People
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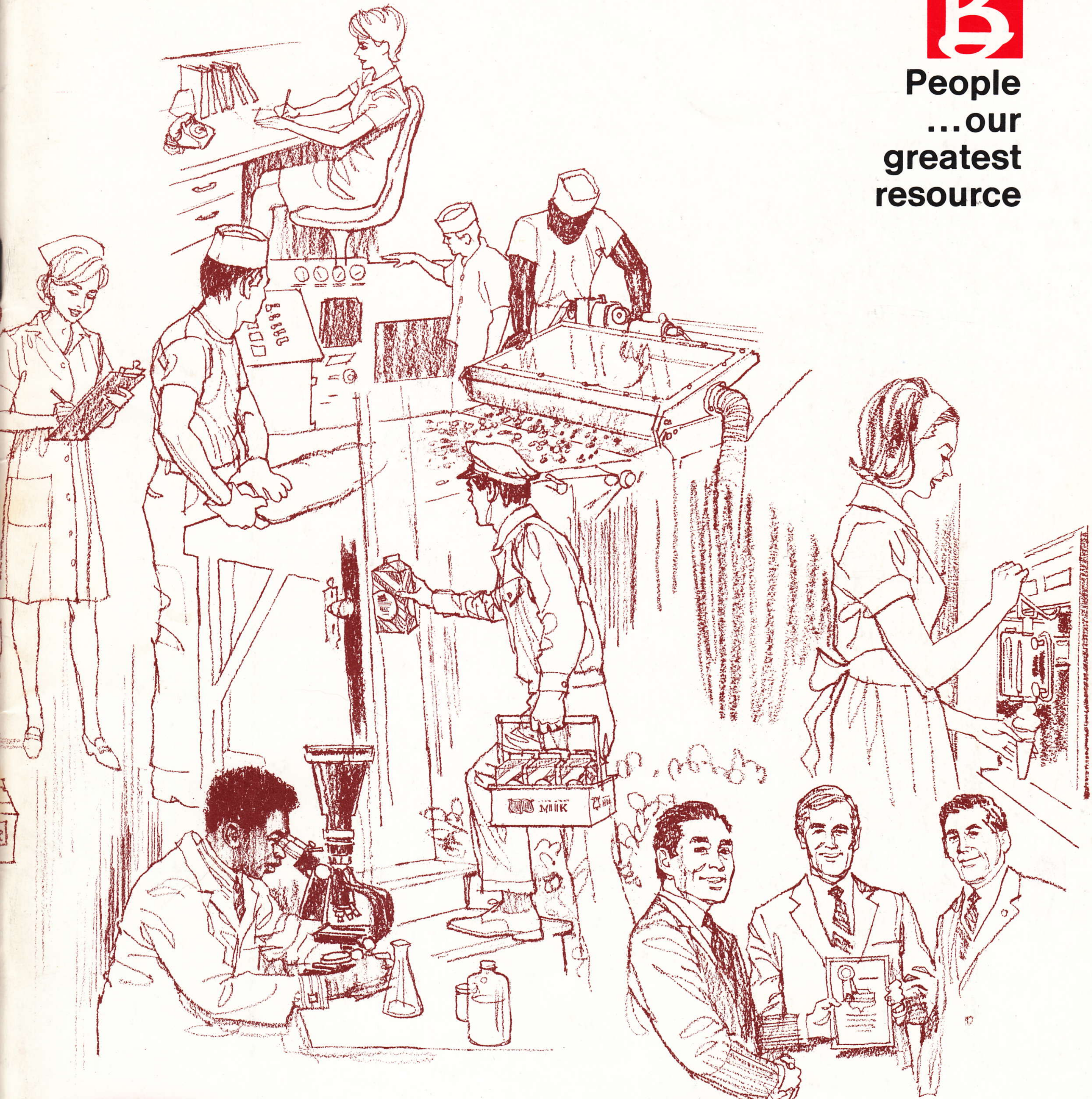
resource



Beatrice

Beatrice Foods Co. 74th Annual Report for the Fiscal Year Ending February 29, 1972

Highlights of the year

	FEBRUARY 29, 1972	FEBRUARY 28, 1971	PER CENT OF INCREASE
Reported Basis:			
Net Sales	$2,384,409,804	$1,827,306,807	30
Net Earnings After Taxes	77,943,726	62,075,977	26
Per Share of Common Stock (Note)	2.46	2.22	11
Working Capital	291,767,100	253,595,561	15
Stockholders' Equity	518,583,892	421,979,393	23
Dividends Paid	35,232,878	28,173,199	25
Per Share of Common Stock	1.16	1.00	16
Number of Stockholders	30,906	28,129	10
Fiscal 1971 Restated to Include Companies Acquired in Fiscal 1972 Poolings of Interests:			
Net Sales	$2,384,409,804	$2,135,709,414	12
Net Earnings After Taxes	77,943,726	70,795,769	10
Per Share of Common Stock (Note)	2.46	2.24	10
Working Capital	291,767,100	270,289,861	8
Stockholders' Equity	518,583,892	475,465,834	9

Note—See note 12 to financial statements (page 27) for additional data.

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Beatrice "Going Home" For 75th Annual Meeting

In observance of its Diamond Jubilee Annual Meeting, your company is "going home." The 75th Annual Meeting will be held in the City Auditorium in Beatrice, Neb., at 10:30 a.m. (CDT), Wednesday, June 7, 1972. Beatrice Foods was founded in the City of Beatrice.

William G. Karnes
Chairman of the Board
Chief Executive Officer

TO THE STOCKHOLDERS OF BEATRICE FOODS CO.

Sales, net earnings and earnings per common share increased for the 20th consecutive year.

All-time highs in sales, net earnings and earnings per share were recorded for the 20th consecutive year as your company completed the greatest year of growth in its history on February 29, 1972.

Records were established in virtually every phase of both domestic and international operations with all divisions contributing to this growth.

The final quarter of the fiscal year was the 80th consecutive quarter in which sales and earnings for the quarter exceeded those of the same quarter of the previous year. Over that span of 20 years, your company has multiplied its sales 10 fold from $229 million in 1952. Net earnings have multiplied almost 20 times from $3.9 million and earnings per share have multiplied four and one-half times from 54 cents during that 20-year period. All of these increases are on a reported basis.

As indicated on the chart on the preceding pages, when restated to include companies acquired in poolings of interests mergers during the 20-year period, sales increased six-fold, net earnings seven times and earnings per share six times.

A substantial portion of your company's record progress during the year was the result of increasing emphasis upon growth from within the company. Internal growth accounted for $184 million of the gain in sales last year compared to $93 million for the previous year.

Sales of dairy, grocery and related products and services accounted for $1.9 billion, or 79 per cent of the company's total sales for the fiscal year. Sales of foods and related products and services increased $456 million, or

32 per cent, from the previous year. Restated, the increase was $168 million, or 10 per cent.

Net earnings for the year were 3.3 per cent of sales. Return on average stockholders' equity rose to 15.7 per cent.

During the year, your company established three new operating divisions, the Chemical Division, the John Sexton Division and the Peter Eckrich Division. This increased the number of operating divisions of your company to 10.

YEAR IN REVIEW

Sales—The largest year-to-year gain in the company's history increased sales for the fiscal year to $2,384,409,804. The increase on a reported basis was $557,102,997, or 30 per cent. Restated, the increase was $248,700,390, or 12 per cent.

In the last three years, your company has increased its sales on a reported basis more than one billion dollars, or 77 per cent, reflecting the accelerating growth of your company. Restated, the increase was $743,358,214, or 45 per cent.

Earnings—Net earnings increased to $77,943,726, a gain of $15,867,749, or 26 per cent from the previous year on a reported basis. Restated, the increase was $7,147,957, or 10 per cent.

Net earnings per common share increased 11 per cent to $2.46 from $2.22 earned in the previous year on a reported basis. Restated, the increase was 10 per cent from $2.24 per share.

Net earnings per share of common stock would be reduced seven cents in the year by assuming full conversion of debentures and preference stock, compared with five cents

Don L. Grantham
President
Chief Operating Officer

reported and four cents restated for the previous year.

Dividends—Record dividends of $35,232,878 were paid on preference and common stocks during the fiscal year, an increase of 25 per cent from $28,173,199 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 paid April 1, 1971, to stockholders of record March 15, 1971. This was the sixth increase in the common stock dividend rate since March 1, 1965.

Capital Expenditures—Companies which were members of Beatrice at the start of the 1972 fiscal year invested $50 million in property, plant construction and equipment during the year. In addition, capital expenditures by companies acquired in poolings of interests mergers during the year amounted to $9 million.

A total of 50 major projects was initiated, including 13 for dairy plants and 15 for other food plants.

As a result of planning over the past decade by our Anti-Pollution Committee and our research and development, sanitation and engineering departments, your company has no serious problems in the area of water, air and noise pollution control.

Working Capital—Working capital increased for the 27th consecutive year. The total at year end was $291,767,100, compared to $253,595,561 reported at the conclusion of the previous year. The increase of $38 million was the largest in the company's history. On a restated basis, the increase was $21 million.

Stockholders' Equity—Stockholders' equity increased $97 million, or 23 per cent, to a record $519 million. Restated for poolings, the increase was $43 million, or nine per cent. Book value of each share of common stock increased for the 35th consecutive year.

