Food and related services.....	$1,423,008	78%	$1,239,081	79%	$1,265,848	77%
Non-food..................	404,299	22%	336,984	21%	384,561	23%
	$1,827,307	100%	$1,576,065	100%	$1,650,409	100%
NET EARNINGS After Taxes						
Food and related services.....	$ 38,587	62%	$ 32,237	61%	$ 33,390	59%
Non-food..................	23,489	38%	20,694	39%	23,258	41%
	$ 62,076	100%	$ 52,931	100%	$ 56,648	100%

Dairy division

Sales and earnings of the Dairy Division continued to grow at a faster rate than the national average for the industry and increased for the 32nd consecutive year to all-time highs. Domestic sales were up $29 million, or six per cent, to $522 million on a reported basis. Unit sales also established a record.

In the last five years, sales of the division's 83 plants and 190 branches serving 46 of the 50 United States and the District of Columbia have increased $104 million, or 25 per cent.

The division continued to accelerate its program of automating and modernizing its plants. Additions were initiated at 31 plants, including major projects for Sanna, at Cameron and Menomonie, Wis., and for Louis Sherry Ice Cream, Brooklyn, N.Y. Land was acquired for a new Dannon plant in Ridgefield, N.J., and Plasti-Can opened a plant to produce bottled chocolate drink in Burlington, Wis.

In addition to expanding distribution and strengthening its marketing, sales promotion and advertising programs, the division, which distributes more than 600 items, continued to expand its development of new and substantially improved products with emphasis on nutrition and quality.

During the year, the division introduced 37 new consumer items and a number of specialty dehydrated dairy products and flavorings and ingredients produced by the fermentation process in which Beatrice is a pioneer.

Grocery division

Organized in 1957, the Grocery Division increased its sales and earnings and unit sales for the 14th consecutive year. Sales climbed $53 million, or 12 per cent, to $477 million on a reported basis.

Expanded distribution, improved facilities, more efficient production methods and new products all contributed to the progress of the division which operates 100 plants and branches in 25 states.

During the year, member companies introduced more than 120 new or substantially improved products, all in the convenience, snack, bakery or gourmet food categories. Approximately 95 are scheduled for introduction this year.

Marketing programs were broadened or intensified by almost every member of the division. Included were national and regional network and spot television advertising campaigns, particularly by La Choy and Miracle White, spot radio in major markets such as those developed by Rosarita and Aunt Nellie's, and ads in newspapers and consumer and trade magazines.

The division's network of distribution centers located in key markets across the country was expanded. Its regional market team, which coordinates with more than 1,400 brokers, representing grocery, confectionery, bakery and industrial food products, was strengthened.

Substantial capital additions were initiated at 29 plants to provide for increased

Nationality Foods

Snacks

Pickles

Institutional Food Products.

demand for the division's products resulting from the broadening of product lines, increased advertising and sales promotion and greater market penetration. The division now markets more than 3,000 products, almost all of which are in the convenience food category.

Expansions were instituted at Shedd-Bartush Foods plants at Detroit, Mich., Greenville, S. C., and Elgin, Ill.; Fisher Nut Co., St. Paul, Minn.; Rosarita Mexican Foods, Mesa, Ariz.; and Mother's Cookie Company, Louisville, Ky.

Glass-Packed, Canned Foods

Bakery

Confectionery division

Every member company of the Confectionery Division expanded products lines, increased distribution in market areas and improved facilities during the year.

Sales increased $4 million, or eight per cent, to $62 million on a reported basis. This was accomplished despite severe truck stoppages in the spring of 1970, particularly at company plants in St. Louis and Chicago.

This factor, along with rising costs of materials and a number of problems which affected the entire industry adversely, resulted in a slight decline in earnings.

Both Chesterton and Holloway expanded plant areas and Jolly Rancher's facilities in Wheatridge, Colo., were increased to produce Holloway candies for West Coast markets.

A vigorous upturn in both sales and earnings in the final months of the fiscal year together with a number of new products scheduled for introduction in 1971 offer promise of higher sales and earnings.

Warehouse division

Record revenues and earnings were achieved by the Warehouse Division for the 10th consecutive year. Revenues increased $8 million, or 14 per cent, to $63 million.

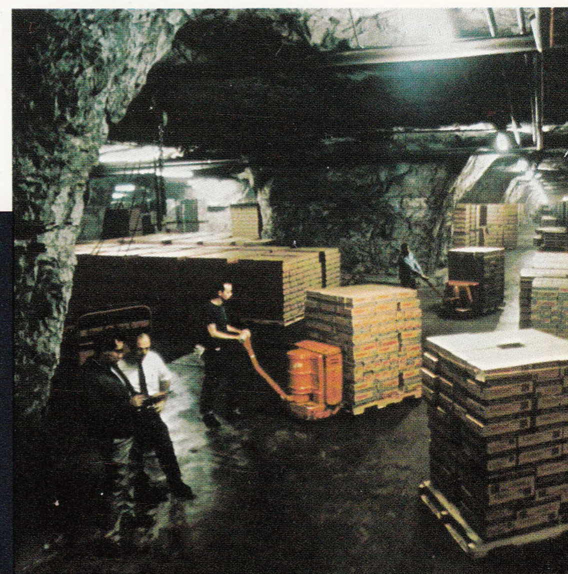
The division operates 22 cold storage and three dry storage warehouses in key markets across the nation.

