Beatrice

75th Annual Report

for the Fiscal Year Ended February 28, 1973

Twenty-one consecutive years of growth

— in sales

— in earnings

— in earnings per share

People ...our greatest resource

Highlights of the year

	YEAR ENDED February 28 1973	February 29 1972	Per Cent Increase
Reported Basis:			
Net Sales	$2,786,970,098	$2,384,409,804	17
Net Earnings	90,390,993	77,690,297	16
Net Earnings Per Share of Common Stock (Note)	1.36	1.23	11
Working Capital	354,633,252	291,767,100	22
Stockholders' Equity	598,307,792	517,082,906	16
Dividends Paid	39,167,509	35,232,878	11
Dividends Paid Per Share of Common Stock	.59	.58	2
Number of Stockholders	34,310	30,906	11
Fiscal 1972 restated to include Companies acquired in fiscal 1973 poolings of interests:			
Net Sales	$2,786,970,098	$2,441,429,019	14
Net Earnings	90,390,993	81,334,078	11
Net Earnings Per Share of Common Stock (Note)	1.36	1.24	10
Working Capital	354,633,252	304,202,394	17
Stockholders' Equity	598,307,792	532,979,931	12

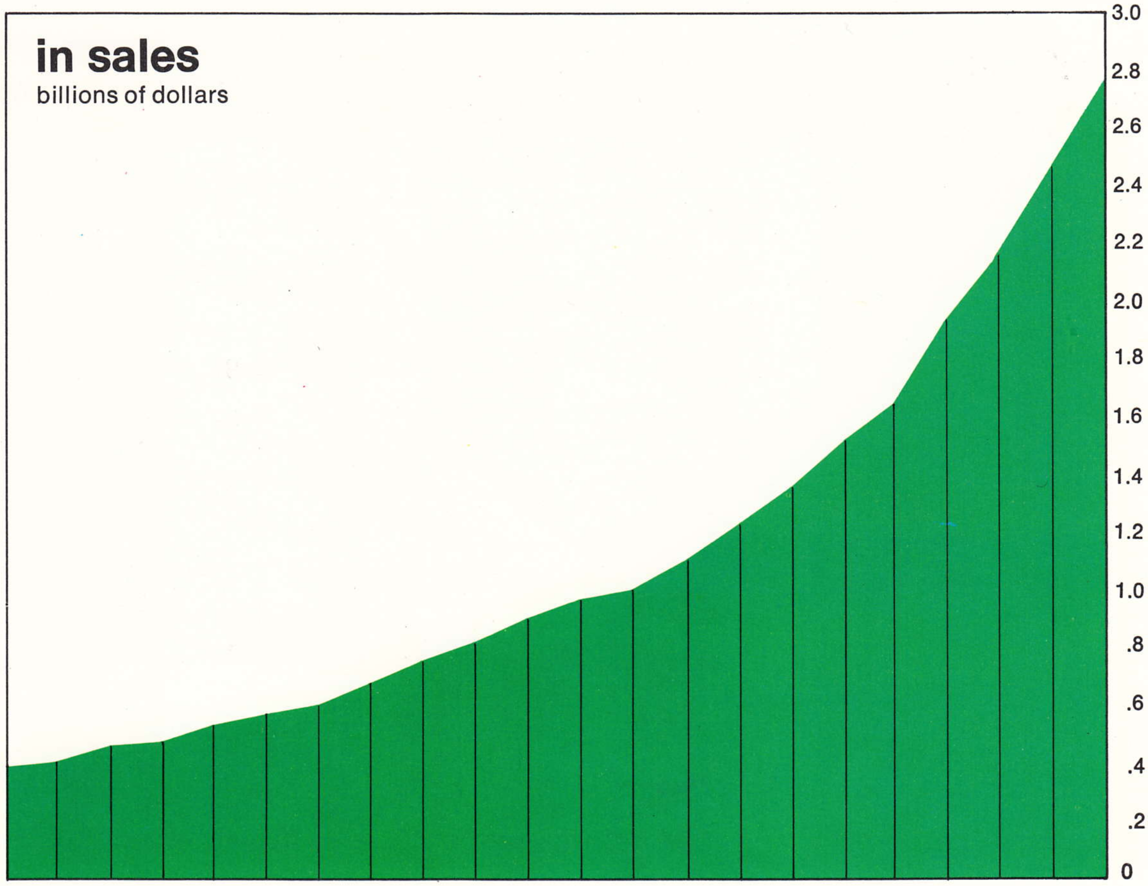
Note—See letter to stockholders (page 3) for additional data.

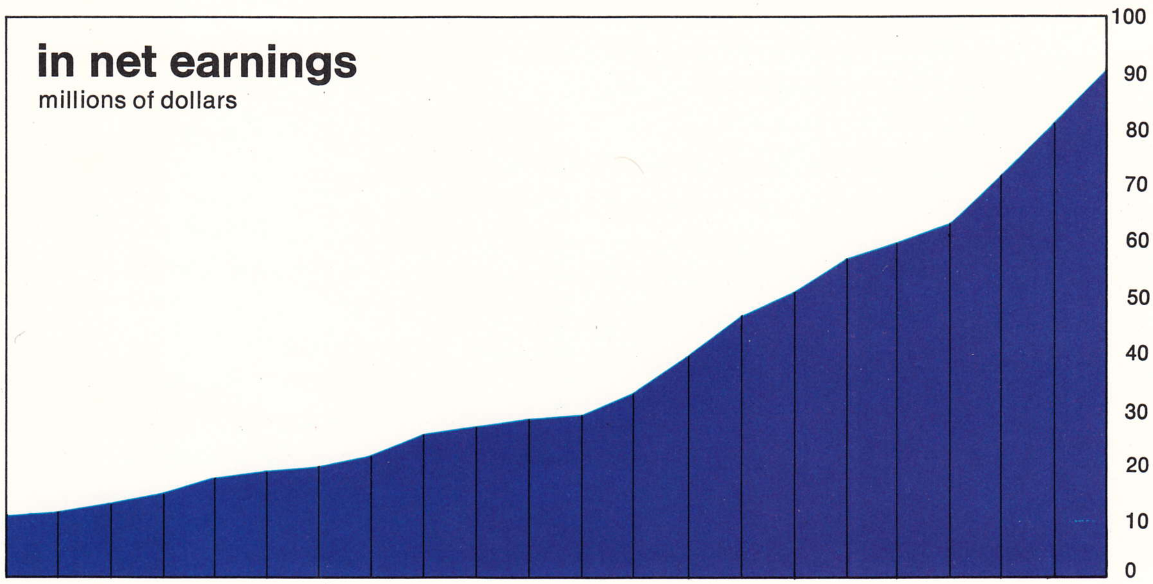
Contents

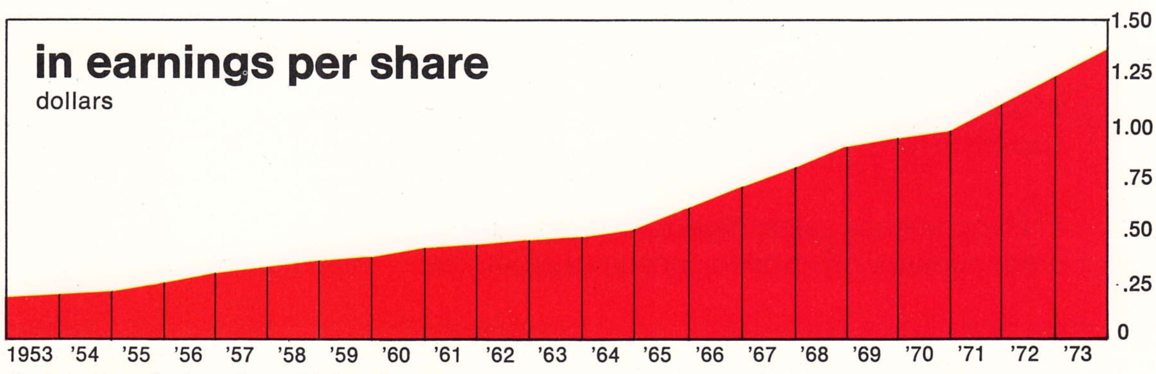
76th Annual Meeting

The 76th Annual Meeting will be held in the Charles R. Vogel Recital Hall of the Performing Arts Center, 929 N. Water Street, Milwaukee, Wis., at 10:30 a.m. (CDT) on Wednesday, June 6, 1973.

Twenty-one consecutive years of growth







Restated to reflect poolings of interests mergers

To the Stockholders of Beatrice Foods Co.

William G. Karnes
Chairman of the Board of Directors
Chief Executive Officer

Sales, net earnings and earnings per share of common stock increased for the 21st consecutive year as your company achieved all-time highs in virtually every phase of domestic and international operations.

Particularly encouraging for the future were the sales and earnings increases achieved through Beatrice's continuing program for emphasizing growth from within the company. This was effected principally by the introduction of new and substantially improved products, development of new markets, product line extensions, expansion of distribution and intensified marketing programs.

Internal growth accounted for $250 million of the total gain in sales last year—an average of almost $21 million per month—compared to an increase of $184 million in internal growth in the previous year.

This increase in sales through internal growth, predominantly of branded consumer products, was the highest in your company's history and amounted to more than 10 per cent of the reported sales for the previous year. In the last three years, your company has increased its sales by more than $527 million through internal growth.

Net earnings were 3.2 per cent of sales. The federal government's economic stabilization program controlling increases in prices and profit margins had its impact on earnings. However, accelerated programs for increasing the volume of sales through internal growth, for maintaining cost controls and for improving efficiencies in production and distribution, enabled the company to overcome the effects of price controls and ever-escalating costs of raw materials, wages and shipping to a significant degree.

Return on average stockholders' equity rose to 16 per cent, one of the highest in the food industry.