Management—Willard V. Haskell, Harold F. Nichols and Harold F. Stotzer retired as directors of your company on June 2, 1971, in accordance with the company's retirement policy for board members. Mr. Haskell had served the company for 40 years and had been a director since 1952. Mr. Nichols, who served as chairman of many key board committees, also was first elected a director in 1952. Mr. Stotzer had been a director since 1945. He was an officer of La Choy Food Products when La Choy joined your company in 1943. All three have been elected directors emeriti of the company.

Alex MacTaggart, vice president in charge of the warehouse division, and James J. Cullen, assistant secretary and assistant treasurer, retired December 31, 1971. Mr. MacTaggart served the company for 44 years and Mr. Cullen for almost 50 years.

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

Dr. Durward B. Varner, president of the University of Nebraska, and Omer G. Voss, executive vice president of International Harvester Company, were elected as new directors at the June 2, 1971, annual meeting. Richard P. Eckrich, chairman of the board, and Donald P. Eckrich, president of the Peter Eckrich Division, were elected new directors on March 1, 1972.

On March 1, 1972, the board of directors adopted the following realignment of the senior management of your company: William G. Karnes, president since 1952, was elected chairman of the board and chief executive officer; Don L. Grantham, who joined the company in 1934 and had been an executive vice president since 1966, was elected president and chief operating officer; and Paul T. Kessler, Jr., executive vice president since 1966, was elected to the additional office of chief administrative officer.

The responsibilities of Harry Niemiec, executive vice president since 1967, were expanded substantially and now include Grocery, Confectionery, Bakery and John Sexton operations.

On June 2, 1971, John P. Fox, Jr., was elected vice president—law; Charles J.

Gardella was elected vice president—grocery marketing; and William G. Mitchell was elected vice president—administration. Mr. Fox also serves as general counsel and Mr. Mitchell as secretary for the company.

Stockholders—The number of stockholders in your company increased for the 21st consecutive year and totaled 30,906 at year end. We are appreciative of the many expressions of support and confidence we have received from our stockholders.

Effective Sept. 20, 1971, Beatrice Foods' common stock has been listed on the Basel, Geneva, Lausanne and Zurich, Switzerland, stock exchanges.

The Year Ahead—Your company began its 75th corporate year in the strongest financial position in its history. We believe the new fiscal year will be one of real opportunity for Beatrice to continue its growth as a diversified, multinational company with its primary emphasis on food and related products. We look forward to another year of progress with the invaluable cooperation and support of our employees, stockholders, customers and suppliers.

Yours sincerely,

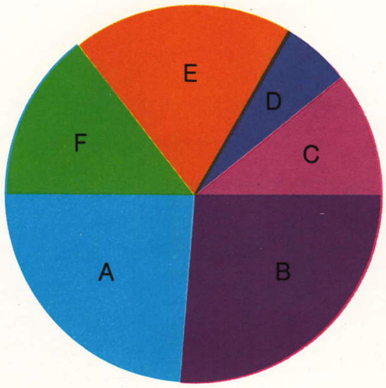
William G. Karnes
Chairman of the Board
Chief Executive Officer

Don L. Grantham
President
Chief Operating Officer

Paul T. Kessler, Jr.
Executive Vice President
Chief Administrative Officer

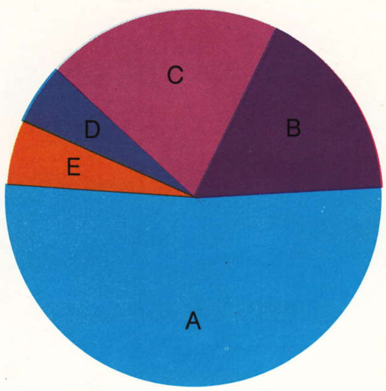
Harry Niemiec
Executive Vice President
Grocery, Confectionery,
Sexton Divisions, Bakery Group

BEATRICE SALES DOLLAR 1972



SOURCE

A. Dairy	24¢
B. Grocery, Sexton and Confectionery	26¢
C. Peter Eckrich—Meat Specialties	11¢
D. Warehouse and Agri-Products	6¢
E. Chemical and Manufactured Products	19¢
F. International	14¢
TOTAL	$1.00



DISPOSITION

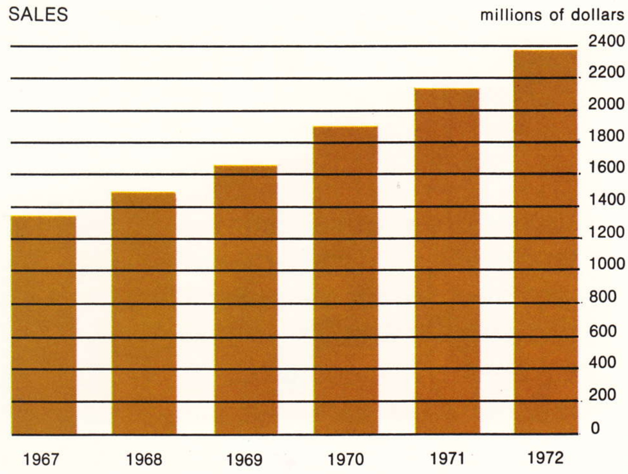
A. Raw Materials	52¢
B. Wages and Salaries	17¢
C. Supplies and Other Expenses	21¢
D. Taxes	5¢
E. Dividends to Stockholders and Earnings Invested in the Business	5¢
TOTAL	$1.00

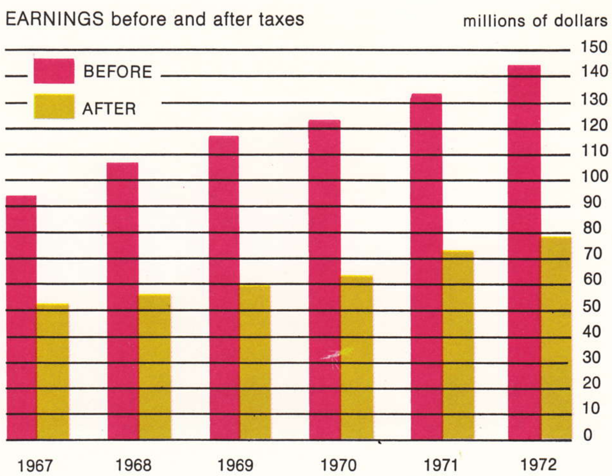
SALES AND EARNINGS BY MAJOR OPERATING AREA

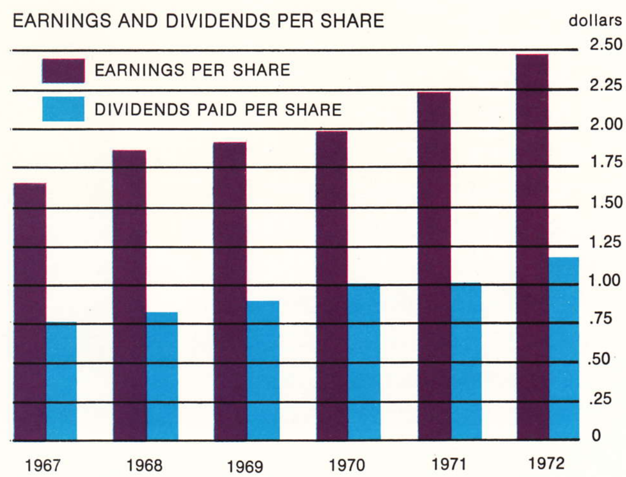
(Dollars in Thousands)

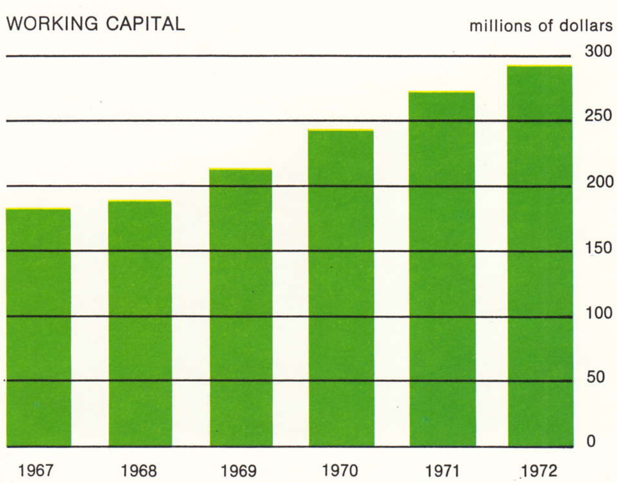
	1972		1971		1971 (Restated for Poolings)	
SALES						
Food and related services	$1,878,939	79%	$1,423,008	78%	$1,710,835	80%
Non-food	505,471	21%	404,299	22%	424,874	20%
	$2,384,410	100%	$1,827,307	100%	$2,135,709	100%
NET EARNINGS						
Food and related services	$ 103,715	63%	$ 82,107	62%	$ 100,826	66%
Non-food	59,775	37%	50,412	38%	51,804	34%
Total operations	$ 163,490	100%	$ 132,519	100%	$ 152,630	100%
Interest and other corporate expenses not allocated to operations	(19,446)		(18,343)		(19,871)	
Federal income taxes	(66,100)		(52,100)		(61,963)	
	$ 77,944		$ 62,076		$ 70,796	

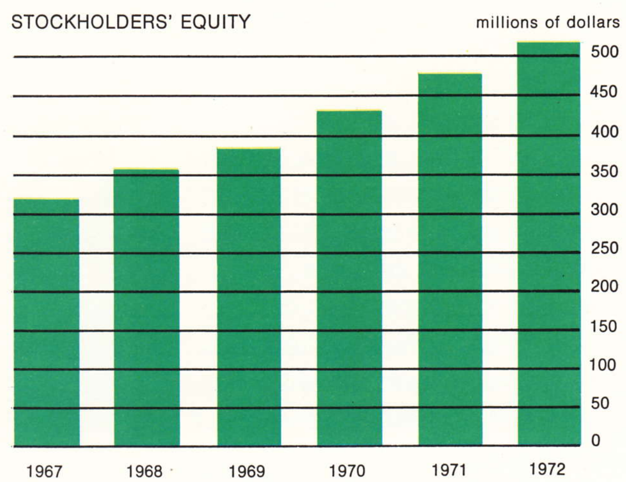
Five years of progress











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

PEOPLE... BEATRICE'S FINEST RESOURCE

Beatrice's growth—its record of accelerating progress over the past two decades—is a record of the collective achievements, the countless contributions and the commitment of our management-employee force of almost 60,000 men and women.