Tampa Cold Storage & Warehouse completed a major addition to its warehouse complex in Tampa, Fla. It is one of the most modern frozen food freezers in the world.

A major addition to Quincy Market Cold Storage and Warehouse Company's Rowe Square facility increased the capacity of Quincy's Frozen Seafood Processing and Distribution Center in Gloucester, Mass., by 15 per cent.

Quincy's Gloucester Division is comprised of three waterfront facilities to serve the seafood industry and a fourth refrigerated warehouse, situated inland on a private rail siding, which maintains rail and truck shuttle service with the waterfront facilities. All essential refrigeration equipment is duplicated to prevent refrigeration loss in case of mechanical failure.

Inland Underground Facilities, Kansas City, Kans., Terminal Refrigerating, Los Angeles, and Northeast Cold Storage, Portland, Me., also expanded their facilities. Installation of a large computer and strategically located display terminals enables Inland's customers to place almost instant orders for products and maintain day-to-day inventory control through the computer system.



Inland Underground Facilities, Kansas City, Kans., has expanded its capacity. Warehouse can accommodate 82 railroad cars and 50 trucks at its underground loading docks, one of which is shown here.

Tampa Cold Storage and Warehouse completed major addition (right). to its freezer space in Tampa, Fla., in 1970.

New addition to Quincy Market's Rowe Square frozen food warehouse in Gloucester, Mass.

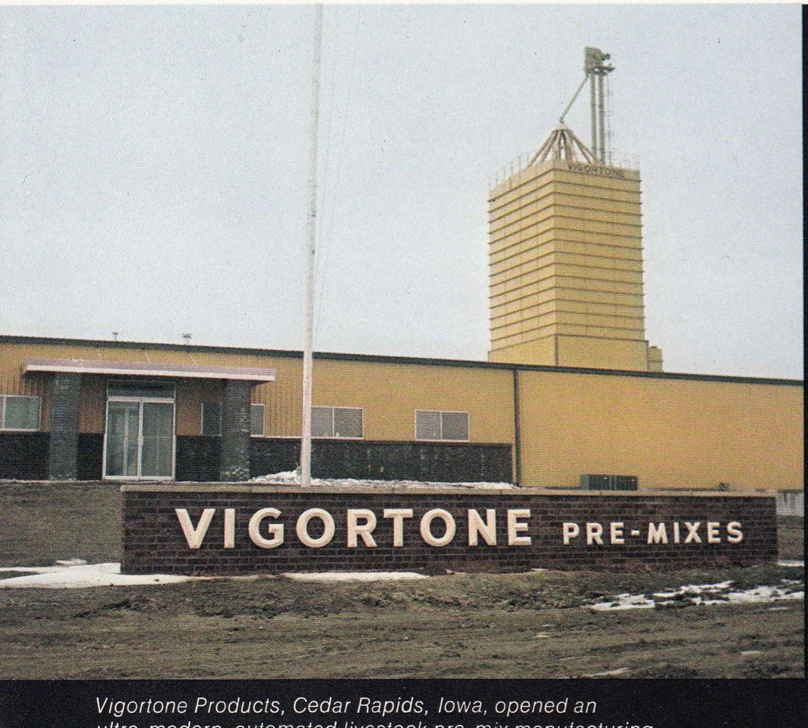
Agri-products division

Sales and earnings of the Agri-Products Division, which includes animal feed supplements, wool, tallow, and processing of hides and animal by-products for pet foods, increased to record highs. Sales increased $5 million, or nine per cent, to $63 million.

Vigortone Products opened a new plant to produce pre-mix animal feed supplements and health products in Fremont, Neb., in January, 1971. The plant duplicates Vigortone's plant in Cedar Rapids, Iowa.

Pepcol, which will process packing house by-products for animal food and tallow, is scheduled to open a new plant in Denver, Colo., in May, 1971.

Colorado By-Products expanded its operations for processing and selling hides for leading packers with new facilities at Quincy, Mich., and is completing another facility in Greeley, Colo. San Angelo By-Products, San Angelo, Texas, and Lone Star Rendering Co., Dallas, Texas, also expanded capacities and added equipment.



Vigortone Products, Cedar Rapids, Iowa, opened an ultra-modern, automated livestock pre-mix manufacturing facility in Fremont, Neb., in January, 1971.

Chemical and manufactured products division

Sales of the Chemical and Manufactured Products Division increased 15 per cent to $365 million from $318 million for the previous year on a reported basis. This was achieved despite the softening of the economy and the truck and automobile strikes, which had an adverse effect in a number of areas of the division's operations. The result was an overall reduction in the division's profits for the year. However, the impact on profits of these factors was cushioned by extensive cost reduction programs instituted during the year.

Member companies of the division are generally structured into nine groups under the same system of

Striker 44' Sportfisherman is one of the most popular models design by Striker Aluminum Yachts, Inc., Fort Lauderdale, Fla.