Sales—Consolidated net sales of $2,786,970,098 represented a gain of

$402,560,294, or 17 per cent, from the previous year on a reported basis. Restated to include companies acquired in poolings of interests mergers, the increase was $345,541,079, or 14 per cent.

In the last two years, your company has increased its sales on a reported basis by almost $1,000,000,000, or 53 per cent. Restated, the increase was $605,074,547, or 28 per cent.

Earnings—Net earnings increased to $90,390,993, a gain of $12,700,696 or 16 per cent, from the previous year on a reported basis. Restated, the increase was a record $9,056,915 or 11 per cent.

Net earnings per common share increased 11 per cent to $1.36 from $1.23 for the previous year on a reported basis. Restated, the increase was 10 per cent from $1.24 per share.

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

Stock Distribution—At a special meeting held in Chicago, Ill., Nov. 14, 1972, stockholders approved an increase in the number of shares of common stock the company has authority to issue to 100,000,000 from 50,000,000. This action provided the additional shares necessary to effect a two-for-one common stock split in the form of a distribution on Dec. 4, 1972, of one additional common share for each share issued at the close of business Nov. 14, 1972.

Earnings per common share figures give effect to this two-for-one common stock split. It was the sixth common stock distribution by your company in the last 15 years. In that time, one share of common stock has multiplied into 13.3 shares.

Don L. Grantham
President
Chief Operating Officer

Dividends—Record dividends of $39,167,509 were paid on the preference and common stocks during the fiscal year. This represented an increase of $3,934,631, or 11 per cent, from $35,232,878 paid the previous year.

On Nov. 29, 1972, the board of directors voted to increase the quarterly common stock dividend rate to 15.5 cents. This represented an increase of 6.9 per cent over the previous rate and is within the guidelines for dividend increases established by the federal government.

This was the seventh increase in the common stock dividend since March 1, 1965. In that time, the annual dividend rate has been increased 107 per cent to 62 cents per share from 30 cents after adjustments for three common stock distributions since then.

Capital Expenditures—Companies which were members of Beatrice at the start of the

Paul T. Kessler, Jr.
Executive Vice President
Chief Administrative Officer
Chemical, Educational & Consumer
Arts, International

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

1973 fiscal year invested $68 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 totaled $2 million.

Further details are presented on pages 16-17.

Working Capital—Working capital increased for the 28th consecutive year. The total at year end was $354,633,252, an increase of $62,866,152, or 22 per cent from $291,767,100 reported at the conclusion of the previous year. This increase was the largest in the company's history. Restated, the increase was $50 million.

Stockholders' Equity—Stockholders' equity increased for the 36th consecutive year to a record $598 million, reflecting a gain of $81 million, or 16 per cent. Book value of each share of common stock also increased for the 36th consecutive year.

Legal Proceedings—We are pleased to report that on Sept. 28, 1972, the Federal Trade Commission sustained your company's position that the acquisition of John Sexton & Co. in 1968 did not violate any of the provisions of antitrust laws and dismissed its complaint.

Management—John F. Hazelton, Sr. and Alvie J. Claxton retired as directors of your company during the year. Mr. Hazelton served the company for 51 years and was executive vice president from 1954 to 1966. He was elected a director in 1952.

Mr. Claxton served the company for almost 53 years and was elected a vice president in 1945 and a director in 1948. Both Mr. Hazelton and Mr. Claxton were elected directors emeriti of your company.

We regretfully report the death on Nov. 5, 1972, of Richard P. Eckrich, a director of Beatrice and chairman of the board of directors of Peter Eckrich & Sons, a division of your company.

We are deeply appreciative of the many invaluable contributions these three dedicated men made to the company.

Lee W. Schlytter, vice president, corporate development since 1966, and a veteran of 32 years of service with the company, was elected a director on June 7, 1972.

Elwood A. Walker and Juan E. Metzger were elected directors on Nov. 29, 1972. Mr. Walker, elected a vice president in 1968, supervises the company's Western Dairy Area, including Far East Asia Dairy operations, and the Agri-Products Division, Mr. Metzger is vice president, international operations, and also supervises yogurt and specialty dairy operations. He is chairman of Dannon Milk Products, Long Island City, N.Y.

Stockholders—We are appreciative of the many constructive suggestions and comments contributed through the year by our stockholders and thank you for your interest and expressions of encouragement and confidence. The number of stockholders increased for the 22nd consecutive year and totaled 34,310 at year end. On Aug. 16, 1972, your company's common stock was listed for trading on the Midwest Stock Exchange under the ticker symbol BRY. Your company's common stock has been listed on the New York Stock Exchange since 1929.

The Year Ahead—Beatrice Foods, which began the year in the strongest financial condition in its history, looks forward to even greater growth in sales and profitability in the years ahead.

Our marketing strategy for the future is keyed to obtaining the maximum results from the unique decentralized management system of the company which encourages entrepreneurial initiative (See "People . . . Our Greatest Resource", Pages 8-9). This distinctive system of individual profit centers provides exceptional opportunity for generating growth, particularly internal growth, since each profit center actually is responsible for its own development.

Each is charged with adopting and executing the marketing approaches that will serve it best in expanding its sales such as improvement of present products, development of new products, expansion into new markets, greater penetration of present markets and establishment of new marketing techniques.

With this management system and the almost unlimited growth opportunities it affords, we anticipate another year of progress with the invaluable cooperation and support of our stockholders, employees, customers and suppliers.

Yours sincerely,

William G. Karnes

William G. Karnes
Chairman of the Board
Chief Executive Officer

Don L. Grantham

Don L. Grantham
President
Chief Operating Officer

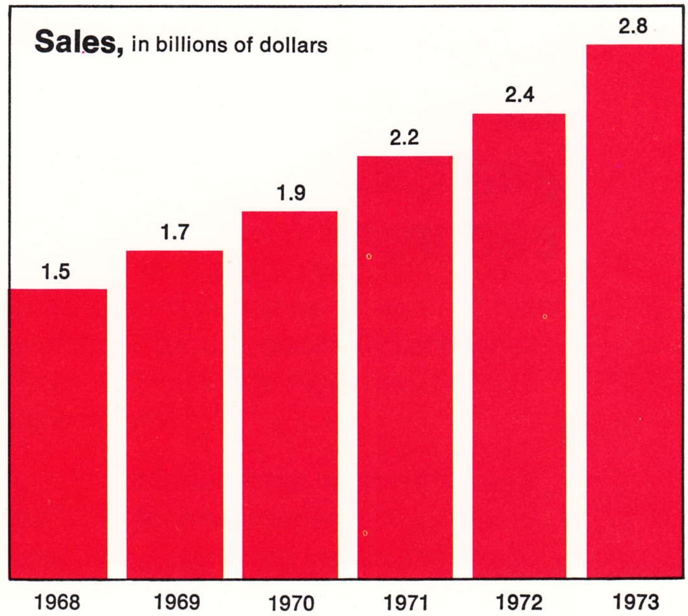
Sales and Earnings by Major Operating Area
(Dollars in Thousands)

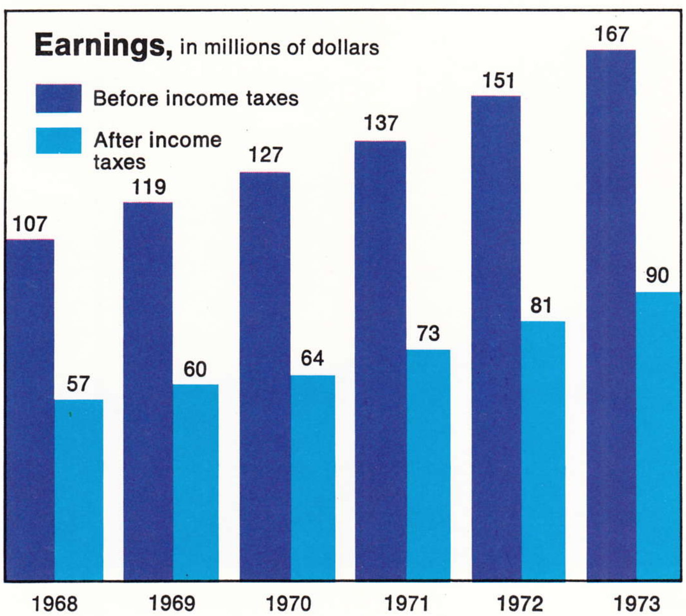
	1973		1972		1972 (Restated for Poolings)	
SALES						
Foods and Related Services						
Dairy products	$ 781,185	28%	$ 728,145	31%	$ 742,056	30%
Grocery and confectionery products	860,131	31	748,330	31	753,912	31
Specialty meat products	306,947	11	257,793	11	257,793	11
Warehousing and agri-products	181,763	6	144,671	6	144,671	6
Total	2,130,026	76	1,878,939	79	1,898,432	78
Manufactured and Chemical Products	656,944	24	505,471	21	542,997	22
Total sales	$2,786,970	100%	$2,384,410	100%	$2,441,429	100%
NET EARNINGS						
Foods and Related Services						
Dairy products	$ 35,426	18%	$ 33,954	21%	$ 34,742	20%
Grocery and confectionery products	43,555	23	41,342	25	42,155	25
Specialty meat products	10,068	5	10,705	6	10,705	6
Warehousing and agri-products	19,049	10	17,714	11	17,714	10
Total	108,098	56	103,715	63	105,316	61
Manufactured and Chemical Products	84,577	44	59,775	37	65,954	39
Total	192,675	100%	163,490	100%	171,270	100%
Less:						
Interest and other corporate expenses not allocated above	(25,284)		(19,447)		(19,889)	
Income taxes	(77,000)		(66,353)		(70,047)	
Net earnings	$ 90,391		$ 77,690		$ 81,334	

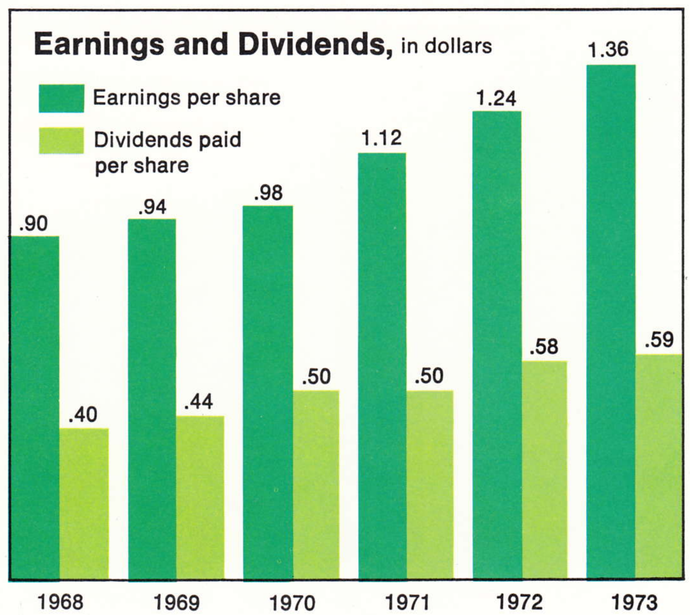
Sales and after foreign income tax earnings of international operations, which are included above, aggregated $439,906,530 and $18,301,921 respectively in 1973; and $344,799,645 and $14,733,997 respectively in 1972 (restated).