Our company's greatest resource is its people . . . dedicated people with the knowledge and skill to do things effectively and efficiently . . . directed by an experienced management team—1,400 strong.

Actually, Beatrice is a team of teams . . . building a company of companies under a highly decentralized structure of management. This system is people oriented with emphasis upon individual excellence and freedom of action to encourage innovation and generate incentive.

Our system of decentralized management requires a complete management team at each operating unit—or *profit center* as we call each of them. We have 351 profit centers in the United States, Puerto Rico and 28 nations around the world.

The general manager of each profit center is its chief executive officer in virtually every sense of business operation. He must select and develop his key management people, then

(All identifications left to right)

1. Wallace N. Rasmussen, senior vice president; William R. Holmes, manager, Atlantic Coast Dairy District; William J. Polidoro, manager, Southern Dairy District; William W. Granger, Jr., vice president; James T. Hill, manager, Appalachian Dairy District.

2. Miss Melvola Smith, general office; Adam Schubel, manager, Shedd-Bartush Foods Group; Charles J. Gardella, vice president; Gordon E. Swaney, vice president.

3. John M. Spray, manager, Nebraska Dairy District; Lloyd H. Bracksieck, manager, Colorado-Oklahoma-Texas Dairy District; Richard L. Chisholm, manager, Hawaiian Dairy District; John D. Conners, manager, Utah-Idaho-Montana Dairy District.

4. Richard D. Graham, manager, Ohio-Pennsylvania Special Dairy Products Group, Ohio Milk Plants; Vernon R. Janes, manager, North Central Dairy District and Iowa-Missouri-Kansas Milk District; Lloyd C. Thompson, manager, Southern Illinois-Kentucky Milk District; John F. Hazelton, Jr., vice president.

5. E. A. Walker, vice president; Kenneth M. Shaffer, manager, California-Oregon-Nevada Dairy District; Brown W. Cannon, senior vice president.

mold and motivate them to operate as a team. This management team has the authority and the responsibility to make decisions quickly in the field to adjust to everchanging market conditions.

Forty-six group managers (designated as district managers in the Dairy Division) are responsible to the senior corporate officers of the company for the profitable growth of the operating units in their groups. All of these group managers are among those pictured on these and the following pages. They, too, are located in the field—where the action is.

The groups are organized within each division on the basis of similarity of product, marketing or manufacturing technology. Available to the group managers and to the managements of the profit centers are the services of the corporate administrative and technical staffs.

The success of each profit center—and ultimately, the continuing progress of the entire company—is the summation of how ably the members of this team of teams have employed their skills, experience and creativity in this system of decentralized management.

It is this team of teams that will build an even better Beatrice in the future.

DAIRY DIVISION

The Dairy Division, continuing to expand through creation of new products and new channels of distribution, increased its sales, earnings and unit sales to new highs for the 33rd consecutive year.

Domestic sales totaled \$581,938,247, a gain of \$60 million, or 12 per cent, on a reported basis. Restated, the increase was \$47 million, or nine per cent. Over the last five years, dairy sales have increased \$132 million or 29 per cent on a reported basis, well ahead of the national average for the industry. Restated, the increase was \$113 million, or 24 per cent.

The division, which now operates 85 plants and 190 branches with distribution in 46 states and the District of Columbia, further accelerated its emphasis upon specialty products.

Major capital improvements were completed or initiated at 13 locations with particular emphasis on expanding yogurt facilities marketed under the Dannon, Johnston, Meadow Gold and Viva brands.

Dannon plans to open its third plant, a new automated yogurt facility in Plainfield, N.J., in May 1972. Yogurt operations were installed at Topeka, Kans., and expanded at Salt Lake City, Utah. County Line Cheese Co., Auburn, Ind., opened a second natural cheese plant in Seymour, Wis.

Anti-water pollution equipment and cottage cheese whey evaporating equipment that converts the whey into a commercial food ingredient will be in operation at the Champaign, Ill., milk plant in 1972.

GROCERY DIVISION

Grocery sales and earnings, including bakery and carbonated soft drink products, attained all-time highs for the 15th consecutive year. Sales climbed to \$428,893,982, a gain of \$60,749,903, or 17 per cent,

(Above, left to right)—Harry Niemiec, executive vice president; Daniel R. Gallagher, manager, Grocery Glass Group; John E. Rudolph, vice president.

(Below)—T. Mackin Sexton (left), president, John Sexton Division; Maurice Dowling, manager, Grocery Products—Industrial Group.

from the previous year on a reported basis. Restated, the increase was $28,396,130, or seven per cent.

New products and packaging and expansion of facilities and distribution were the primary sources of growth for the Grocery Division which markets more than 4,000 convenience foods products from 68 plants and branches in 25 states.

Plant additions included a fully automated and computerized frozen food distribution center under construction at Beatrice Frozen Specialties' site at Archbold, Ohio. Miracle White moved into substantially larger facilities in Chicago for manufacturing home laundry products. Shedd-Bartush Foods erected new refrigerated warehouses at its plants at Elgin, Ill., and Greenville, S. C. Fisher began construction of a peanut processing plant in Suffolk, Va.

BAKERY OPERATIONS

The Bakery Group, which now includes 10 plants and 16 branches, continued its expansion and diversification in fresh and frozen specialty items. The seven member companies introduced 48 new products during the year.

Burny Bros. expanded its distribution substantially and now sells products in 249 supermarkets in the Greater Chicago area.

Butter Krust Bakeries will complete a substantial addition to its plant in Lakeland, Fla., in 1972. The expansion will increase production 50 per cent.

CARBONATED SOFT DRINKS

In the last year, Beatrice has expanded into carbonated soft drinks and now operates three plants in Southern California, one in St. Paul, Minn., and three in Louisville, Ky.

Among the leading brands distributed by one or more of these plants are Royal Crown, Diet Rite Cola, Par-T-Pak, Canada Dry, Dad's, Nehi, Gold Medal and Checkers.

PETER ECKRICH DIVISION

On Jan. 7, 1972, Peter Eckrich & Sons was merged into a wholly-owned subsidiary of Beatrice Foods and established as the Peter Eckrich Division.

Founded in Fort Wayne, Ind., in 1894, Eckrich is one of the Midwest's leading meat specialty companies. Its product line includes more than 125 varieties of smoked sausage, frankfurts, luncheon meats and other meat specialties.

Eckrich's sales for the fiscal year reached an all-time high of $257,427,803.

Eckrich operates plants at Fort Wayne; Kalamazoo, Mich.; Fremont, Ohio, and Chicago. Its E. W. Kneip operation has plants at Chicago, Forest Park and Elburn, Ill.; Lamoni, Iowa, and Omaha and Wahoo, Neb. Its Hacienda la Rosita, S.A., operation in Costa Rica is engaged in raising beef cattle.

During the year, Eckrich introduced its "Meat Keeper" luncheon meat package. Easily opened, it is a self-container. A plastic lid snaps back in place, protecting the remaining slices of meat.

SEXTON DIVISION

John Sexton & Co., national distributor of food and related products to the food service industry, was established as an operating division during the year.

Sales for the fiscal year increased $10,382,925, or 10 per cent, to $119,436,448.

Sexton distributes more than 2,500 products in the United States and Puerto Rico . . . and is continuing to expand.

The division opened a new sales and distribution warehouse in Landover, Md., near the nation's capital. The Boston sales and distribution operations were moved into a new and larger facility in that city. In May 1971, the division's headquarters were transferred to Chicago's downtown commercial center and the Chicago sales distribution warehouse was moved to a new facility in Elk Grove Village, Ill., near Chicago's O'Hare airport.

CONFECTIONERY DIVISION

Development of stronger marketing programs, introduction of new products and closer coordination of distribution systems contributed to the growth of the Confectionery Division. Sales increased for the 12th consecutive year to a record $68 million, a gain of $6 million, or 10

Richard P. Eckrich (left), chairman of the board; Donald P. Eckrich, president, Peter Eckrich Division.

per cent from the previous year.

All seven member companies expanded their promotional programs. The D. L. Clark Co. and M. J. Holloway & Co. increased television advertising substantially. Clark augmented its campaign with network radio advertising.

Richardson increased its advertising in consumer magazines with appeal to women. Switzer Licorice, Chesterton and Zachary expanded their trade promotional programs.

Richardson is constructing an addition to its Philadelphia, Pa., plant. Jolly Rancher increased its cooking capacity 50 per cent at its Wheatridge, Colo., plant.