Melnor Industries introduced complete automatic underground sprinkler systems for homes and plants in 1970.

decentralized management common to the other divisions. These are: Home and Garden, Recreation and Mobile Homes, Educational Services, Institutional, Specialty Chemicals, Custom Fabricated Products, Graphic Arts, Pharmaceuticals and Tools and Dies.

Capital expenditures were the highest in the six-year history of the division. Additions to facilities and equipment to provide for additional capacity and more efficient operations were initiated at 30 plants.

Airstream opened a 160,000 square foot travel trailer plant in Jackson Center, Ohio, in August, 1970, and expanded its new plant in Cerritos, Calif., again.

Work was well under way at year end at Beneke Corp. to increase its facilities for producing bathroom accessories in Columbus, Miss., and at Vogel-Peterson, Elmhurst, Ill., for production of its new Peterson Group furniture and PlanScape screens for homes and offices. Indiana Moulding and Frame Co. is building a new plant to provide for rising demand for its picture and mirror frames.

Developments by the division included new electric outdoor barbecues, a line of trailers for snowmobiles, ski carriers for cars, new coatings for stretch nylons and high-fashion leather coating effects.

Charmglow Products is one of nation's leading manufacturers of outdoor gas barbecues and gas lamps for homes.

Record cabinet, three drawer chest and butler tray with lift rails (front right) were introduced by Hekman Furniture Division. Lamp of late 18th century British form was designed by The Stiffel Co.

The Osceola will be one of two side-wheel steamboats which will be sailing at Walt Disney World's new Vacation Kingdom at Orlando, Fla. Based on 19th century design, it is the first ship of its kind ever built with fiberglass hull. The Osceola was built by Beatrice's Morgan Yacht Division. (Photo Courtesy Walt Disney Productions.)

International division

Sales and earnings of the International Division, which includes 116 plants and branches in 26 nations outside of the United States, increased for the 10th successive year. Sales for the fiscal year, including joint ventures, totalled $306 million, a gain of $107 million, or 54 per cent from the previous year on a reported basis.

Beatrice's share of net earnings after foreign taxes was $12.3 million, an increase of $3.3 million, or 37 per cent from the previous year on a reported basis. On a restated basis, the increase was $2.6 million, or 27 per cent.

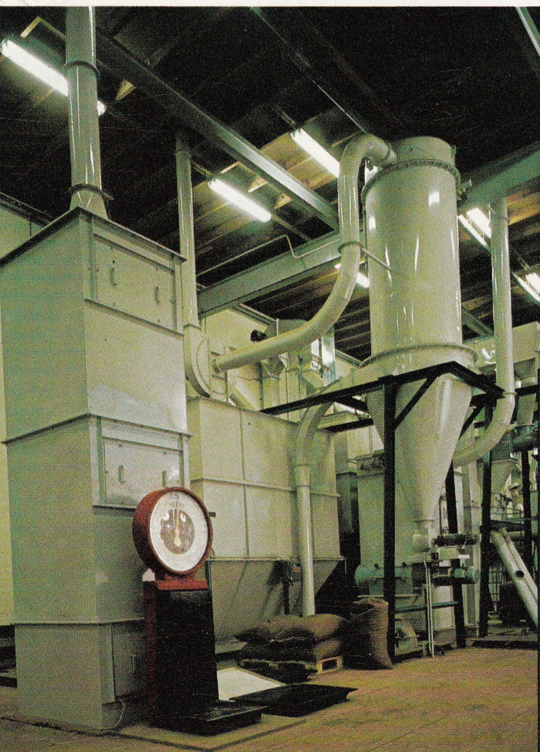
Beatrice expanded its dairy operations substantially in Canada during the fiscal year. The company's Canadian dairy operations now include 23 plants and six branches, all managed by Canadians.

Other additions included Colonial Cookie Co., Kitchener, Ontario, and majority interests in Europe Confectionery, Melbourne, Australia; Rene, Guatemala City, a leading snack food company in Central America; Aux Planteurs Reunis, Geneva, Switzerland, a distributor of institutional grocery products and Perfect Brush, Mexico City, which manufactures an extensive line of paint, shoe, hair and clothing brushes and a number of related products.

Major capital improvements included A. J. ten Doesschate's new plant to process and pack spices completed at Wapenveld, Holland, and Jack's Snacks' plant in Bogota, Colombia.

The Cremo and Northshore dairy plants in Jamaica were expanded and further automated as were Marisa's ice cream plant in Barcelona, Spain, and Cie Lacsoon's dairy plant at Eeklo, Belgium.

Stahl Finish and Polyvinyl Chemicals, which operate 10 plants outside the United States, plan to expand into Australia in 1971.



A. J. Ten Doesschate opened a 50,000 square foot spice processing plant in Wapenveld, Holland, in August, 1970.

Jack's Snacks began operations in new plant in Bogota, Colombia, in the fall of 1970.

Etablissements Baud, a leading distributor of wholesale groceries in Metropolitan Paris, France, expanded its truck fleet to 90 vehicles in 1970.