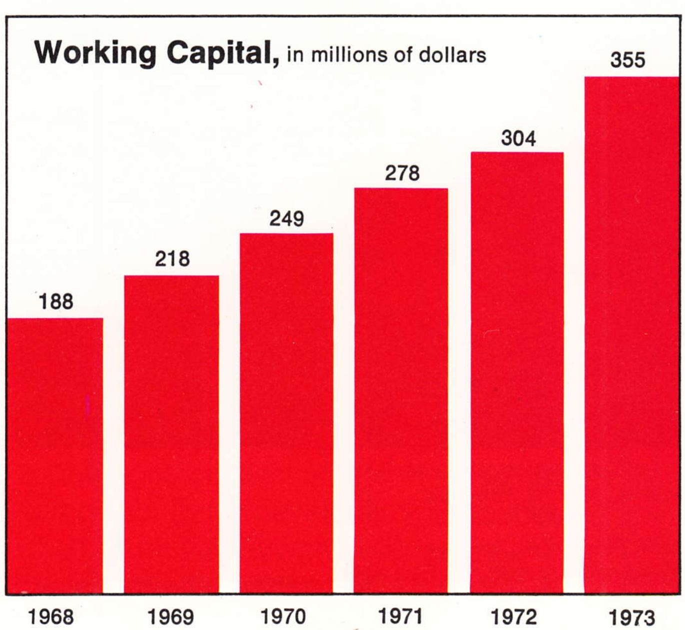
Five years of progress

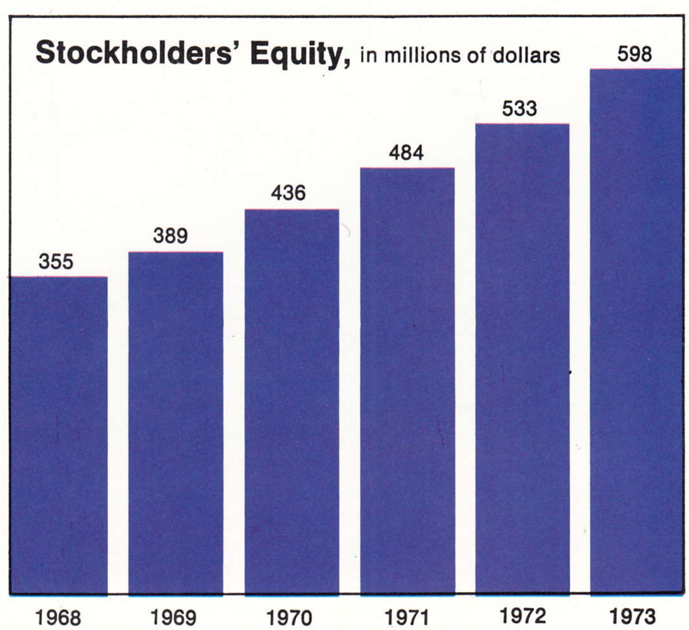
Beatrice
Foods Co. and
Subsidiaries











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

People . . . our greatest resource

The pre-eminent reason for Beatrice's record of progress this year and in each of the 20 previous years . . . the one resource that far outweighs all other resources of the company combined . . . is our people—the men and women of Beatrice.

It's not the plants and branches that make up Beatrice that have produced this year-to-year growth for 21 consecutive years . . . it's the people who operate them.

It's not the products these companies process or manufacture, or their marketing and distribution systems, that are of ultimate significance . . . it's the people making, mar-

Chief operating executives of divisions (from left), back row: Donald P. Eckrich, Eckrich Meat Specialties; Louis E. Stahl, Chemicals; James Weiss, Educational and Consumer Arts; John W. Hoermann, Confectionery; Brown W. Cannon, Manufacturing.

Front row: Wallace N. Rasmussen, Eastern Dairy Area, Eastern Canada Dairy Area, European Dairy Area, Warehouse; Anthony Q. Sanna, Agri-Products; E. A. Walker, Western Dairy Area, Far East Asia Dairy Operations, Agri-Products; Robert Cooper, Warehouse; T. Mackin Sexton, Sexton.

keting and distributing these products who have been the real builders of sales and earnings.

We believe our people are the true wealth of our company. They *are* the company. We also believe we now have the finest employees in our history . . . 62,000 men and women with the skill and "know-how" to manufacture and sell products or provide essential services efficiently—working with an experienced management team of 1,500.

Further, we believe that one of our most important obligations to our stockholders and employees is to continue to build and develop a "people" company.

To accomplish this, our company operates under a highly-decentralized system of management. This system is people-oriented with emphasis upon individual excellence and job satisfaction to encourage initiative and enable freedom of action.

How does this decentralized system work?

Actually, Beatrice consists of a team of teams operating a company of companies.

Our system requires a complete management team at each individual company. We call them profit centers and we have 385 of these profit centers in the United States and 28 other nations around the world.

It is a system which enables Beatrice to capitalize fully on the entrepreneurial potentials of every one in management.

The general manager of each profit center is the captain. He must select and develop his key people . . . managers in marketing, production and administration . . . then mold and motivate them to operate as a team. He is the chief executive, or president, of his profit center in virtually every phase of operations. He has the full authority to run his profit center and he functions in a business climate that encourages his best efforts. He also has the responsibility for developing his successor when he moves forward in Beatrice's management organization.

The next echelon in this decentralized system of management is the group manager. Each of the company's divisions is organized into groups on the basis of similarity of product, marketing or manufacturing technology. Almost without exception, a group manager is a profit center manager who has been assigned supervision of from two to 12 plants. Sales of these groups generally range in total from $20 million to more than $150 million annually.

The group manager is the liaison between the profit center manager and the division president. He is selected for his abilities to lead, to motivate and to inspire and for his proved profit-making abilities.

All 50 of these group managers are located in the field where they are better able to adjust to rapid changes in operations and market conditions.

A primary function of the group manager is to help the management teams of the profit centers he supervises to increase their growth, to cope skillfully with the constant challenge of change, to encourage them to try new concepts, new methods, new products and new markets . . . to dream with them and support them. The group manager also is a "troubleshooter." If a profit center develops problems, he is immediately available to advise and assist the profit center management team. Also available to them are the services of the corporate administrative, marketing, legal and technical staffs.

The group managers in turn are guided by the division presidents. All of the division presidents shown on the preceding page are located in the field . . . where the action and decision-making are. They are responsible to the four senior officers of the company.

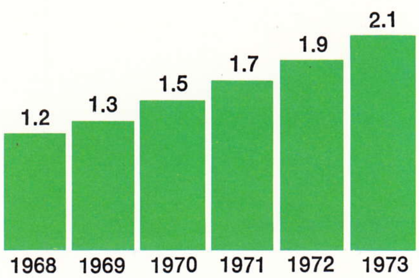
People . . . profit minded men and women who can motivate and lead others . . . people who regard today's achievements as the starting point for tomorrow . . . are the greatest resource of Beatrice today.

It is this resource that will continue to build the Beatrice of tomorrow.

21st year of progress in review

In observance of its Diamond Jubilee Annual Meeting, Beatrice "came home". More than 1,200 stockholders and guests attended the 75th Annual Meeting June 7, 1972, in Beatrice, Neb., where the company was founded.

FOODS AND RELATED SERVICES



Sales in billions of dollars (Restated)

Sales of foods and related services climbed to a record total of $2.1 billion, an increase of $251 million, or 13 per cent, from $1.9 billion reported for the previous year. Restated to include companies acquired in poolings of interests mergers, the increase was $232 million, or 12 per cent.

Sales of these operations accounted for 76 per cent of the company's total sales.
Earnings of these operations increased to $108 million.

Earnings figures except international operations in this "21st Year of Progress in Review" are before interest, other unallocated corporate expenses and income taxes.

Dairy Products

World-wide sales and earnings of dairy products were up for the 34th consecutive year. Sales increased to $781 million. Earnings rose to $35.4 million.

A substantial share of this growth resulted from continuing increased emphasis upon specialty products such as fortified and skimmed milks, yogurt, cheeses, cottage cheese, gourmet ice creams and novelties.

During the year, the company introduced a new packaging design in virtually every Meadow Gold market in the United States. The design concept, which employs bold, colorful stripes, was applied to almost every one of the more than 600 items in the Meadow Gold line. This stripe motif was carried through to all advertising and promotional materials as well as delivery trucks and driver-salesmen's uniforms.

Major domestic dairy facilities opened during the year included a new dairy plant in Denver, Colo., and a multi-million dollar dairy farm encompassing more than 1,000 acres near Old River, Calif.