Clark, Holloway, Jolly Rancher and Switzer joined in an area program of combined distribution to stores of direct-buying retailers. Customer response to this program has encouraged the division to expand it across the country in 1972.

WAREHOUSE DIVISION

Revenues and earnings of the Warehouse Division increased for the 11th successive year. Revenues rose to $68 million, a gain of $5 million, or eight per cent.

With the completion of a new Food Distribution Center on Chicago's southwest side in 1972, the division will be operating 23 cold storage and three dry storage warehouses in key market centers across the country.

William J. Powers (left), assistant general manager, Confectionery Division; John W. Hoermann, vice president.

The Center, to be known as the Produce Terminal/Food Marketers Distribution Center, will be the equivalent of five stories in height. Freezer capacity in this completely automated and computerized center will be 1,500,000 cubic feet.

The Bartow (Florida) unit of Tampa Cold Storage and Warehouse will open a new plant in 1972. Grand Trunk Warehouse and Cold Storage, Detroit, Mich., will complete extensive remodeling of its refrigeration equipment in 1972.

Consolidated shipping programs have been developed at Inland Underground Facilities, Kansas City, Kans., Quincy Market Cold Storage and Warehouse Co., Boston, and Gloucester, Mass., Tampa Cold Storage, Tampa, Fla., and Terminal Refrigerating, Los Angeles, as part of the division's program to expand its revenues and distribution.

The wholesale frozen food operation in the Midwest also was expanded and now distributes more than 2,000 frozen food items to supermarkets and food service facilities in the Metropolitan Chicago area.

AGRI-PRODUCTS DIVISION

Sales and earnings of the Agri-Products Division climbed to new highs. Sales advanced to $76,339,696, an increase of $13,584,955, or 22 per cent on a reported basis. Restated, the increase was $5,115,637, or seven per cent.

The division operates 29 plants and branches in the United States.

—San Angelo By-Products, San Angelo, Tex., added two new facilities in San Antonio and Amarillo, Tex., and has purchased a site for a new plant in Amarillo.

—Pfister & Vogel Tanning Co., Milwaukee, Wis., joined the division in June. Pfister & Vogel, a leading manufacturer of fine upper shoe leathers, added 10 new products.

—Ross-Wells expanded its facilities at Berlin, Md., and Gainesville, Ga., and developed a new dry mink food pellet which has had excellent acceptance nationally from mink ranchers.

—Colorado By-Products increased its hide-handling operations in Denver, Colo., and opened the most modern operation in the nation for curing steer hides in Greeley, Colo.

—The Vigortone Co. opened a second plant in March 1971 in Fremont, Neb. This automated plant has doubled Vigortone's capacity for producing pre-mix mineral and vitamin supplements for animal feeds.

Last year, the division invested more than $1,000,000 for air and water pollution control systems. Pfister & Vogel is installing a new type water-saving, protein recovery system. This pioneer program in the industry will reduce the company's water requirements by 250,000 gallons per day.

—Major pollution control projects also were completed at Dallas, Tex., Berlin, Md., and Nampa and Twin Falls, Idaho.

CHEMICAL DIVISION

Beatrice Chemical was established as a new operating division of the company, effective Jan. 1, 1972.

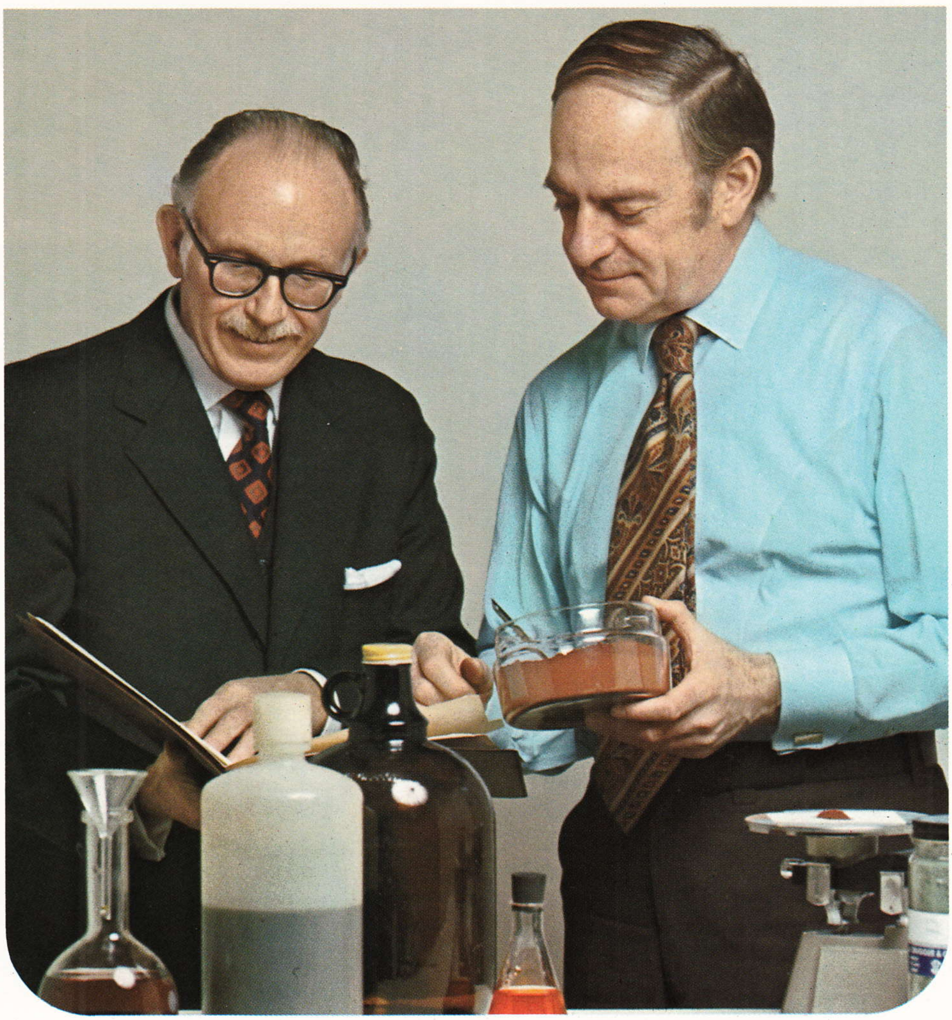
Sales for Beatrice Chemical, including five domestic and 11 international profit centers, for the fiscal year were $45,697,416, an increase of $5,700,451, or 14 per cent from the previous year.

The division produces thousands of specialty products . . . ingredients for finishing leather, vinyls, textiles . . . ingredients for floor polishes, paper coatings, adhesives, inks. Other major items include paints, coatings, varnishes, resins and finishes for shoe manufacturers.

Beatrice Chemical introduced a number of new products and processes during the year. The Stahl Finish and Polyvinyl departments continued their world leadership in the development of polyurethane

(Above, left to right)—Robert Cooper, general manager, Warehouse Division; John Keller, manager, Butter Plant Group; Harry Tidey, manager, Bakery Group.

(Below)—Paul T. Kessler, Jr. (left), executive vice president; Louis E. Stahl, president, Chemical Division.



coatings for fabrics, genuine and synthetic leathers, plastic and other materials.

Farboil continued to pioneer development of powder coatings involving the application of paint in dry form. Imperial Oil and Grease developed additional high performance lubricants for the steel industry and consumer products.

New polymers were introduced by the division for such varied uses as toners for photocopy machine makers, automobile lacquers, gloss floor polishes, carpet cleaners, printing inks and marine paints.

A new research and development laboratory for polyurethane resins was completed at Peabody, Mass., in October. Quimicas Stahl-Polyvinyl, C.A. started production in a new plant in Cagua, Venezuela, in February 1972. Stahl-Armstrong, Ltd., Sydney, Australia, joined the division in June 1971.

MANUFACTURED PRODUCTS DIVISION

Record gains in sales and earnings to all-time highs were reported for Manufactured Products, one of the fastest-growing divisions of the company. Sales increased to $424,588,892, a gain of $82,998,191 or 24 per cent, on a reported basis. Restated, the increase was $62,423,476, or 17 per cent.

During the year, organization of the division into groups was completed, consistent with Beatrice's structure of decentralized management. Operations are comprised of 75 domestic plants in 11 groups. Each of the groups is supervised by a group manager selected from the company's management team.

The groups are: Draperies and Accessories, Educational Services, Fabric Products, Furniture, Graphic Arts, Institutional Products and Home Accessories, Lamps and Accessories, Metal Products, Recreational Products and Mobile Homes, Specialty Products and Tooling.

(Above)—Brown W. Cannon (left), senior vice president; Anthony Q. Sanna, general manager, Agri-Products Division.

(Below, left to right)—Theodore R. Ruwitch, manager, Institutional Group; Carl A. Gorychka, manager, Metal Products Group; Douglas C. Bard, manager, Furniture Group, Manufactured Products Division.

The division continued its expansion into international markets. Bloomfield Industries, Taylor Freezer, Beneke Industries, World Dryer, Vogel-Peterson, Geerpres, Melnor, Market Forge, Minnesota Valley Engineering and Converters Ink are among those that now have manufacturing or product assembly operations outside of the United States.

Airstream opened its third travel trailer plant in Versailles, Ohio, in March 1972. Allison's new plants for printed knitwear in Miami, Fla., and Albemarle, N.C., are expected to be in operation in June 1972. Hekman Furniture completed an addition to its plant in Lexington, N.C.