Research and development

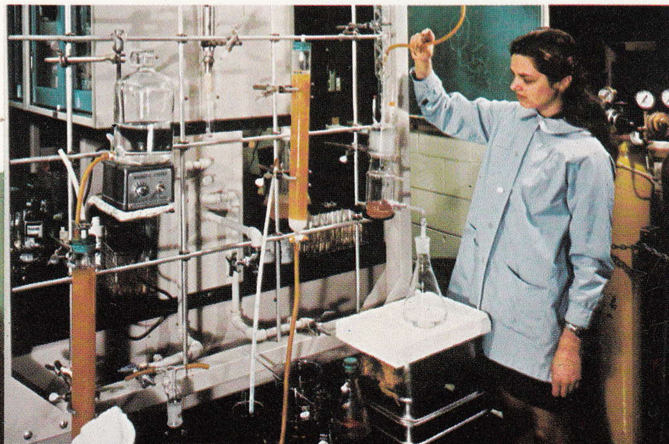
Research and development at individual company and corporate levels contributed significantly to the progress and growth potential of your company during the last year.

Spearheading this increased emphasis upon research is the recently expanded Research Center in Chicago which occupies approximately one acre of floor space. It comprises eight laboratories, six pilot plants, test kitchens, an experimental bakery, taste evaluation areas and a technical library. At the end of the fiscal year, there were 156 separate research projects in progress.

Beatrice believes that pure water, clean air and noise abatement are necessary to good business. Working in conjunction with the company's Anti-Pollution Committee, the Research Center is accelerating its investigations of new uses for existing products, the development of more efficient manufacturing equipment and techniques and the reclamation and use of materials formerly lost or discarded in processing.

Over the years, Beatrice has made substantial investments in equipment and procedures to enable member companies to meet or surpass appropriate anti-pollution standards. Virtually every plant now operates on gas or electricity.

Member companies have introduced products and packages designed to alleviate problems of pollution. Among these are Miracle White's non-polluting detergent, Farboil's new paint coating process developed to reduce air and water pollution and new processes to convert wastes into usable materials and which recycle water.



Two of eight laboratories in Beatrice's new Central Research and Development Laboratories in Chicago are shown. Laboratories, which were completed early in 1971, cover almost an acre of floor space.

Farboil Division's new Farbaloy coating system, an antipollution method of applying multi-layer coatings at one time, was introduced at news conference in Washington, D. C., March 2, 1971. Observing demonstration are, from left: Congressmen Edward A. Garmatz, Md., and Hale Boggs, La.; Herbert D. Hammond, president of Farboil; Samuel S. Stahl, treasurer, Stahl Finish Division.

New products from Beatrice

Attuned to the increasing selectivity in taste and the ever-growing demand for higher nutrition and finer quality by the consumer, Beatrice companies further accelerated the tempo of their development of new products in the last year.

More than 400 new or substantially improved products, both in the food and related products and the non-food categories, were introduced by member companies.

Among the new items created by the Dairy Division were Gourmet ice cream, low-fat ice milk, yogurt, chocolate milk and cottage cheese under the Viva label and Meadow Gold yogurt. Sanna developed seven puddings and Louis Sherry marketed the "Bombe" combining three flavors of ice cream and a fruit ice.

Palate-pleasing products from the Grocery Division included a variety of frozen Chinese delicacies and entrees from La Choy and Temple Frosted Foods and frozen entrees, pizzas and a selection of frozen Snack Pillows from Lambrecht. Shedd's Peanuto Peanut Butter 'n Jam and Peanut Butter and Banana proved popular with the sandwich set. Burny Bros. originated a number of bakery treats, including seven frozen items.

Sweetening the candy counters were Black Cow Suckers, Clark's Sassy Bar, Switzer's Licorice Stix and Chesterton's Boxed Fudge.

In response to the surging interest in recreation, Airstream introduced its 1971 line of travel trailers, including a luxury model, in September, and Hart designed Competition USA racing skis, available in four high-performance models.

Tastefully-styled accessories for homes and offices included a group of furniture accessories, oil paintings and sculptures introduced by Stiffel along with additions to its collection of table, floor and wall lamps. Hekman and Vogel-Peterson widened lines of furnishings.

Beatrice is continuing to expand its search for new products and services to provide for the changing desires of its customers and as an ever-strengthening source for greater internal growth. At the start of the new fiscal year, more than 200 items, including 105 dairy and other food items, were scheduled to be added to the expanding World of Beatrice Products.

Burny Bros. marketed a line of frozen bakery treats last year.

La Choy began distribution of 31 frozen products in 1970.

Among Miracle White's new or improved products were these three items.