Among the new consumer products that proved successful were Italian ice treats, Swiss Miss Mini-Marshmallow chocolate beverages and new puddings, easier-spreading homogenized butter and additional flavored yogurts from Dannon, Johnston, Meadow Gold and Viva.

Grocery and Confectionery Products

Sales and earnings of grocery and confectionery products increased for the 16th consecutive year. Sales advanced to a record total of $860 million. Earnings rose to $43.6 million.

Significant grocery expansions included a new Miracle White plant (home laundry products) in Chicago, additions to the bottling capacities of Gold Medal Beverages, St. Paul, Minn., and Royal Crown of Los Angeles, Calif., and the baking lines at Butter Krust, Lakeland, Fla. Shedd-Bartush expanded soft margarine facilities at five plants.

The foodservice operations of La Touraine-Bickford's Foods, Inc., were combined with the Temple Frosted Foods unit of the company to create a new institutional food service profit center, Beatrice Frosted Foods. This will enable substantial expansion in the Metro New York market.

Beatrice established its first assembly and distribution center in Chicago as a prototype for similar centers in the future. Less than

New carton motif designed for all Meadow Gold dairy products is promoted by attractive demonstrator in a supermarket in New Lenox, Ill.

truck-load lots of Beatrice products from various plants are reassembled to make up full loads. Additional savings resulted from more effective use of company-owned trucking for hauling between various plants.

A national marketing plan was effective in establishing meat snacks produced by Lowrey's and Rudolph Foods in major markets across the nation.

Confectionery sales increased world wide. All domestic candy operations—D. L. Clark, Holloway, Jolly Rancher, Thos. D. Richardson, Switzer, Chesterton and Zachary—developed new items and expanded their sales and advertising programs. Both Switzer and Richardson set sales records. Jolly Rancher doubled the production capacity for its 10-cent Stix pack.

Richardson completed another addition to its After Dinner Mints plant in Philadelphia, Pa., and Zachary Confections increased its production facilities in Chicago.

Sexton, national distributor of foods and related products to the food service industry, installed a complete computer pricing system for customer invoices. Sexton also expanded its distribution and its research and quality control operations.

Sexton constructed a 22,000 square foot addition to its Englewood, N. J. warehouse and enlarged its warehouse in Los Angeles, Calif. Sexton also completed its Eastco Import warehouse in Englewood, N. J. This facility will distribute imports from Europe, Africa and South America to all Sexton branches.

Sexton expansion plans for the 1973-'74 fiscal year include new distribution centers in Seattle-Tacoma, Wash., and Rochester, N.Y., and entry into the frozen food distribution business in Philadelphia, Pa.

Sexton, which now serves more than 90,000 customers, also is planning further expansion in the Greater Orlando, Fla., area to serve the fast-growing recreation and retirement markets there. The company also expanded its product line to more than 2,000 items with special emphasis on epicurean hors d'oeuvres and entrees and specialty desserts.

Specialty Meat Products

Sales of specialty meat products, marketed under the Eckrich brand, rose to an all-time high of $307 million and tonnage also established a record. Earnings declined slightly to $10.1 million, primarily because of high pork and beef prices.

A number of expansion programs were completed that will provide for growth.

New sales territories were established in Phoenix, Ariz., Chattanooga, Tenn., Kansas City, Mo., and Buffalo, N. Y., and district offices were opened at Atlanta, Ga., St. Louis, Mo., and Lebanon, Ohio. A distribution center was opened at Quincy, Mich., to provide more efficient and rapid distribution of products to district offices.

A national accounts program was created in the Food Service Department with a number of test programs. An Industrial Sales Department was established to sell partially-cooked products to other food manufacturers.

Among the more than 30 new fresh and processed meat specialties introduced by Eckrich were Char-ette steaks, meat loaf and pork sausage and bacon breakfast items for foodservice organizations.

Eckrich also introduced a field audit to assure the consumer of continued high quality of its line of meat specialty products, stressing product responsibility.

Public Warehousing and Agri-Products
Sales and earnings of the warehouse and agri-products operations also set new records. Sales increased to $182 million, a gain of $37 million, or 26 per cent. Earnings were up to $19 million.

Warehouse tonnage was down slightly because of substantially smaller inventories resulting from the high prices of beef and pork and the unfavorable crop conditions in some areas that changed the storage pattern of frozen fruits and vegetables.

However, this was offset somewhat by higher inventories of frozen fish, which enabled the Quincy Market operations, especially those in Gloucester, Mass., to achieve record revenues.

The new frozen food distribution center in Chicago is nearing completion. It will be the most automated, computerized frozen food center of its kind in the world. Food Marketers, which is the institutional part of this operation, reported a 95 per cent sales increase.

Agri-Products operations, which now comprise 32 plants in 14 states, achieved a record increase in sales.

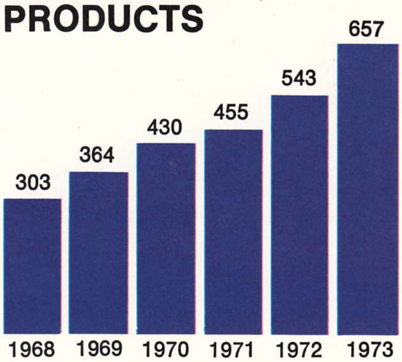
Pfister & Vogel Tanning Co., Milwaukee, Wis., substantially increased its hide processing capacity. The company introduced 24 special custom leathers for shoe uppers and the garment industry.

C. U. I., Denver, benefited from substantial increases in demand for hides and for wool for double-knit fabrics and sheepskin from its pulleries in Denver and Ogden, Utah.

The demand for Vigortone vitamin and mineral pre-mix additives to animal feeds that increase the protein yield of food animals increased this company's sales to new highs. Vigortone also opened a new plant in Marion, Ohio.

The increased need for animal protein and tallow proved beneficial for all rendering plants. Ross-Wells, Thiensville, Wis., completely sold out its production of mink food pellets which it pioneered.

MANUFACTURED AND CHEMICAL PRODUCTS



Sales in millions of dollars (Restated)

Sales and earnings of manufacturing, chemical and educational and consumer arts operations reached record totals for the year, reflecting the success of Beatrice's diversification in recent years into selected products and services with excellent growth potentials outside of the food business.

Sales of these operations were $657 million, an increase of $151 million, or 30 per cent, from the previous year. Earnings climbed to $84.6 million. Restated, the sales gain was $114 million, or 21 percent.

Manufacturing operations are divided into seven groups–Furniture, Metal Products, Tooling, Institutional, Lamp, Recreation Products and Mobile Homes, Special Products—each of which contributed to the record sales and earnings achieved for manufactured products.

The continuing increase in housing starts contributed to substantial sales gains for member companies in the home accessories fields. Among them were Stiffel lamps, Hekman furniture, Melnor lawn sprinklers and garden care equipment and Charmglow gas barbecues and lamps.

Airstream travel trailers completed construction of facilities at Versailles, Ohio, its third new plant in four years. Airstream also introduced a new line of travel trailers which contributed to its record sales and earnings.

Jacobsen, Holiday and New Yorker all expanded their lines of quality mobile homes and New Yorker will begin construction of another plant in Coatsville, Pa., in 1973. Geerpres Wringer augmented its lines of plant and office maintenance equipment and Vogel-Peterson ("the coat rack people") broke ground for another addition to its Elmhurst, Ill., plant.

Morgan Yacht successfully introduced a 36'/One Ton international racing and cruising yacht and Striker Aluminum Yacht designed a 34-foot model of its famed Sportsfisherman. Excel, manufacturer of component parts for bicycles, continued its program to promote bicycle safety.

Excel provided technical assistance in drawing up new safety codes and developing new products to meet these requirements such as reflectors for the front, sides and pedals of bicycles. Excel added a new facility in Elgin, Ill.

Taylor Freezer expanded distribution of its soft-service ice cream and slush dispensers and related products in Western Europe and Japan.

Taylor also introduced a high production, electronic controlled ice cream freezer that can be cleaned in place and a pressurized carbonated slush freezer.

Brillion Iron Works operated at capacity to meet a strong demand for gray iron castings. Brillion broke ground during the fiscal year for a multi-million dollar, pollution-free foundry to produce ductile iron. It will be completed late in 1973 in Brillion, Wis.

Chicago Specialty Manufacturing opened its Specialty/Western distribution center to serve the 11 western states, Alaska and Hawaii with its plumbing and bathroom accessories. Beneke plans another expansion of its bathroom accessories manufacturing facilities in Columbus, Miss , in 1973.

The computerized tool-building concept developed for the Tooling Group became operational. A-1 Tool, which operated at capacity, plans to install new numerically controlled machines that will enlarge tool building capabilities substantially in 1973.

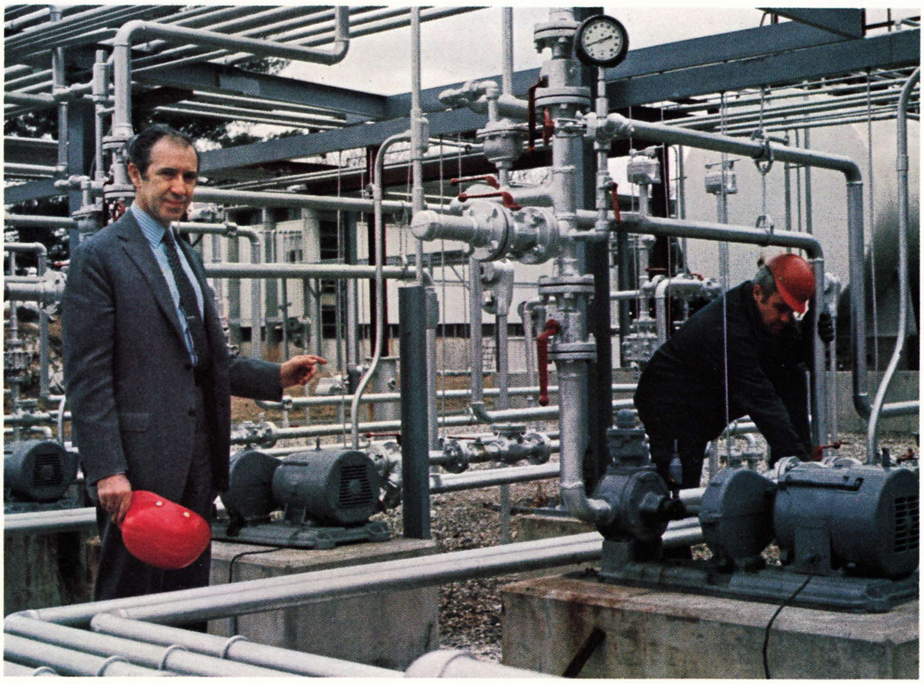
Chemical sales increased worldwide, entirely through internal growth.