Brillion Iron Works, which poured the highest tonnage of gray iron in its history in the fiscal year, installed a new ductile iron facility at its Brillion, Wis., plant. Dial Tube opened facilities for electric buttweld steel tubing in Dallas, Tex., and Chicago Heights, Ill. Jacobsen is completing the development of Fairway Village Mobile Home Park in Largo, Fla.

E. R. Moore became the exclusive marketing agent for a series of packaged programs in the area of religious education.

INTERNATIONAL DIVISION

Sales and earnings of the International Division, comprising 133 plants and branches in 28 nations around the world, increased for the 11th consecutive year. Sales including joint ventures, were $371 million, an increase of $65 million, or 21 per cent.

Beatrice's share of net earnings after foreign taxes was $14.4 million, an increase of $2.3 million,

(Above, left to right) — Richard A. Voell, manager, Recreational Products and Mobile Homes Group; Walter R. Lovejoy, manager, Tooling Group; James Weiss, manager, Graphic Arts and Educational Services Groups, Manufactured Products Division.

(Left, left to right)—Leo J. Himmelsbach, manager, Draperies and Accessories Group; Carl T. E. Sutherland, manager, Specialty Products Group; Melvin Weinstein, manager, Fabric Products Group, Manufactured Products Division.

(All identifications left to right)
(Top)—Arthur T. Mussett, operating director, European Dairy Plants; James L. Dutt, executive director, Eastern Dairy Area, Eastern Canada Dairy Area; James G. Fransen, operating director, Caribbean Dairy Plants.

(Center)—Juan E. Metzger, vice president; Allan W. Adams, president, Adams International; Andre J. Job, director, International Grocery Operations.

(Below, left)—Richard S. Hartman, director, International Snack Food Operations; Peter Brown, director, International Candy Operations.

(Below, right)—George Q. Cannon, manager, Far East-Southwest Asia Operations; Sohn Yong Hyun, president, Meadow Gold-Dae Han Foods Ltd., Seoul, Korea, at Kyungbok palace in Korea.

or 19 per cent from the previous year. These figures include sales and net earnings of international operations of the Chemical Division.

International operations were expanded substantially around the world during the year. In Europe, Beatrice purchased a major interest in Ybarra-Beatrice S. A., Seville, Spain, and Elnagh Caravans, Milan, Italy. Ybarra-Beatrice is a new Spanish company created by combining a division of Hijos de Ybarra, Seville, and Beatrice's Mario's Food Products, Detroit, Mich. The new company processes and packs green olives and related products for marketing in the United States and Europe. Elnagh is the leading manufacturer of travel trailers in Italy.

Additions to international dairy operations included Lakeview Pure Milk, Ltd., Barrie, Ont., Canada, which joined the company's Eastern Canadian Dairy Division in November, and Meadow Gold-Dae Han Foods, Ltd., a dairy products firm in Seoul, Korea, in which Beatrice purchased a major interest.

Beatrice also purchased Henry Berry & Co., and a majority interest in Patra Holdings Pty., Ltd., both in Melbourne, Australia. Henry Berry is a wholesale distributor of specialty dry groceries and manufacturer of polyethylene film. Patra distributes fresh orange juice and related products from plants in Melbourne and Adelaide.

Major expansions included an addition to Colonial Cookie Company's plant in Kitchener, Ont., Canada, which will expand Colonial's production capacity 25 per cent, and a substantial increase in the V-H Quality Foods facilities to produce Chinese foods and special sauces in Montreal, Que., Canada.

Cremo Limited, Kingston, Jamaica, completed a new branch at Montego Bay; Bireley's California Orange (Thailand) division opened a new carbonated beverage facility in Bangkok, and Red Tulip Chocolate completed another expansion of its candy facilities in Melbourne, Australia.

OFFICERS AND DIRECTORS

OFFICERS

*WILLIAM G. KARNES
Chairman of the Board
Chief Executive Officer

*DON L. GRANTHAM
President
Chief Operating Officer

*PAUL T. KESSLER, JR.
Executive Vice President
Chief Administrative Officer

*HARRY NIEMIEC
Executive Vice President
Grocery, Confectionery
John Sexton Divisions, Bakery

BROWN W. CANNON
Senior Vice President
Western Dairy Area,
Agri-Products, Recreational
Products and Mobile Homes

WALLACE N. RASMUSSEN
Senior Vice President
Eastern Dairy Area
Eastern Canada Dairy Area
Warehouse Division

WILLIAM W. GRANGER, JR.
Vice President, Northeast-Southeast
Dairy Region

JOHN F. HAZELTON, JR.
Vice President, East
Central-North Central Dairy Region
Iowa-Missouri Ice Cream District

E. A. WALKER
Vice President,
Western Dairy Region

JUAN E. METZGER
Vice President, International
Manager, Yogurt-Specialty
Products Group

LEE SCHLYTTER
Vice President, Corporate
Development

GORDON E. SWANEY
Vice President, Ass't.
Gen'l Manager, Grocery

JOHN W. HOERMANN
Vice President, General
Manager, Confectionery

JOHN E. RUDOLPH
Vice President,
Group Manager, Grocery

CHARLES J. GARDELLA
Vice President
Grocery Marketing

WILLIAM G. MITCHELL
Vice President
Administration, Secretary

JOHN P. FOX, JR.
Vice President—Law
General Counsel

ROBERT W. FRANCE
Treasurer

PETER COWLES
Controller

CARL T. E. SUTHERLAND
Assistant Secretary
Assistant Treasurer
Group Manager, Manufactured
Products

R. WILBUR DAESCHNER
Assistant Secretary

THOMAS J. BOYCE, JR.
Assistant Treasurer

LEO J. HIMMELSBACH
Assistant Treasurer
Group Manager, Manufactured
Products

DIRECTORS

BROWN W. CANNON
Denver, Colo.

ALVIE J. CLAXTON
Pinehurst, N.C.

G. A. COSTANZO
New Canaan, Conn.

*DONALD P. ECKRICH
Fort Wayne, Ind.

*RICHARD P. ECKRICH
Fort Wayne, Ind.

DON L. GRANTHAM
Lake Forest, Ill.

JOHN F. HAZELTON, SR.
Wilmette, Ill.

WILLIAM G. KARNES
Flossmoor, Ill.

PAUL T. KESSLER, JR.
Lake Forest, Ill.

BERNARD A. MONAGHAN
Birmingham, Ala.

EDWARD M. MULDOON
Sun City Center, Fla.

JAY G. NEUBAUER
Long Grove, Ill.

HARRY NIEMIEC
Chicago, Illinois

WALLACE N. RASMUSSEN
Nashville, Tennessee

T. MACKIN SEXTON
Winnetka, Ill.

DR. DURWARD B. VARNER
Lincoln, Neb.

OMER G. VOSS
Evanston, Ill.

FLAVEL A. WRIGHT
Lincoln, Neb.

*Effective March 1, 1972

COMMITTEES

EXECUTIVE COMMITTEE
WILLIAM G. KARNES
Chairman
BROWN W. CANNON
DON L. GRANTHAM
JOHN F. HAZELTON, SR.
PAUL T. KESSLER, JR.
BERNARD A. MONAGHAN
HARRY NIEMIEC
FLAVEL A. WRIGHT

STOCK OPTION COMMITTEE
FLAVEL A. WRIGHT, *Chairman*
G. A. COSTANZO
BERNARD A. MONAGHAN
DURWARD B. VARNER

PENSION COMMITTEE
G. A. COSTANZO, *Chairman*
BERNARD A. MONAGHAN
EDWARD M. MULDOON
JAY G. NEUBAUER

AUDIT COMMITTEE
BERNARD A. MONAGHAN, *Chairman*
ALVIE J. CLAXTON
JOHN F. HAZELTON, SR.
FLAVEL A. WRIGHT

EXECUTIVE COMPENSATION COMMITTEE
G. A. COSTANZO, *Chairman*
BERNARD A. MONAGHAN
OMER G. VOSS
FLAVEL A. WRIGHT

(Left to right)—Peter Cowles (seated), Robert W. France, Thomas J. Boyce, Jr.

(Left to right)—Lee Schlytter, John P. Fox, Jr., William G. Mitchell, R. Wilbur Daeschner.

NEW FROM BEATRICE

New and improved products and services contributed substantially to your company's internal growth. The year's yield from research and development was a record total of more than 450 new products and services.

Among the 196 new or substantially improved food items, all in the convenience category, were gourmet ice cream specialties manufactured by an automated fast-freeze process that improves texture and quality. The Dairy Division also introduced chocolate coated and strawberry short cake mousse. Others were Sanna frozen whipped cream, non-dairy whip topping and creamer, Louis Sherry ice cream "Bombes", breakfast juice powders and a variety of new "Chez-Tone" flavors used in the production of snacks.

Grocery items included improved meat snacks from Lowrey's, dry-roasted Sunflower Nuts plus a line of foil-wrapped nuts from Fisher Nut and new style pickles from Bond and L&S.

Others included California ripe olives and Ybarra brand olive oil from Mario's, additional frozen Chinese-American dinners from LaChoy and taco shells and sauces from Rosarita. Gebhardt expanded its line of canned Mexican foods substantially. Fruits for yogurt were created by Cincinnati Fruit, and Dell Foods augmented its line of meat seasonings and salad dressing mixes.