ASSETS	1971	1970 PREVIOUSLY REPORTED	1970 RESTATED FOR POOLINGS (NOTE 1)
Current assets:			
Cash	$ 39,919,447	$ 36,355,336	$ 37,702,847
Marketable securities, at cost	3,231,221	3,609,522	4,070,720
Receivables, less allowance for losses $9,116,454 (1970—$8,271,080, restated $8,954,538)	173,631,847	141,453,139	148,686,914
Inventories, at lower of cost (first-in, first-out) or market	180,938,001	156,280,691	165,574,520
Prepaid expenses	9,247,457	7,696,738	8,358,464
Total current assets	406,967,973	345,395,426	364,393,465
Plant and equipment, at cost less depreciation:			
Land	15,372,205	13,416,968	14,023,478
Buildings	139,586,746	119,379,238	122,768,187
Machinery and equipment	272,146,187	233,467,047	243,279,004
	427,105,138	366,263,253	380,070,669
Less accumulated depreciation	173,756,831	150,486,872	155,937,776
	253,348,307	215,776,381	224,132,893
Investments and other assets	12,621,222	12,366,071	13,628,806
Intangible assets (note 4)	75,092,097	57,947,028	57,965,528
	$748,029,599	$631,484,906	$660,120,692

See accompanying notes to consolidated financial statements.

Consolidated balance sheet

February 28, 1971 and February 28, 1970

LIABILITIES & STOCKHOLDERS' EQUITY	1971	1970 PREVIOUSLY REPORTED	1970 RESTATED FOR POOLINGS (NOTE 1)
Current liabilities:			
Accounts payable and accrued expenses	$127,127,093	$105,128,864	$112,008,454
Current portion of long-term debt	10,989,983	10,264,062	10,682,927
Income taxes	15,255,336	12,144,605	14,176,769
Total current liabilities	153,372,412	127,537,531	136,868,150
Indebtedness incurred upon acquisition of other companies (note 5)	42,802,114	31,060,458	34,344,570
Debentures and notes payable (note 6)	83,000,000	63,000,000	63,000,000
Deferred credits and other non-current liabilities (notes 3 and 7)	36,439,259	33,594,800	33,826,191
Minority interests in consolidated subsidiaries	10,436,421	8,351,014	8,351,014
Stockholders' equity (notes 8, 9, and 10):			
Convertible preference stock, liquidation preference $54,673,500 (1970—$52,449,860 restated $56,449,860)	21,862,880	22,185,740	22,545,740
Common stock	98,925,384	91,689,318	97,483,806
Capital surplus	11,837,369	14,735,264	8,100,084
Earned surplus (retained earnings)	290,714,121	243,138,341	256,811,343
	423,339,754	371,748,663	384,940,973
Less common stock in treasury	1,360,361	3,807,560	1,210,206
Stockholders' equity	421,979,393	367,941,103	383,730,767
	$748,029,599	$631,484,906	$660,120,692

See accompanying notes to consolidated financial statements.

	1971	1970 PREVIOUSLY REPORTED	1970 RESTATED FOR POOLINGS (NOTE 1)
Income:			
Net sales	$1,827,306,807	$1,576,064,808	$1,650,408,971
Other income (net)	7,255,395	6,360,079	6,649,200
	1,834,562,202	1,582,424,887	1,657,058,171
Costs and expenses:			
Cost of sales	1,306,242,363	1,109,413,243	1,162,288,113
Selling, administrative and general expenses	372,448,457	337,209,824	350,245,155
Provision for depreciation (straight-line method)	27,376,010	23,171,162	24,209,163
Interest expense	12,505,370	8,705,619	8,805,131
Minority interests in earnings of subsidiaries	1,814,025	1,593,602	1,593,602
	1,720,386,225	1,480,093,450	1,547,141,164
Earnings before income taxes	114,175,977	102,331,437	109,917,007
Provision for income taxes (note 3)	52,100,000	49,400,000	53,269,166
Net earnings	$ 62,075,977	$ 52,931,437	$ 56,647,841
Net earnings per share of common stock (note 13)	$2.22	$2.03	$2.03

See accompanying notes to consolidated financial statements.

Statement of consolidated earnings

Years ended February 28, 1971 and February 28, 1970

	1971	1970 PREVIOUSLY REPORTED	1970 RESTATED FOR POOLINGS (NOTE 1)
Balance at beginning of year	$243,138,341	$191,371,131	$226,663,241
Add earned surplus of pooled companies	13,673,002	24,992,238	—
	256,811,343	216,363,369	226,663,241
Net earnings for the year	62,075,977	52,931,437	56,647,841
	318,887,320	269,294,806	283,311,082
Dividends paid to holders of:			
Preference stock	2,184,131	2,326,505	2,326,505
Common stock, $1.00 a share	25,664,363	23,193,840	23,193,840
Capital stocks of pooled companies prior to acquisition	324,705	636,120	979,394
	28,173,199	26,156,465	26,499,739
Balance at end of year	$290,714,121	$243,138,341	$256,811,343

See accompanying notes to consolidated financial statements.