Leather finishes demonstrated continued strength despite a shortage of hides in the domestic leather industry.

Full service distribution programs ("MAPPF"), based on Molub-Alloy lubricating products, registered significant gains on the domestic market as did the Permuthane polyurethane fabric coatings and the specialty polymers manufactured at the Wilmington, Mass., plant where sales increased 24 per cent. A substantial expansion of capacity was completed at Wilmington.

The Permuthane Department was established as a separate profit center. Paule Chemical moved its operations from Charlestown, Mass., to consolidate facilities with Stahl Finish in two plants in Peabody, Mass. To increase efficiency, the United Finish paint business was transferred to Farboil's Baltimore, Md., plant.

Among new chemical products were transparent all-acrylic polymers for floor finishes, hydrolysis-resistant polyurethane for garments and shoe fabrics and an easy-care leather coating system for improved wear



Harry C. Wechsler, executive vice president, Beatrice Chemical, supervises opening of new bulk transfer facilities for raw materials installed at Polyvinyl Chemical plant in Wilmington, Mass.

and appearance of shoes and garments. Transparent and metallic epoxy powders for pollution-free coating of glass containers and molded phenolic plastics also were developed.

Educational and Consumer Arts operations are comprised of 25 companies organized into seven groups—Home and Auto Accessories, Educational Services, Mail and Direct Marketing, Leisure Apparel, two Graphic Arts groups and Draperies and Accessories.

Vatco Manufacturing augmented its product line by the introduction of its new Regency furniture throws, Car Jean Denim seat covers and crushed velvets for furniture slip covers.

New products developed by Converters Ink, which has four plants in the United States and four in Canada, included Pro-ply, an ink for printing on polyprophylene, Plyall, a line of inks for laminating on polymer-coated cellophane, and a new type of inks for printing on paper bags. The inks combine brilliant colors and are water soluble in keeping with ecology concerns.

Mark Fore successfully introduced a new jack stand for automobiles and Rapid Ramp, a self-service automobile ramp for the consumer market. The Mummy Sleeping Bag and a new line of decorator-styled bedspreads were among Homemaker's best-selling new products.

Velva Sheen developed a line of leisure apparel to take advantage of the increased interest in Indian culture and Allison expanded its sports uniform program to enable a youngster to buy a uniform modeled after his favorite sports team with his favorite player's number on it.

Allison also opened a new plant in Miami, Fla.

Stuckey and Speer, primarily a manufacturer of school class rings, moved into a new plant in Houston, Tex., which enabled it to increase its capacity 50 per cent.

Sales in millions of dollars (Restated)

International operations, comprising 139 plants in 28 nations around the world, produced the largest year-to-year gains since Beatrice opened its first plant overseas in 1961.

Sales were $440 million, an increase of $95 million, or 28 per cent on a restated basis. Beatrice's share of net earnings after foreign taxes was $18.3 million, a gain of $3.6 million, or 24 per cent from the previous year on a restated basis.

These sales and earnings figures have been included in the sales and earnings reported in the preceding sections of this review of operations.

Europe—Sales: $189 Million
Elnagh Caravans completed an additional assembly line for its travel trailers and a new assembly line for mobile homes at its four-plant complex near Milan, Italy. A. J. ten Doesschate opened a new pharmaceutical division plant in Wapenveld, The Netherlands, and Etablissements Baud, completed a 165,000 square foot addition to its grocery products distribution center near Paris, France.

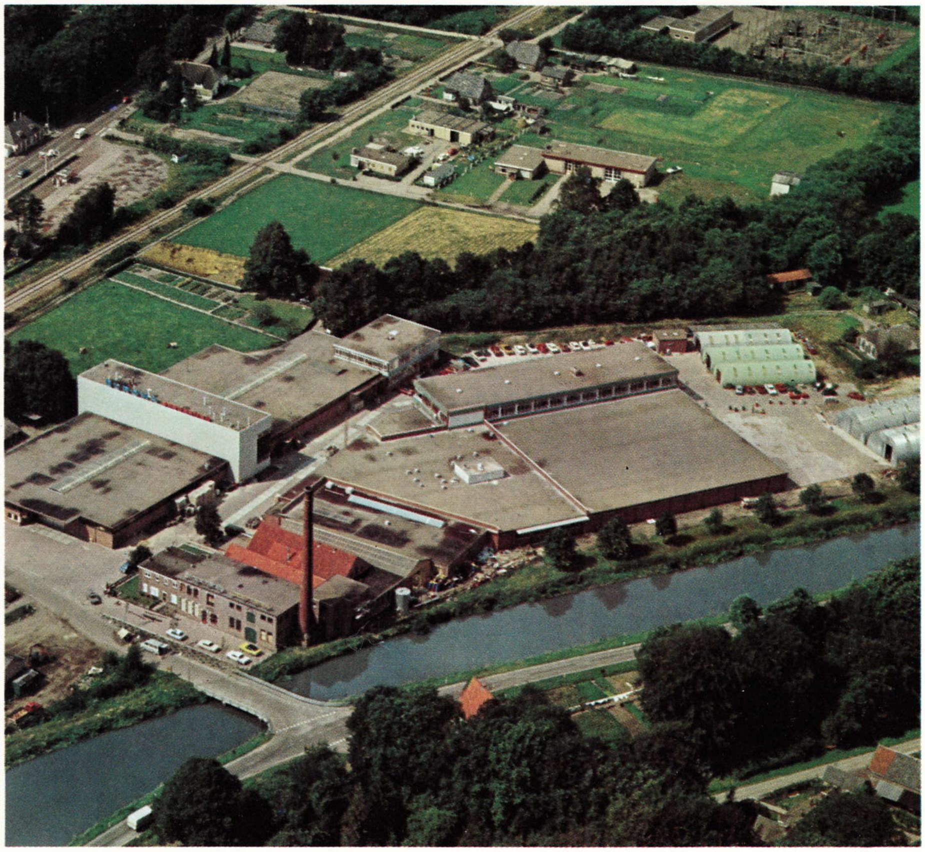
Tayto Ltd., Coolock, Ireland, expanded its distribution of its potato crisps and snacks into England and acquired Kings Chips, Dublin. Tayto plans a third production line and additions to its warehouse and potato storage facilities.

Premier Ice is completing a major addition to its ice cream plant in Esbjerg, Denmark.

In June 1973, Melnor will dedicate a new plant in Herentals, Belgium, where it will manufacture lawn sprinklers and garden care equipment for the Common Market.

Beatrice purchased a major interest in Barzetti Industria Dolciaria, Alimentare S.N.C., near Milan, Italy, and Interglas S.A., Seville and Las Palmas, Canary Islands, Spain.

Barzetti manufactures more than 100 specialty pastry and bakery items distributed throughout Italy. During the year, it doubled its potato chip production capacity. Barzetti now operates a 400,000 square foot plant complex. Interglas manufactures an



A. J. ten Doesschate completed this extensive complex in Wapenveld, The Netherlands, to produce and distribute non-prescription proprietary drug items and spices.

extensive line of quality ice cream and related frozen desserts.

International sales of chemical products were particularly strong, augmented by the opening of substantial new markets in Eastern Europe, the introduction of a line of shoe finishes in England and Holland and the rapid acceptance of Permuthane's line of polyurethane coatings in Western Europe.

Several chemical production facilities were completed in Holland and Spain. Construction of a Molub-Alloy plant in Monchengladbach, West Germany, will begin in 1973.

Caribbean, Latin America—Sales: $62 Million
Expansion in the Caribbean and Central and South America included purchase of a major interest in La Estrella C. por A., Santo Domingo, which manufactures and distributes snacks in the Dominican Republic. Eric's Swiss Products expanded its distribution of snack foods in Puerto Rico.

Holanda expanded its ice cream production facilities in Mexico City. Cremo successfully diversified into a line of fruit juices in Jamaica.

Canada—Sales: $135 Million
Canadian dairy operations continued their strong growth during the year. New additions included Crescent Cheese Company, which manufactures specialty dairy products in plants in Montreal and Marieville, Quebec.

Model Dairies Ltd., and Soo Dairies Ltd., both located in Sault Ste. Marie, Ontario, joined the Canadian operations. Both Ideal Dairies, Oshawa, Ontario, and Lakeview Dairies, Barrie, Ontario, made substantial additions to their production facilities.

Melnor also expanded its operations in Brantford, Ontario, Canada. Chicago Specialty Manufacturing Co. opened a branch to distribute its plumbing products in Brantford during the year. Stahl introduced a line of shoe finishes in Canada and Mexico.

Australia, Far East—Sales: $54 Million
Australian operations, which now number 15 operating companies, continued their growth at an accelerated rate. Red Tulip, Melbourne, is planning expansion which will double its candy production capacity and sales by 1976. Europe Confectionery, Melbourne, currently is increasing its production capacity by 100 per cent for the second time in three years.

Patra opened a fresh fruit juice plant in Sydney during the year to serve the New South Wales market and plans to expand its Melbourne headquarters plant in 1973. Exquisite Chocolates, Sydney, (candy distribution) moved into its new 65,000 square foot warehouse in 1972.

Stahl-Armstrong's chemical plant in Sydney, Australia, was brought on stream.