Tasty new candy items included the Holloway bar, Clark's Hot Kisses, Jolly Rancher Ranch-O-Pops and Switzer Chew Strings. Among the new bakery items were Murray Biscuit's Lemon Cakes, Animal Cookies and Striped Shortbread, Mother's Cookie's "Thins" in five flavors and "Happy Face" cookies and additions to Burny's frozen line.

Sexton's 10 new products in institutional sizes included Dumplings with Chicken, Cream Soup a la Reine, and Cranberry Applesauce.

Eckrich introduced Jumbo Fun Franks, Home Style Meat Loaf, Chopped Ham Loaf, a line of precooked natural formed beef roasts and fresh pork sausage links and patties with extended shelf life.

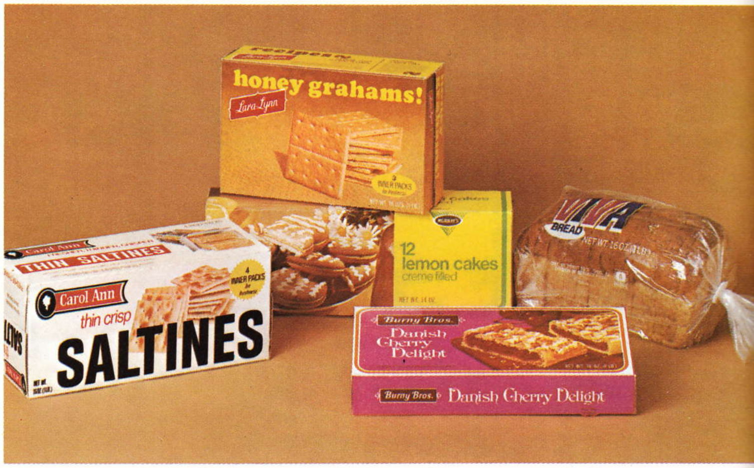
Among the more than 200 new non-food products were the high-styled Stiffelon™ lamp created by Stiffel, outdoor gas lamps and barbecues and gas fireplace log units from Charmglow, glass-topped tables from Hekman and all-terrain recreational vehicles from Snow.

Both Morgan and Striker expanded their lines of prestige yachts. Airstream completely sold out its production of the luxurious "Excella 500" travel trailers and Bonanza introduced a line of "fifth wheel" campers.

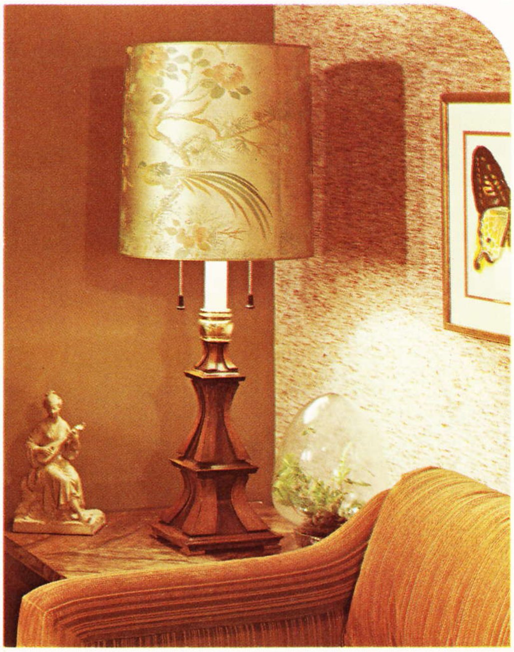
Taylor Freezer marketed electronic solid-state ice cream freezers and Market Forge brought out an improved microwave oven and a tilting skillet. Beatrice Manufacturing's tabletop "Electro-Grill" and an Imperial line of mobile homes from Jacobsen also proved popular.

Indicative of the company's increasing emphasis on greater internal growth, more than 275 projects were under way in Beatrice laboratories and test facilities around the world at the start of the new fiscal year.

From left: Ulus Reese, technologist, Quality Control and Regulatory Compliance Dept.; Miss Pauline Pearson (Beatrice Cook), director, Beatrice Test Kitchens; Dr. Peter P. Noznick, director, Beatrice Research Center; Mrs. Ellen K. Wake, chief bacteriologist.




CLARK
ZIG ZAG
NUTTY CARAMEL POPCORN
HOLLOWAY'S
1¢
Soft & Creamy
HOLLOWAY'S
1¢
Soft & Creamy
CLARK
HOT KISSES
HOT CINNAMON FLAVOR
NET WT. 11 OZS.
TWIN
RANCH-O-POPS
Holloway
Holloway
PINK COW




HOMOGENIZED
MILK
Meadow Gold
GRADE A PASTEURIZED HOMOGENIZED VITAMIN D
MILK
SWEETHEART
Meadow Gold
SWEETHEART
cookie ala mode
REAL WHIPPED CREAM
FROZEN WHIPPED TOPPING
banana
banana
Brussels Bombe
Swiss Chocolate Bombe
Meadow Gold
dessert mints
dessert mints
VIVA
STRAWBERRY YOGURT
VIVA
PLAIN YOGURT
PLAIN


OLIVE OIL
PURE OLIVE OIL
YBARRA
TACO SHELLS
Rosarita
12
TACO SHELLS
LA CHOY
egg rolls
Gebhardt's
chicken TAMALES
churngold soft margarine
Fisher's
TACO FILLING
Rosarita
SAUCE FOR TACOS
Shedd's soft margarine
LA CHOY
beef chow mein dinner
with fried rice
Gebhardt's
ENCHILADA
Gebhardt's
GAZPACHO soup mix
Fisher's
peanuts
cashews
cashews
Fisher's
Peanuts
DRY ROASTED
Sunflower nuts

Consolidated Balance Sheet

Years Ended February 29, 1972, and February 28, 1971

ASSETS	1972	1971 PREVIOUSLY REPORTED	1971 RESTATED FOR POOLINGS (NOTE 3)
Current assets:			
Cash	$ 50,288,311	$ 39,919,447	$ 46,522,776
Marketable securities, at cost	3,347,355	3,231,221	4,632,823
Receivables, less allowance for losses $10,407,675 (1971—$9,116,454, restated $9,963,308)	212,550,455	173,631,847	190,991,550
Inventories, at lower of cost (first-in, first-out) or market	227,379,263	180,938,001	196,366,359
Prepaid expenses	10,622,591	9,247,457	10,446,098
Total current assets	504,187,975	406,967,973	448,959,606
Plant and equipment, at cost less depreciation:			
Land	23,068,599	15,372,205	19,345,668
Buildings	178,645,296	139,586,746	170,369,938
Machinery and equipment	340,292,107	272,146,187	310,330,100
	542,006,002	427,105,138	500,045,706
Less accumulated depreciation	217,237,707	173,756,831	201,089,693
	324,768,295	253,348,307	298,956,013
Investments and other assets	17,160,347	12,621,222	14,588,553
Intangible assets (note 4)	88,035,127	75,092,097	80,391,566
	$934,151,744	$748,029,599	$842,895,738

See accompanying notes to consolidated financial statements.

LIABILITIES & STOCKHOLDERS' EQUITY	1972	1971 PREVIOUSLY REPORTED	1971 RESTATED FOR POOLINGS (NOTE 3)
Current liabilities:			
Accounts payable and accrued expenses	$185,376,380	$127,127,093	$144,381,930
Current portion of long-term debt	11,991,541	10,989,983	15,754,008
Income taxes	15,052,954	15,255,336	18,533,807
Total current liabilities	212,420,875	153,372,412	178,669,745
Indebtedness incurred upon acquisition of other companies (note 6)	44,510,216	42,802,114	54,597,439
Debentures and notes payable (note 6)	94,821,000	83,000,000	83,000,000
Deferred credits and other non-current liabilities (notes 5 and 7)	50,774,406	36,439,259	40,726,299
Minority interests in consolidated subsidiaries	13,041,355	10,436,421	10,436,421
Stockholders' equity (notes 8 and 9):			
Convertible preference stock, liquidation preference $50,279,040 (1971—$54,673,500)	20,385,905	21,862,880	21,862,880
Common stock	112,683,077	98,925,384	111,630,032
Capital surplus	14,486,261	11,837,369	10,550,698
Earnings invested in the business (earned surplus)	374,372,939	290,714,121	331,662,091
	521,928,182	423,339,754	475,705,701
Less common stock in treasury	3,344,290	1,360,361	239,867
Stockholders' equity	518,583,892	421,979,393	475,465,834
	$934,151,744	$748,029,599	$842,895,738

See accompanying notes to consolidated financial statements.

Statement of Consolidated Earnings

Years Ended February 29, 1972, and February 28, 1971

	1972	1971 PREVIOUSLY REPORTED	1971 RESTATED FOR POOLINGS (NOTE 3)
Income:			
Net sales	$2,384,409,804	$1,827,306,807	$2,135,709,414
Other income (net)	7,805,737	7,255,395	7,749,345
	2,392,215,541	1,834,562,202	2,143,458,759
Costs and expenses:			
Cost of sales	1,751,825,179	1,306,242,363	1,554,974,969
Selling, administrative and general expenses	444,850,120	372,448,457	405,430,315
Provision for depreciation (straight-line method)	35,783,751	27,376,010	34,256,201
Interest expense	13,587,040	12,505,370	14,154,637
Minority interests in earnings of subsidiaries	2,125,725	1,814,025	1,884,034
	2,248,171,815	1,720,386,225	2,010,700,156
Earnings before income taxes	144,043,726	114,175,977	132,758,603
Provision for income taxes (note 5)	66,100,000	52,100,000	61,962,834
Net earnings	$ 77,943,726	$ 62,075,977	$ 70,795,769
Net earnings per share of common stock (note 12)	$2.46	$2.22	$2.24

See accompanying notes to consolidated financial statements.