Statement of consolidated earned surplus

Years ended February 28, 1971 and February 28, 1970

	1971	1970 PREVIOUSLY REPORTED	1970 RESTATED FOR POOLINGS (NOTE 1)
Working capital at beginning of year	$217,857,895	$184,935,329	$205,169,902
Add working capital of pooled companies	9,667,420	16,350,583	—
	227,525,315	201,285,912	205,169,902
Source of funds:			
Net earnings	62,075,977	52,931,437	56,647,841
Depreciation and other charges not requiring use of funds (net)	28,504,833	24,304,561	25,287,632
Sale of common stock under option plans	2,566,527	2,639,184	2,639,184
Proceeds from sales of debentures	20,000,000	49,912,500	49,912,500
Fair value of common stock issued for assets of purchased companies	1,651,000	5,984,126	5,984,126
Increase in other indebtedness and noncurrent liabilities	12,406,134	2,593,231	5,200,475
	127,204,471	138,365,039	145,671,758
Disposition of funds:			
Cash dividends paid	28,173,199	26,156,465	26,499,739
Plant and equipment acquired through purchase of other companies	10,864,267	14,027,781	14,027,781
Plant and equipment additions	45,727,157	49,664,429	53,076,752
Increase in intangible and other assets (net)	16,219,447	28,182,964	28,548,010
Increase in treasury stock	150,155	3,761,417	1,164,063
	101,134,225	121,793,056	123,316,345
Working capital at end of year	$253,595,561	$217,857,895	$227,525,315

Statement of consolidated source and disposition of funds

Years ended February 28, 1971 and February 28, 1970

Notes to consolidated financial statements

1) PRINCIPLES OF CONSOLIDATION AND POOLINGS OF INTERESTS:
The consolidated financial statements include the accounts of all majority-owned subsidiaries. The investments in joint ventures are carried at cost plus equity in undistributed earnings.

During the year ended February 28, 1971, the company acquired a number of companies in poolings of interests. Accordingly, the statement of consolidated earnings for the year ended February 28, 1971, includes the results of operations of such acquired companies for the full year and the financial statements for the year ended February 28, 1970, are shown herein as previously reported for that year and also as restated to include such acquired companies.

2) INTERNATIONAL OPERATIONS:
The following is a summary of the assets, liabilities and company's equity in net earnings of operations outside the United States for the years ended February 28, 1971, and February 28, 1970:

	1971	1970 (Restated)
Current assets	$ 76,782,115	$ 57,424,542
Plant and equipment (net)	53,967,714	42,264,190
Investments in joint ventures	4,467,741	4,061,048
Intangibles and other assets	12,779,604	11,411,490
	147,997,174	115,161,270
Less:		
Current liabilities	42,666,671	34,451,396
Non-current liabilities	15,952,182	15,871,298
Minority interests	10,404,571	8,351,014
	69,023,424	58,673,708
Company's equity in net assets	$ 78,973,750	$ 56,487,562
Company's equity in net earnings	$ 12,306,279	$ 9,716,202

3) INCOME TAXES:
The provision for income tax expense for the years ended February 28, 1971, and February 28, 1970, includes deferred tax expense of $1,535,270 and $1,322,828, respectively, resulting primarily from excess of tax depreciation over financial depreciation. The balance of the provision represents taxes currently payable.

Deferred taxes (net) and deferred investment credits at February 28, 1971, and February 28, 1970, amounting to $7,859,784 and $6,126,615, respectively, are included in deferred credits and other non-current liabilities in the consolidated balance sheet.

4) INTANGIBLE ASSETS:
Intangible assets represent primarily the excess of total purchase price over the net tangible assets of companies purchased.

5) INDEBTEDNESS:
Indebtedness incurred upon acquisition of other companies is represented by miscellaneous secured and unsecured notes, etc. which mature in varying amounts through 1989.

6) DEBENTURES AND NOTES PAYABLE:
The debentures and notes payable at February 28, 1971, and February 28, 1970, comprise the following:

	1971	1970
7⅞% Sinking Fund Debentures due 1994	$35,000,000	$35,000,000
7¼% Convertible Subordinated Guaranteed Debentures due 1990	20,000,000	
9% Guaranteed Debentures due 1985	15,000,000	15,000,000
Notes payable under bank credit agreements	13,000,000	13,000,000
	$83,000,000	$63,000,000

The 7⅞% debentures require annual prepayments of $1,750,000 commencing September 15, 1976. The 7¼% debentures are convertible into the company's common stock at the rate of 28.571 shares of such common stock for each $1,000 principal amount of debentures commencing July 1, 1971. The 7¼% debentures require annual sinking fund payments of not less than $1,000,000 commencing November 1, 1980. The 9% debentures require annual prepayments of $1,000,000 commencing March 15, 1973. The notes payable under bank credit agreements at February 28, 1971, include $7,000,000 maturing in fiscal 1975 and $6,000,000 of borrowings under a revolving credit agreement which are renewable to April 30, 1972, at which time the company has the option to convert such borrowings into a term loan payable in four equal annual installments commencing one year after such date.

7) SALE-AND-LEASEBACK TRANSACTIONS:
The excess of sales proceeds over net book value of certain properties sold and leased back has been deferred and is being amortized by credits to rental expense over the terms of the leases. The unamortized balance of such excess, amounting to $17,429,223 and $18,162,503 at February 28, 1971, and February 28, 1970, respectively, is included in deferred credits and other non-current liabilities in the consolidated balance sheet.