A Meadow Gold dairy plant was opened in American Samoa. Beatrice Foods (Singapore) added a recombined sterile milk to its dairy product line.

One of 30 wine-tasting stores operated by Brookside Vineyards, Guasti, Calif., in California and Arizona. Brookside plans to open similar wine "cellars" in six other states.

Building for the future

One of the high-styled interiors of mobile homes produced by Holiday Homes, Lynn, Alabama.

Beatrice, which increased its sales through internal growth by a record $250,000,000 in the last fiscal year, embarked on the largest capital expenditures and new products development programs in its history to increase capacities and reduce costs and to provide for even greater internal growth in the future.

A total of 66 major plant construction or expansion projects was initiated in the last fiscal year, including 41 for food plants in the United States and around the world.

At the start of the 1973-74 fiscal year, the company's plants were in the finest condition in Beatrice's 75-year history from both operating and anti-pollution standpoints.

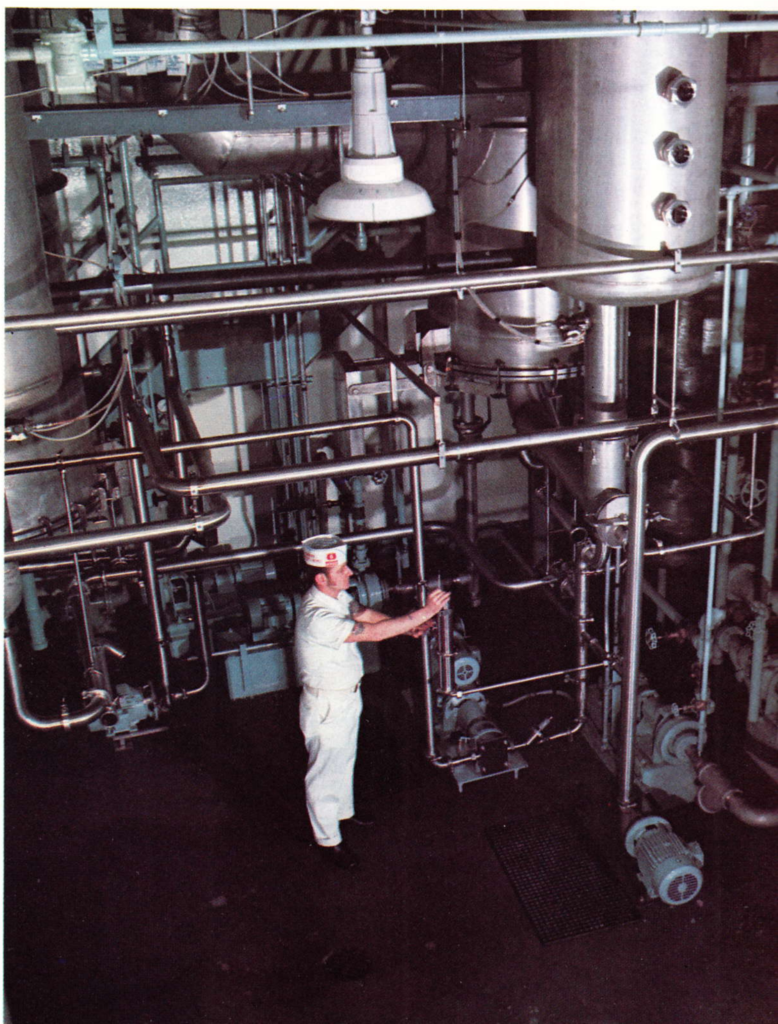
To provide for even greater growth and to assure continued competitiveness, costwise, the company plans to commit $300 million to building new plants and expanding and further automating present ones over the next five years. This will be done primarily with funds generated from operations of the company.

Another increasing source of internal growth is the marketing of new and substantially improved products in virtually every area of operations. More than 400 new or improved items, most of them in the convenience food and manufactured specialty categories, were introduced in the last fiscal year.

At the start of the new fiscal year, more than 250 new or improved items were scheduled to be added to the expanding world of Beatrice products which now exceeds 8,000.

Bone Chews is the first item in a new line of Select Brand pet foods being marketed by Agri-Products companies.

New installation at the Meadow Gold dairy plant, Champaign, Ill., turns pollution into profits. Equipment designed by company condenses cottage cheese whey, formerly a waste material. Whey is then shipped to a Beatrice plant in New Bremen, Ohio, where it is converted into a new ingredient for the baking industry. Total cost for the two operations was approximately $1,000,000.



Three shining examples of the finest of new lamps designed by Stiffel.

Peter Eckrich & Sons developed 33 new meat specialties to increase its product line to more than 150 items.

Illustrated are some of the more than 180 new food items marketed by Beatrice companies last year.

Joseph Kagan, (right), president of Dannon Milk Products, and Norman Wolcott inspect first packages of yogurt produced in Dannon's new multi-million dollar plant in Ridgefield, N.J.

People Pails, multi-purpose household utility containers, were introduced by Spiegel Industries, Teaneck, N. J.

Barbecued Pork with Barbecue Sauce has become a favorite convenience food item among Sexton's institutional foodservice customers. Sexton's creation of the Beach Boy BQ sandwich is a popular lunch item at school and plant cafeterias.

Consolidated Balance Sheet

February 28, 1973, and February 29, 1972

Assets	1973	1972 Previously Reported (Note 3)	1972 Restated for Poolings (Note 2)
Current assets:			
Cash	$ 61,763,375	$ 50,288,311	$ 53,015,925
Marketable securities, at cost	4,736,565	3,347,355	4,268,984
Receivables, less allowance for losses $11,585,212 (1972—$10,407,675, restated $11,140,288)	258,305,990	212,550,455	219,413,999
Inventories	277,108,951	227,379,263	239,607,296
Prepaid expenses (note 3)	12,552,725	10,622,591	11,060,582
Total current assets	614,467,606	504,187,975	527,366,786
Plant and equipment:			
Land	25,305,370	23,068,599	23,424,944
Buildings	199,337,295	178,645,296	181,461,604
Machinery and equipment	383,055,841	340,292,107	346,764,073
	607,698,506	542,006,002	551,650,621
Less accumulated depreciation	242,598,520	217,237,707	221,266,335
	365,099,986	324,768,295	330,384,286
Investments and other assets	17,564,179	17,160,347	17,333,119
Intangible assets	90,382,459	88,035,127	88,035,127
	$1,087,514,230	$934,151,744	$963,119,318

See summary of significant accounting policies and notes to financial statements.

Beatrice Foods Co. and Subsidiaries

Liabilities & Stockholders' Equity

	1973	1972 Previously Reported (Note 3)	1972 Restated for Poolings (Note 2)
Current liabilities:			
Accounts payable and accrued expenses	$ 228,073,119	$185,376,380	$193,743,221
Current portion of long-term debt	11,828,837	11,991,541	12,647,857
Income taxes	19,932,398	15,052,954	16,773,314
Total current liabilities	259,834,354	212,420,875	223,164,392
Indebtedness incurred upon acquisition of other companies (note 4)	37,756,387	44,510,216	46,584,067
Debentures (note 4)	114,645,000	94,821,000	94,821,000
Deferred credits and other non-current liabilities (notes 3 and 5)	60,905,551	52,275,392	52,528,573
Minority interests in subsidiaries	16,065,146	13,041,355	13,041,355
Stockholders' equity (notes 6 and 7):			
Preference stock (without par value). Authorized 2,500,000 shares. Issued 385,920 shares (1972—535,110 shares) at stated value with aggregate liquidation preference of $37,762,400 (1972—$50,279,040)	10,018,130	20,385,905	20,385,905
Common stock (without par value). Authorized 100,000,000 shares. Issued 65,557,114 shares (1972—61,744,152 shares, restated 63,771,354 shares) at stated value	121,280,661	112,683,077	116,382,720
Capital surplus	30,203,663	14,486,261	10,815,903
Earnings invested in the business (earned surplus) (note 3)	437,155,894	372,871,953	385,932,410
	598,658,348	520,427,196	533,516,938
Less 189,490 shares of common stock in treasury (1972—303,610 shares, restated 48,750 shares)	350,556	3,344,290	537,007
Stockholders' equity	598,307,792	517,082,906	532,979,931
	$1,087,514,230	$934,151,744	$963,119,318

Statement of Consolidated Earnings

Years Ended February 28, 1973, and February 29, 1972

	1973	1972 Previously Reported (Note 3)	1972 Restated for Poolings (Note 2)
Income:			
Net sales	$2,786,970,098	$2,384,409,804	$2,441,429,019
Other income (net)	8,191,122	7,805,737	7,998,360
	2,795,161,220	2,392,215,541	2,449,427,379
Costs and expenses:			
Cost of sales	2,063,485,193	1,751,825,179	1,793,052,732
Selling, administrative and general expenses	508,971,043	444,850,120	452,519,564
Provision for depreciation	38,610,868	35,783,751	36,496,776
Interest expense	14,089,567	13,587,040	13,851,220
Minority interests in earnings of subsidiaries	2,613,556	2,125,725	2,125,725
	2,627,770,227	2,248,171,815	2,298,046,017
Earnings before income taxes	167,390,993	144,043,726	151,381,362
Provision for income taxes (note 3)	77,000,000	66,353,429	70,047,284
Net earnings	$ 90,390,993	$ 77,690,297	$ 81,334,078
Net earnings per share of common stock	$1.36	$1.23	$1.24

See summary of significant accounting policies and notes to financial statements.