Statement of Consolidated Capital Surplus and Earnings Invested in the Business (Earned Surplus)

Years Ended February 29, 1972, and February 28, 1971

	1972	1971 PREVIOUSLY REPORTED	1971 RESTATED FOR POOLINGS (NOTE 3)
CAPITAL SURPLUS			
Balance at beginning of year	$ 11,837,369	$ 14,735,264	$ 6,813,413
Charge to reflect poolings of interests	1,286,671	6,635,180	—
	10,550,698	8,100,084	6,813,413
Excess of stated value of converted shares of preference stock over stated value of shares of common stock issued upon conversion (note 8)	1,017,756	492,221	492,221
Excess of principal amount of converted debentures over stated value of 5,114 shares of common stock issued upon conversion	154,340	—	—
Excess of proceeds over stated value of shares of common stock issued under stock options (note 9)	2,534,250	2,187,639	2,187,639
Excess of fair value over stated value of common stock issued upon purchase of other companies	275,442	1,465,580	1,465,580
Stated value of 47,079 shares (1971—187,626 shares) of common stock issued as additional consideration in pooling-of-interests transactions consummated in prior years	(171,838)	(684,835)	(684,835)
Other items	125,613	276,680	276,680
Balance at end of year	$ 14,486,261	$ 11,837,369	$ 10,550,698
EARNINGS INVESTED IN THE BUSINESS (EARNED SURPLUS)			
Balance at beginning of year	$290,714,121	$243,138,341	$291,215,304
Add pooled companies	40,947,970	13,673,002	—
	331,662,091	256,811,343	291,215,304
Net earnings for the year	77,943,726	62,075,977	70,795,769
	409,605,817	318,887,320	362,011,073
Less:			
Dividends paid to holders of:			
Preference stock	2,167,764	2,184,131	2,184,131
Common stock, $1.16 a share (1971—$1.00 a share)	32,081,253	25,664,363	25,664,363
Capital stocks of pooled companies	983,861	324,705	1,767,347
Premium on common stock acquired by pooled company	—	—	733,141
	35,232,878	28,173,199	30,348,982
Balance at end of year	$374,372,939	$290,714,121	$331,662,091

See accompanying notes to consolidated financial statements.

Statement of Changes in Consolidated Financial Position

Years ended February 29, 1972, and February 28, 1971

	1972	1971 PREVIOUSLY REPORTED	1971 RESTATED FOR POOLINGS (NOTE 3)
FUNDS PROVIDED:			
Net earnings	$ 77,943,726	$ 62,075,977	$ 70,795,769
Charges which did not currently use funds:			
Depreciation	35,783,751	27,376,010	34,256,201
Deferred tax and other items	3,861,489	4,527,555	4,786,667
Total from operations	117,588,966	93,979,542	109,838,637
Sale of common stock under option plans	2,926,712	2,566,527	2,566,527
Fair value of common stock issued for assets of purchased companies	302,269	2,905,573	2,905,573
Issuance of common stock upon conversion of preference stock and debentures	1,660,842	685,110	685,110
Proceeds from sale-and-leaseback of properties	13,050,755	—	—
Long-term borrowings:			
Debentures	25,000,000	20,000,000	20,000,000
Other	2,605,606	15,652,268	15,980,268
Investments and other items	1,377,501	2,217,967	2,764,286
Total funds provided	164,512,651	138,006,987	154,740,401
FUNDS USED:			
Cash dividends	35,232,878	28,173,199	29,615,841
Plant and equipment acquired through purchase of other companies	7,322,066	10,864,267	10,864,267
Plant and equipment purchased, net of retirements $3,480,043 (1971—$4,936,628, restated $5,114,217)	59,873,921	45,727,157	53,556,585
Preference stock and debentures (net) retired upon conversion into common stock	1,660,842	685,110	685,110
Reductions in long-term debt	25,692,829	7,194,724	14,396,354
Intangible assets acquired	7,725,770	17,126,569	17,126,569
Acquisition of treasury shares, investments, etc.	5,527,106	2,165,715	2,165,715
Total funds used	143,035,412	111,936,741	128,410,441
Increase in working capital	$ 21,477,239	$ 26,070,246	$ 26,329,960
CHANGES IN WORKING CAPITAL COMPONENTS:			
Increases in current assets:			
Cash and marketable securities	$ 2,480,067	$ 1,377,101	$ 5,854,016
Receivables	21,558,905	24,944,933	25,998,517
Inventories	31,012,904	15,363,481	14,044,086
Prepaid expenses	176,493	888,993	725,598
	55,228,369	42,574,508	46,622,217
Increases (decreases) in current liabilities:			
Accounts payable and accrued expenses	40,994,450	15,118,639	16,552,999
Current portion of long-term debt	(3,762,467)	307,056	983,984
Income taxes	(3,480,853)	1,078,567	2,755,274
	33,751,130	16,504,262	20,292,257
Increase in working capital	$ 21,477,239	$ 26,070,246	$ 26,329,960

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Beatrice Foods Co. (the Company) and all subsidiaries. The accounts of subsidiaries operating outside the United States have been translated into United States dollar equivalents at appropriate rates of exchange.

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:

	1972	1971
Current assets	$102,448,606	$ 77,840,172
Plant and equipment	69,102,120	56,141,210
Investments in joint ventures	5,617,274	4,467,741
Intangibles and other assets	16,954,359	13,392,686
	194,122,359	151,841,809
Less:		
Current liabilities	59,182,431	43,858,113
Non-current liabilities	16,942,743	17,163,611
Minority interests	13,009,505	10,404,571
	89,134,679	71,426,295
Company's equity in net assets	$104,987,680	$ 80,415,514
Company's equity in net earnings	$ 14,441,666	$ 12,158,556

3) POOLINGS OF INTERESTS

During the year ended February 29, 1972, the Company acquired Peter Eckrich and Sons, Inc. (Eckrich) and several other companies in transactions accounted for by the pooling of interests method. In connection therewith the Company issued a total of 3,525,913 shares of its common stock of which 1,918,235 shares were issued to former stockholders of Eckrich. The statement of consolidated earnings for the year ended February 29, 1972, includes the results of operations of such acquired companies for the full year. (Net sales and earnings of the acquired companies for the period March 1, 1971, to dates of merger with the Company totaled $281,368,000 and $8,488,000, respectively, of which $218,316,000 and $5,043,000, respectively, were attributable to Eckrich).

Certain adjustments have been made in the separate financial statements of the acquired companies to conform their accounting methods with those of the Company. The principal change was to reflect the deferral method of accounting for investment tax credits. Such adjustments did not materially affect net income previously reported by the acquired companies.

4) INTANGIBLE ASSETS

Intangible assets represent primarily the excess of total purchase price over net tangible assets of companies acquired in transactions accounted for by the purchase method. Approximately $80,000,000 of such intangible assets arose in transactions initiated prior to November 1, 1970, and are not being amortized. The balance of the intangible assets is being amortized over a period of forty years.

5) INCOME TAXES

The provisions for income tax expense include deferred tax expense of $1,679,924 and $2,323,000 for the years ended February 29, 1972, and February 28, 1971, respectively.

Investment tax credits are being reflected in earnings over the average useful lives of the acquired assets subject to a maximum amortization period of seven years (eight years with respect to credits originating prior to 1972).

Net deferred tax credits (noncurrent), including unamortized investment tax credits, aggregated $11,988,829 at February 29, 1972 ($9,569,086 at February 28, 1971) and are included in deferred credits in the accompanying balance sheet. Net deferred tax charges (current) aggregated $3,098,713 at February 29, 1972 ($2,990,826 at February 28, 1971) and are included in prepaid expenses in the accompanying balance sheet.

6) LONG TERM DEBT

Debentures and notes payable comprise the following:

	1972	1971
7⅞ % Sinking Fund Debentures due 1994	$35,000,000	$35,000,000
7¼ % Convertible Subordinated Debentures due 1990	19,821,000	20,000,000
9% Debentures due 1985	15,000,000	15,000,000
6¼ % Convertible Subordinated Debentures due 1991	25,000,000	—
Notes Payable Under Bank Credit Agreements	—	13,000,000
	$94,821,000	$83,000,000

The indentures under which the debentures were issued provide for annual sinking fund payments or otherwise require prepayments of principal. The first such prepayment is due March 15, 1973, in the amount of $1,000,000. The 6¼ % and 7¼ % debentures are convertible into 546,450 shares and 566,306 shares, respectively, of the Company's common stock.

Indebtedness incurred upon acquisition of other companies is represented by miscellaneous secured and unsecured notes, etc. which mature in varying amounts through 2005.

7) SALE-AND-LEASEBACK TRANSACTIONS

During the year ended February 29, 1972, the Company sold and leased back certain operating properties. The excess of the proceeds ($13,050,755) over the net book value of the properties sold ($5,599,954) has been deferred and will be credited to rental expense over the terms of the related leases. The unamortized balance of such deferred gains, including those which arose in prior years, aggregated $24,146,745 at February 29, 1972 ($17,429,223 at February 28, 1971) and is included in deferred credits in the accompanying balance sheet.

8) CAPITAL STOCK

The following is a summary of capital stock authorized, issued and outstanding.