8) CAPITAL STOCK:
The following is a summary of the shares of capital stock authorized, issued and outstanding at February 28, 1971, and February 28, 1970:

	1971	1970 (Restated)
Preference stock (without par value). Authorized 2,500,000 shares. Issued and outstanding:		
$2.70 convertible, $60 stated value, 99,630 shares (1970—108,986 shares)	$ 5,977,800	$ 6,539,160
$4.00 convertible, second series, $10 stated value ($100 liquidation preference), 324,118 shares (1970—336,268 shares)	3,241,180	3,362,680
$4.50 convertible, first series, $100 stated value, 65,000 shares	6,500,000	6,500,000
$4.50 convertible, second series, $100 stated value, 57,839 shares	5,783,900	5,783,900
Series A convertible preference stock, $9 stated value ($100 liquidation preference), 40,000 shares	360,000	360,000
	$21,862,880	$22,545,740
Common stock (without par value). Authorized 35,000,000 shares. Issued 27,102,845 shares with $3.65 stated value, including 79,098 shares in treasury (1970—26,707,892 shares, including 31,311 shares in treasury)	$98,925,384	$97,483,806

The decrease in outstanding shares of preference stock results from conversions into common stock. The outstanding shares of preference stock are convertible into shares of common stock at specified prices per share of common stock. There are 1,530,159 shares of common stock reserved for this purpose at Feb. 28, 1971.

There are 571,420 shares of common stock reserved for issuance upon conversion of the 7¼% convertible debentures (note 6).

During the year, the company acquired 101,555 shares of its common stock for the treasury and issued 104,568 shares of common stock (of which 53,768 were treasury shares) in connection with the purchase of other companies.

9) CAPITAL SURPLUS:

The following is an analysis of capital surplus for the two years ended February 28, 1971:

	1971	1970 (Restated)
Balance at beginning of year	$8,100,084	(90,491)
Excess of stated value of converted shares of preference stock over the stated value of 52,722 shares (1970—148,183 shares) of common stock issued upon conversion	492,221	1,176,022
Excess of proceeds over stated value of shares of common stock issued under stock options	2,187,639	2,258,383
Excess of fair value over stated value of common stock issued in connection with the purchase of other companies	1,465,580	5,209,376
Stated value of 187,626 shares (1970—165,184 shares) of common stock issued as additional consideration under pooling-of-interests transactions consummated in prior years	(684,835)	(602,922)
Other items	276,680	149,716
Balance at end of year	$11,837,369	$8,100,084

10) STOCK OPTIONS:

The Company's 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 the date of grant. The changes in the outstanding stock options during the year ended February 28, 1971 are summarized as follows:

	Number of Shares	Total Option Price
Shares under option at February 28, 1970	688,350	$21,335,980
Options granted	385,170	12,016,969
Options exercised	(103,805)	(2,566,527)
Options cancelled	(141,949)	(4,010,931)
Shares under option at February 28, 1971	827,766	$26,775,491

Options to purchase 294,350 shares are currently exercisable. There are 152,770 shares of common stock reserved for the granting of additional options.

11) LEASES:

The company holds certain equipment under leases which provide for total future rental payments of approximately $7,200,000. Of this amount, $2,300,000 becomes due during the year ending February 29, 1972, and the balance in decreasing amounts thereafter through 1980. Other non-cancellable leases provide for minimum annual rentals of approximately $11,800,000. Of this amount, $2,900,000 relates to leases expiring within three years, $4,200,000 to leases expiring after three but within 10 years, $1,300,000 to leases expiring after 10 but within 20 years and the balance of $3,400,000 to leases expiring after 20 years.

12) 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 $3,950,000 for the year ended February 28, 1971, and $3,250,000 for the year ended February 28, 1970. Such amounts include the normal cost of the plans and amortization of past service cost (as to the principal plan on a thirty-year basis). During the year ended February 28, 1971, the company also contributed approximately $4,000,000 under plans jointly administered by industry and union representatives. In general, the company's policy is to fund pension costs currently.

13) EARNINGS PER SHARE:

Net earnings per share of common stock are based on the average number of shares of common stock and common stock equivalents (Series A Convertible Preference stock and stock options) outstanding during each year.

The net earnings per share of common stock, assuming full conversion of 7¼% convertible debentures (issued in November, 1970) and all preference stocks, were $2.17 for fiscal 1971 and $1.99 (restated $2.00) for fiscal 1970.

14) LEGAL PROCEEDINGS:

The Federal Trade Commission has issued a complaint that the company's acquisition of John Sexton & Co. in December 1968 constituted a violation of the antitrust laws. The company disagrees and is contesting the matter. In the opinion of legal counsel for the company, the complaint will be dismissed. Sales and earnings of Sexton represented approximately 6% and 3.6%, respectively of the consolidated sales and net earnings for the year ended February 28, 1971.

Accountants' report

PEAT, MARWICK, MITCHELL & CO.

The Stockholders
Beatrice Foods Co.:

We have examined the consolidated balance sheets of Beatrice Foods Co. and subsidiaries as of February 28, 1971 and 1970 and the related statements of earnings, surplus and source and disposition of funds for the years 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, such financial statements present fairly the financial position of Beatrice Foods Co. and subsidiaries at February 28, 1971 and 1970 and the results of their operations and the sources and disposition of their funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

April 9, 1971

Peat, Marwick, Mitchell & Co.