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

Years Ended February 28, 1973, and February 29, 1972

Beatrice Foods Co. and Subsidiaries

	1973	1972 Previously Reported (Note 3)	1972 Restated for Poolings (Note 2)
Capital Surplus			
Balance at beginning of year	$ 14,486,261	$ 11,837,369	$ 6,826,074
Charge to reflect poolings of interests	3,670,358	1,286,671	—
	10,815,903	10,550,698	6,826,074
Excess of stated value of converted shares of preference stock over stated value of shares of common stock issued upon conversion (note 6)	8,690,770	1,017,756	1,017,756
Excess of principal amount of converted debentures over stated value of 181,461 shares (1972—10,228 shares) of common stock issued upon conversion	2,753,406	154,340	154,340
Excess of proceeds over stated value of shares of common stock issued under stock options (note 7)	6,904,702	2,534,250	2,534,250
Excess of fair value over stated value of common stock issued upon purchase of other companies	2,790,735	275,442	275,442
Stated value of 50,580 shares (1972—94,158 shares) of common stock issued as additional consideration in pooling-of-interests transactions consummated in prior years	(93,573)	(171,838)	(171,838)
Charges resulting from:			
Common stock distribution (Note 6)	(1,605,040)	—	—
Adjustment of treasury common shares to stated value (Note 6)	(495,850)	—	—
Other items	442,610	125,613	179,879
Balance at end of year	$ 30,203,663	$ 14,486,261	$ 10,815,903
Earnings Invested in the Business (Earned Surplus)			
Balance at beginning of year	$372,871,953	$289,466,564	$340,168,741
Add pooled companies	13,060,457	40,947,970	—
	385,932,410	330,414,534	340,168,741
Net earnings for the year	90,390,993	77,690,297	81,334,078
	476,323,403	408,104,831	421,502,819
Less dividends paid:			
Preference stock	1,919,657	2,167,764	2,167,764
Common stock, $.59 a share (1972—$.58 a share)	37,069,922	32,081,253	32,081,253
Capital stocks of pooled companies	177,930	983,861	1,321,392
	39,167,509	35,232,878	35,570,409
Balance at end of year	$437,155,894	$372,871,953	$385,932,410

See summary of significant accounting policies and notes to financial statements.

Statement of Changes in Consolidated Financial Position

Years Ended February 28, 1973, and February 29, 1972

Beatrice Foods Co. and Subsidiaries

	1973	1972 Previously Reported (Note 3)	1972 Restated for Poolings (Note 2)
Funds Provided:			
Net earnings	$ 90,390,993	$ 77,690,297	$ 81,334,078
Charges which did not currently use funds:			
Depreciation	38,610,868	35,783,751	36,496,776
Deferred tax and other items	8,883,117	4,114,918	4,197,156
Total from operations	137,884,978	117,588,966	122,028,010
Sale of common stock under option plans	7,808,012	2,926,712	2,926,712
Fair value of common stock issued for assets of purchased companies	3,035,275	302,269	302,269
Issuance of common stock upon conversion of preference stock and debentures	13,497,584	1,660,842	1,660,842
Proceeds from sale-and-leaseback of properties	9,900,725	13,050,755	13,050,755
Long-term borrowings:			
Debentures	25,000,000	25,000,000	25,000,000
Other	4,642,322	2,605,606	3,195,147
Investments and other items	3,144,587	1,377,501	1,897,821
Total funds provided	204,913,483	164,512,651	170,061,556
Funds Used:			
Cash dividends	39,167,509	35,232,878	35,570,409
Plant and equipment acquired through purchase of other companies	13,460,703	7,322,066	7,322,066
Plant and equipment purchased, net of retirements $5,734,219 (1972—3,480,043, restated $3,644,346)	69,766,590	59,873,921	61,464,661
Preference stock and debentures (net) retired upon conversion into common stock	13,497,584	1,660,842	1,660,842
Reductions in long-term debt	15,470,002	25,692,829	26,668,012
Intangible assets acquired (net)	2,531,472	7,725,770	7,725,770
Acquisition of investments, etc.	588,765	5,527,106	3,184,943
Total funds used	154,482,625	143,035,412	143,596,703
Increase in working capital	$ 50,430,858	$ 21,477,239	$ 26,464,853
Changes In Working Capital Components:			
Increases in current assets:			
Cash and marketable securities	$ 9,215,031	$ 2,480,067	$ 2,128,440
Receivables	38,891,991	21,558,905	23,132,107
Inventories	37,501,655	31,012,904	36,253,995
Prepaid expenses	1,492,143	176,493	380,734
	87,100,820	55,228,369	61,895,276
Increases (decreases) in current liabilities:			
Accounts payable and accrued expenses	34,329,898	40,994,450	42,358,103
Current portion of long-term debt	(819,020)	(3,762,467)	(3,960,060)
Income taxes	3,159,084	(3,480,853)	(2,967,620)
	36,669,962	33,751,130	35,430,423
Increase in working capital	$ 50,430,858	$ 21,477,239	$ 26,464,853

See summary of significant accounting policies and notes to financial statements.

Summary of Significant Accounting Policies

Principles of Consolidation
The consolidated financial statements include the accounts of Beatrice Foods Co. and all subsidiaries. The accounts of subsidiaries operating outside the United States are included on the basis of fiscal years ending generally on December 31 and such accounts are translated on the basis of exchange rates current at December 31 or, if appropriate, at historical rates of exchange.

Inventories
Inventories are valued at the lower of cost or market. Cost is generally determined on the first-in, first-out basis.

Plant and Equipment and Depreciation
Plant and equipment is stated at cost less accumulated depreciation. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Major renewals and betterments are capitalized.

Depreciation is provided principally on the straight-line method over the estimated useful lives of the depreciable assets. Accelerated depreciation methods are used for income tax purposes.

Product Development and Promotion Costs
Costs relating to research and development of new and improved products and expenditures for advertising and sales promotion are charged to expense as incurred.

Intangibles
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. Intangible assets which arose in transactions initiated prior to November 1, 1970 (approximately $80,000,000) are not being amortized and will be carried at cost until such time as there may be evidence of a permanent loss in value. Other intangible assets are subject to amortization generally over a 40 year period on the straight-line method.

Income Taxes
Certain items of income and expense (principally depreciation and gains on sale-and-leaseback transactions) are reported for income tax purposes on bases which differ from those on which such items are recognized for accounting purposes. Deferred income taxes are reflected in the financial statements to compensate for the tax effects of such differences.

Deferred taxes are also provided with respect to that portion of undistributed earnings of foreign subsidiary companies which is not considered to be permanently invested in the operations of such subsidiaries.

Investment tax credits are reflected in earnings over the average useful lives of the acquired assets, subject to a maximum amortization period of seven years.

Sale-and-Leaseback Transactions
Gains from sales of properties under sale-and-leaseback transactions are amortized over the lives of the related leases as an adjustment of rental expense.

Pension Plans
The Company has pension plans which cover salaried employees and certain hourly-paid employees. Amounts charged to operations under the plans include normal cost and amortization of past service cost generally on a 30 year basis. The Company contributes to other plans jointly administered by industry and union representatives. In general, the Company's policy is to fund pension costs currently.

Calculation of Earnings Per Share
Net earnings per share of common stock are based on the weighted average number of shares of common stock and common stock equivalents (Series A Convertible Preference stock and stock options) outstanding during the period.

Accountants' Report

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
222 SOUTH RIVERSIDE PLAZA
CHICAGO, ILLINOIS 60606

The Stockholders
Beatrice Foods Co.:

We have examined the consolidated balance sheets of Beatrice Foods Co. and subsidiaries as of February 28, 1973, and February 29, 1972 (restated for poolings) 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.

In our opinion, the aforementioned financial statements present fairly the financial position of Beatrice Foods Co. and subsidiaries at February 28, 1973, and February 29, 1972 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 as restated (note 3).

Peat, Marwick, Mitchell & Co.

April 10, 1973

Notes to Consolidated Financial Statements

Beatrice Foods Co. and Subsidiaries

1) International Operations

The following is a summary of certain financial information relating to the Company's operations outside the United States:

	1973	1972 Restated
Current assets	$126,776,788	$104,644,861
Plant and equipment	86,024,901	69,868,353
Investments in joint ventures	4,511,855	5,617,274
Intangibles and other assets	20,650,103	16,965,532
	237,963,647	197,096,020
Less:		
Current liabilities	78,596,987	60,439,999
Other liabilities	19,824,545	16,942,743
Minority interests	15,750,893	13,009,505
	114,172,425	90,392,247
Company's equity in net assets	$123,791,222	$106,703,773
Company's equity in net earnings	$ 18,301,921	$ 14,733,997

2) Business Combinations

During the year ended February 28, 1973, the Company acquired several companies in transactions accounted for by the pooling of interests method. In connection therewith the Company issued a total of 2,282,062 shares of its common stock. Net sales and earnings of the acquired companies for the period March 1, 1972, to dates of merger with the Company totaled $36,644,000 and $2,630,000 respectively. During the year the Company issued 132,184 common shares in the purchase of another company.

3) Income Taxes

Income tax expense includes deferred tax expense of $1,790,008 and $1,837,958 for the years ended February 28, 1973, and February 29, 1972, respectively.

Net deferred tax credits (noncurrent), including unamortized investment tax credits, aggregated $17,163,136 at February 28, 1973 ($13,675,849 at February 29, 1972) and are included in deferred credits in the balance sheet. Net deferred tax charges (current) aggregated $4,088,234 at February 28, 1973 ($3,338,311 at February 29, 1972) and are included in prepaid expenses in the balance sheet.

In compliance with a recent Opinion of the Accounting Principles Board, the Company has retroactively provided for U.S. income taxes on the undistributed earnings of its foreign subsidiaries which are not considered to be permanently invested in the operations of such subsidiaries. As a result, earned surplus at February 29, 1972, has been retroactively reduced by $1,500,986 and net earnings for prior years have been adjusted accordingly. The new policy did not materially affect earnings for the current year or any prior year. The accumulated earnings of foreign subsidiaries that have been permanently invested overseas aggregated $27.6 million at February 28, 1973, exclusive of those reinvested earnings on which there would be little or no additional U.S. income tax upon transfer thereof to the Company.