	1972	1971 (Restated)
Preference stock (without par value). Authorized 2,500,000 shares. Issued and outstanding:		
$2.70 convertible, $60 stated value, 80,799 shares (1971— 99,630 shares)	$ 4,847,940	$ 5,977,800
$4.00 convertible, $10 stated value ($100 liquidation preference), 295,387 shares (1971— 324,118 shares)....	2,953,870	3,241,180
$4.50 convertible, first and second series, $100 stated value, 122,569 shares (1971— 122,839 shares) ...	12,256,900	12,283,900
Series A convertible preference stock, $9 stated value ($100 liquidation preference), 36,355 shares (1971— 40,000 shares)...	327,195	360,000
	$ 20,385,905	$ 21,862,880
Common stock (without par value). Authorized 50,000,000 shares. Issued 30,872,076 shares with $3.65 stated value, including 151,805 shares in treasury (1971— 30,583,570 shares, including 33,910 shares in treasury)..	$112,683,077	$111,630,032

In the 1972 fiscal year, 1,086 shares of $4.00 convertible preference stock were issued under a stock option plan and 52,563 shares of preference stock were converted into 128,789 shares of common stock. There are 1,404,069 shares of common stock reserved for conversion of outstanding preference shares at February 29, 1972. Also during the year, the Company acquired 125,245 shares of its common stock for the treasury and issued 7,350 treasury shares in the purchase of other companies.

9) STOCK OPTIONS

The Company's stock option plans authorize 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 Company also has assumed certain stock options previously granted by acquired companies. The changes in the outstanding stock options during the year ended February 29, 1972, are summarized as follows:

	Number of Shares	Total Option Price
Shares under option at February 28, 1971.....	827,766	$26,775,491
Options granted.........	24,610	971,890
Options assumed	45,091	1,261,762
Options exercised	(107,524)	(2,926,712)
Options cancelled	(18,975)	(652,138)
Shares under option at February 29, 1972	770,968	$25,430,293

Options to purchase 497,971 shares are currently exercisable. There are 130,929 shares of common stock reserved for the granting of additional options.

10) LEASES

The company holds certain equipment under leases which provide for total future rental payments of approximately $10,300,000. Of this amount, $3,400,000 becomes due during the year ending February 28, 1973, and the balance in decreasing amounts thereafter through 1981. Other noncancellable leases provide for minimum annual rentals of approximately $15,900,000. Of this amount, $4,100,000 relates to leases expiring within three years, $4,700,000 to leases expiring after three but within 10 years, $2,600,000 to leases expiring after 10 but within 20 years and the balance of $4,500,000 to leases expiring after 20 years.

11) 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 $4,500,000 for the year ended February 29, 1972, and $4,400,000 for the year ended February 28, 1971. Such amounts include 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 29, 1972, the company also contributed approximately $4,550,000 under plans jointly administered by industry and union representatives. In general, the company's policy is to fund pension costs currently.

12) 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 convertible debentures and all preference stocks, were $2.39 for fiscal 1972 and $2.17 (restated $2.20) for fiscal 1971.

13) LEGAL PROCEEDINGS

On April 30, 1970, the Federal Trade Commission issued a formal complaint alleging that the Company's acquisition in December 1968 of John Sexton & Co. constitutes a violation of the antitrust laws. The Hearing Examiner filed an initial decision and proposed order that the Company divest the business and assets of John Sexton & Co. and for a period of ten years not acquire any domestic institutional dry grocery wholesale business. In the opinion of the Company and its counsel, the acquisition of John Sexton & Co. is not a violation of the antitrust laws and the Examiner's decision is not supported by the extensive evidence of record in this proceeding. Accordingly, the Examiner's decision has been appealed to the Commission which has not yet rendered its decision.

Sales and net earnings of John Sexton & Co. represented approximately five per cent and three per cent, respectively, of the consolidated sales and net earnings for the year ended February 29, 1972.

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 29, 1972 and February 28, 1971 and the related statements of earnings, capital surplus and earnings invested in the business and changes in financial position 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. The financial statements for the year ended February 28, 1971 have been restated to include companies acquired during the year ended February 29, 1972 in transactions accounted for as poolings of interests (note 3). The financial statements of such acquired companies were examined by other auditors whose reports thereon have been furnished to us.

In our opinion, based upon our examination and the reports of other auditors with respect to the restated amounts for the year ended February 28, 1971, the aforementioned financial statements present fairly the financial position of Beatrice Foods Co. and subsidiaries at February 29, 1972 and February 28, 1971 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

April 10, 1972

Peat, Marwick, Mitchell & Co.

CERTIFIED PUBLIC ACCOUNTANTS
111 WEST MONROE STREET CHICAGO, ILLINOIS 60603

Ten Year Review

	1972	1971	1970	1969
EARNINGS				
Net sales	$2,384,410	$1,827,307	$1,576,065	$1,350,011
Other income	7,806	7,255	6,360	4,098
Total	2,392,216	1,834,562	1,582,425	1,354,109
Cost of sales, operating expenses, interest, etc.	2,212,388	1,693,010	1,456,923	1,247,831
Depreciation	35,784	27,376	23,171	18,813
Income taxes	66,100	52,100	49,400	42,283
Total	2,314,272	1,772,486	1,529,494	1,308,927
Net earnings	$ 77,944	$ 62,076	$ 52,931	$ 45,182
Net earnings per common share	$2.46	$2.22	$2.03	$1.94
Dividends per common share	$1.16	$1.00	$1.00	$ .88⅞
FINANCIAL CONDITION				
Working capital	$ 291,767	$ 253,596	$ 217,858	$ 184,935
Plant and equipment (net)	324,768	253,348	215,776	157,959
Other assets	105,195	87,713	70,313	40,604
	721,730	594,657	503,947	383,498
Deduct:				
Long term debt	139,331	125,802	94,060	39,066
Other liabilities, minority interests and deferred credits	63,815	46,876	41,946	37,359
Stockholders' equity	$ 518,584	$ 421,979	$ 367,941	$ 307,073
Ratio of current assets to current liabilities	2.4:1	2.7:1	2.7:1	3.0:1
Book value per common share	$15.24	$13.59	$12.61	$11.32
EARNINGS (Restated for Poolings)				
Net sales	$2,384,410	$2,135,710	$1,901,223	$1,641,052
Other income	7,806	7,749	7,172	5,203
Total	2,392,216	2,143,459	1,908,395	1,646,255
Cost of sales, operating expenses, interest, etc.	2,212,388	1,976,444	1,756,050	1,504,262
Depreciation	35,784	34,256	29,896	26,610
Income taxes	66,100	61,963	60,207	56,925
Total	2,314,272	2,072,663	1,846,153	1,587,797
Net earnings	$ 77,944	$ 70,796	$ 62,242	$ 58,458
Net earnings per common share	$2.46	$2.24	$1.99	$1.90
Dividends per common share	$1.16	$1.00	$1.00	$ .88⅞
FINANCIAL CONDITION (Restated for Poolings)				
Working capital	$ 291,767	$ 270,290	$ 243,960	$ 214,189
Plant and equipment (net)	324,768	298,956	268,791	214,164
Other assets	105,195	94,980	78,987	49,929
	721,730	664,226	591,738	478,282
Deduct:				
Long term debt	139,331	137,597	116,014	52,673
Other liabilities, minority interests and deferred credits	63,815	51,163	46,339	41,912
Stockholders' equity	$ 518,584	$ 475,466	$ 429,385	$ 383,697
Ratio of current assets to current liabilities	2.4:1	2.5:1	2.5:1	2.6:1
Book value per common share	$15.24	$13.77	$12.38	$10.94

(Dollars in thousands except per share figures)

1968	1967	1966	1965	1964	1963
$1,093,139	$933,422	$796,443	$681,385	$606,157	$569,488
2,920	3,346	2,686	3,167	2,857	2,695
1,096,059	936,768	799,129	684,552	609,014	572,183
1,006,819	864,661	739,758	638,521	569,003	537,331
15,572	14,376	12,233	9,986	9,800	8,708
34,388	26,828	22,500	18,000	15,500	13,120
1,056,779	905,865	774,491	666,507	594,303	559,159
$ 39,280	$ 30,903	$ 24,638	$ 18,045	$ 14,711	$ 13,024
$1.89	$1.65	$1.47	$1.24	$1.05	$ .95
$ .80⅝	$ .75	$ .67½	$ .58⅛	$ .52½	$ .45
$ 136,864	$128,167	$104,639	$ 86,099	$ 77,276	$ 69,283
131,422	108,069	84,422	68,118	64,064	59,097
29,218	19,118	10,486	7,271	5,267	4,724
297,504	255,354	199,547	161,488	146,607	133,104
21,043	16,952	7,214	—	—	—
29,995	19,965	7,846	5,616	4,676	2,707
$ 246,466	$218,437	$184,487	$155,872	$141,931	$130,397
2.8:1	3.5:1	3.6:1	3.6:1	3.8:1	3.9:1
$10.98	$10.39	$10.32	$9.95	$9.39	$9.21

$1,484,244
4,397
1,488,641
1,359,152
24,169
49,227
1,432,548
$ 56,093
$1.85
$ .80⅝
$ 185,676
200,787
39,704
426,167
41,345
33,986
$ 350,836
2.4:1
$9.60

CAPITAL STOCK LISTING
New York Stock Exchange
Basel, Geneva, Lausanne and Zurich, Switzerland, Stock Exchanges
Stock Exchange Symbol—BRY

REGISTRARS OF STOCK
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