CERTIFIED PUBLIC ACCOUNTANTS

111 WEST MONROE STREET CHICAGO, ILLINOIS 60603

Officers and Directors

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Agri-Products

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Assistant Treasurer

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Assistant Treasurer

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Leo J. Himmelsbach, Peter Cowles, Thomas J. Boyce, Jr., Carl T. E. Sutherland, Robert W. France

Ten years of progress

	1971	1970	1969	1968
EARNINGS				
Net sales	$1,827,307	$1,576,065	$1,350,011	$1,093,139
Other income	7,255	6,360	4,098	2,920
Total	1,834,562	1,582,425	1,354,109	1,096,059
Cost of sales, operating expenses, interest, etc.	1,693,010	1,456,923	1,247,831	1,006,819
Depreciation	27,376	23,171	18,813	15,572
Income taxes	52,100	49,400	42,283	34,388
Total	1,772,486	1,529,494	1,308,927	1,056,779
Net earnings	$ 62,076	$ 52,931	$ 45,182	$ 39,280
Net earnings per common share	$2.22	$2.03	$1.94	$1.89
Dividends per common share	$1.00	$1.00	$ .88⅞	$ .80⅝

	1971	1970	1969	1968
FINANCIAL CONDITION				
Working capital	$ 253,596	$ 217,858	$ 184,935	$ 136,864
Plant and equipment	253,348	215,776	157,959	131,422
Other assets	87,713	70,313	40,604	29,218
	594,657	503,947	383,498	297,504
Deduct:				
Long term debt	125,802	94,060	39,066	21,043
Other liabilities, minority interests and deferred credits	46,876	41,946	37,359	29,995
Stockholders' equity	$ 421,979	$ 367,941	$ 307,073	$ 246,466
Ratio of current assets to current liabilities	2.7:1	2.7:1	3.0:1	2.8:1
Book value per common share	$13.59	$12.61	$11.32	$10.98

	1971	1970	1969	1968
EARNINGS (Restated for Poolings)				
Net sales	$1,827,307	$1,650,409	$1,496,454	$1,358,296
Other income	7,255	6,649	4,634	4,046
Total	1,834,562	1,657,058	1,501,088	1,362,342
Cost of sales, operating expenses, interest, etc.	1,693,010	1,522,932	1,375,782	1,247,696
Depreciation	27,376	24,209	21,891	20,106
Income taxes	52,100	53,269	50,466	44,059
Total	1,772,486	1,600,410	1,448,139	1,311,861
Net earnings	$ 62,076	$ 56,648	$ 52,949	$ 50,481
Net earnings per common share	$2.22	$2.03	$1.94	$1.87
Dividends per common share	$1.00	$1.00	$ .88⅞	$ .80⅝

	1971	1970	1969	1968
FINANCIAL CONDITION (Restated for Poolings)				
Working capital	$ 253,596	$ 227,525	$ 205,170	$ 174,188
Plant and equipment	253,348	224,133	181,183	169,749
Other assets	87,713	71,594	42,959	32,468
	594,657	523,252	429,312	376,405
Deduct:				
Long term debt	125,802	97,344	44,818	32,943
Other liabilities, minority interests and deferred credits	46,876	42,177	38,385	31,082
Stockholders' equity	$ 421,979	$ 383,731	$ 346,109	$ 312,380
Ratio of current assets to current liabilities	2.7:1	2.7:1	2.8:1	2.5:1
Book value per common share	$13.59	$12.27	$10.87	$9.38

(Dollars in thousands except per share figures)

1967	1966	1965	1964	1963	1962
$933,422	$796,443	$681,385	$606,157	$569,488	$539,192
3,346	2,686	3,167	2,857	2,695	2,238
936,768	799,129	684,552	609,014	572,183	541,430
864,661	739,758	638,521	569,003	537,331	510,177
14,376	12,233	9,986	9,800	8,708	8,082
26,828	22,500	18,000	15,500	13,120	11,347
905,865	774,491	666,507	594,303	559,159	529,606
$ 30,903	$ 24,638	$ 18,045	$ 14,711	$ 13,024	$ 11,824
$1.65	$1.47	$1.24	$1.05	$ .95	$ .91
$ .75	$ .67½	$ .58⅛	$ .52½	$ .45	$ .45
$128,167	$104,639	$ 86,099	$ 77,276	$ 69,283	$ 63,401
108,069	84,422	68,118	64,064	59,097	55,846
19,118	10,486	7,271	5,267	4,724	4,634
255,354	199,547	161,488	146,607	133,104	123,881
16,952	7,214	—	—	—	—
19,965	7,846	5,616	4,676	2,707	1,500
$218,437	$184,487	$155,872	$141,931	$130,397	$122,381
3.5:1	3.6:1	3.6:1	3.8:1	3.9:1	3.7:1
$10.39	$10.32	$9.95	$9.39	$9.21	$9.11

$1,241,716
4,348
1,246,064
1,142,234
19,154
39,252
1,200,640
$ 45,424
$1.66
$ .75
$ 167,193
147,153
22,909
337,255
27,160
21,548
$ 288,547
2.7:1
$8.14

CAPITAL STOCK LISTING
New York Stock Exchange

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Continental Illinois National Bank and Trust Company of Chicago

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