4) Long Term Debt

Debentures comprise the following:

	1973	1972
7⅞% Sinking Fund Debentures due 1994	$ 35,000,000	$35,000,000
9% Debentures due 1985	13,000,000	15,000,000
Convertible Subordinated Debentures:		
7¼% due 1990	16,645,000	19,821,000
6¼% due 1991	25,000,000	25,000,000
4½% due 1992	25,000,000	—
	$114,645,000	$94,821,000

The indentures under which the debentures were issued provide for annual sinking fund payments or otherwise require prepayments of principal. The 7¼%, 6¼% and 4½% debentures are convertible into the Company's common stock at the rate of 57.142, 43.716, and 35.714 shares of common stock, respectively, for each $1,000 principal amount.

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

5) Sale-and-Leaseback Transactions

During the year ended February 28, 1973, the Company sold at cost ($9,900,725) and leased back certain newly constructed properties. The unamortized balance of deferred gains under prior sale-and-leaseback transactions aggregated $23,165,105 at February 28, 1973 ($24,146,745 at February 29, 1972) and is included in deferred credits in the balance sheet.

6) Capital Stock

The following is a summary of preference stock issued and outstanding:

	1973	1972
$2.70 convertible, $60 stated value, 20,740 shares (1972—80,799 shares)	$ 1,244,400	$ 4,847,940
$4.00 convertible, $10 stated value,* 279,726 shares (1972—295,387 shares)	2,797,260	2,953,870
$4.50 convertible, $100 stated value,		

57,224 shares (1972—122,569 shares)	5,722,400	12,256,900
Series A convertible, $9 stated value,* 28,230 shares (1972—36,355 shares)	254,070	327,195
	$10,018,130	$20,385,905

*Liquidation preference $100 per share.

In the 1973 fiscal year, 4,070 shares of $4.00 convertible preference stock were issued under a stock option plan and 153,260 shares of preference stock were converted into 928,489 shares of common stock. There are 1,899,995 shares of common stock reserved for conversion of outstanding preference shares at February 28, 1973.

In the 1973 fiscal year, 140,740 shares of common stock were added to the Company's treasury. Shares in the treasury are now carried at stated value.

On November 14, 1972 the stockholders approved an increase in the number of authorized shares of common stock from 50,000,000 to 100,000,000 and on December 4, 1972 the Company distributed to its common stockholders one additional common share for each share held of record on November 14, 1972. In connection therewith the stated value per share of common stock was changed from $3.65 to $1.85. All common share data have been adjusted for this stock distribution.

7) 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 28, 1973, are summarized as follows:

	Number of Shares	Total Option Price
Shares under option at February 29, 1972	1,541,936	$25,430,293
Options granted	131,428	3,280,755
Options assumed	2,184	27,992
Options exercised	(493,046)	(7,808,012)
Options cancelled	(33,804)	(556,931)
Shares under option at February 28, 1973	1,148,698	$20,374,097

Options to purchase 680,384 shares are currently exercisable. There are 86,044 shares of common stock reserved for the granting of additional options.

8) Leases

The Company holds certain equipment under leases which provide for rental payments of approximately $4,200,000 in the year ending February 28, 1974, and decreasing payments thereafter through 1982. Other noncancellable leases provide for minimum annual rentals of approximately $18,600,000. Of this amount, $3,900,000 relates to leases expiring within three years, $6,200,000 to leases expiring after three but within 10 years, $2,700,000 to leases expiring after 10 but within 20 years and the balance of $5,800,000 to leases expiring after 20 years.

9) Pension Plans

The amount charged to earnings under Company pension plans totaled $6,200,000 for the year ended February 28, 1973, and $4,590,000 (restated) for the year ended February 29, 1972. During the year ended February 28, 1973, the company also contributed approximately $6,250,000 under plans jointly administered by industry and union representatives.

10) Proposed Merger

The Company has entered into an agreement under which Southwestern Investment Company (Southwestern) would become a wholly owned subsidiary of the Company in exchange for approximately 2,400,000 shares of the Company's common stock. Southwestern is engaged in the finance business and, through subsidiaries, in the life and casualty insurance, savings and loan and other businesses. The merger will be accounted for as a pooling of interests and Southwestern and its subsidiaries will be unconsolidated subsidiaries of the Company, accounted for by the equity method. Condensed consolidated information of Southwestern and its subsidiaries follows:

Summary of Financial Condition at August 31, 1972

Assets:	
Cash	$ 14,030,571
Investments	73,111,081
Finance receivables (net)	104,548,588
Other assets	12,453,021
	$204,143,261
Liabilities and Stockholders' Equity:	
Short-term notes payable	$ 53,937,400
Accounts payable and other liabilities	20,434,550
Savings accounts	34,496,080
Life insurance policy reserves	20,570,118
Long-term debt	45,889,014
Stockholders' equity:	
Preferred stock (to be redeemed for cash $4,500,000)	4,462,080
Common stock	3,487,577
Capital surplus	5,378,580
Retained earnings	15,487,862
	$204,143,261

Summary of Operations for year ended August 31, 1972

Revenues	$ 46,203,241
Net earnings	3,661,877
Earnings applicable to common stock	3,400,628

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
Chemical, Educational & Consumer Arts, International

Harry Niemiec
Executive Vice President
Grocery, Confectionery
John Sexton, Bakery

Brown W. Cannon
Senior Vice President
President, Manufacturing

Wallace N. Rasmussen
Senior Vice President
Eastern Dairy Area
Eastern Canada Dairy Area
European Dairy Area, Warehouse

E. A. Walker
Vice President
Western Dairy Area
Agri-Products, Far East Asia Dairy Operations

William W. Granger, Jr.
Vice President
Northeast-Southeast Dairy Region

John F. Hazelton, Jr.
Vice President
Midwest Dairy Region

Juan E. Metzger
Vice President, International
Manager, Yogurt-Specialty Products Group

Lee Schlytter
Vice President
Corporate Development

Gorden E. Swaney
Vice President
Ass't Gen'l Manager, Grocery

John W. Hoermann
Vice President
General Manager, Confectionery

Charles J. Gardella
Vice President
Grocery Marketing
Group Manager

William G. Mitchell
Vice President—Administration
Corporate Secretary

John P. Fox, Jr.
Vice President—Law
General Counsel

Robert W. France
Treasurer

Carl T. E. Sutherland
Assistant Secretary
Assistant Treasurer
Group Manager

R. Wilbur Daeschner
Assistant Secretary

Leo J. Himmelsbach
Assistant Treasurer
Group Manager

Directors

Brown W. Cannon
Denver, Colo.

G. A. Costanzo
New York, N.Y.

Donald P. Eckrich
Fort Wayne, Ind.

Don L. Grantham
Chicago, Ill.

William G. Karnes
Chicago, Ill.

Paul T. Kessler, Jr.
Chicago, Ill.

Juan E. Metzger
New York, N.Y.

Bernard A. Monaghan
Birmingham, Ala.

Edward M. Muldoon
Sun City Center, Fla.

Jay G. Neubauer
Long Grove, Ill.

Harry Niemiec
Chicago, Ill.

Wallace N. Rasmussen
Nashville, Tenn.

Lee Schlytter
Chicago, Ill.

T. Mackin Sexton
Chicago, Ill.

Dr. Durward B. Varner
Lincoln, Neb.

Omer G. Voss
Chicago, Ill.

E. A. Walker
Salt Lake City, Utah

Flavel A. Wright
Lincoln, Neb.

Committees

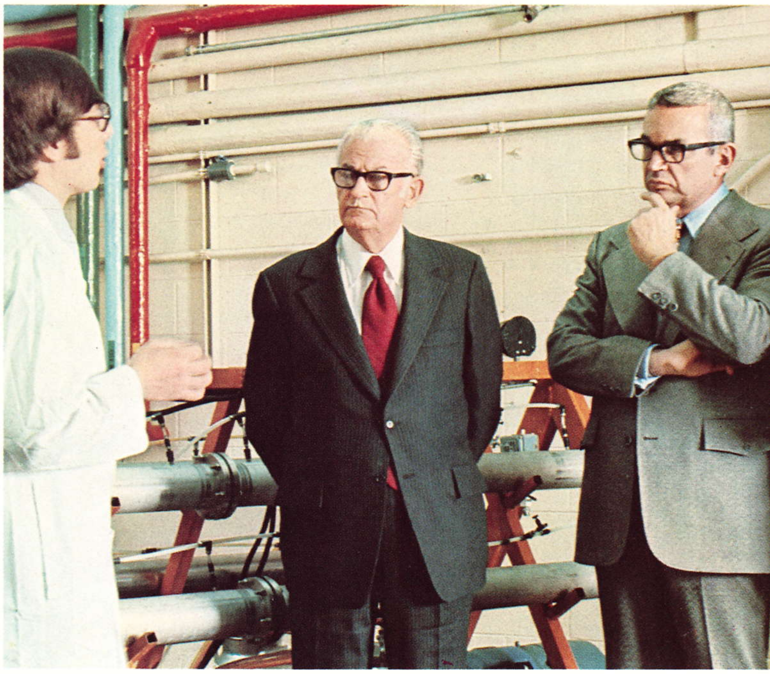
EXECUTIVE COMMITTEE
William G. Karnes, *Chairman*
Brown W. Cannon
Don L. Grantham
Paul T. Kessler, Jr.
Bernard A. Monaghan
Harry Niemiec
Flavel A. Wright

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*
Omer G. Voss
Flavel A. Wright

EXECUTIVE COMPENSATION COMMITTEE
G. A. Costanzo, *Chairman*
Bernard A. Monaghan
Omer G. Voss
Flavel A. Wright



◀From left: Juan E. Metzger, E. A. Walker and Omer G. Voss.

Officers and Directors

◀Lee Schlytter (center) and T. Mackin Sexton sample new food items served by food scientist Ginny Stentz in Beatrice Test Kitchens in Chicago, Ill.

◀Research Technologist Don Martorelli briefs Edward M. Muldoon (center), and Donald P. Eckrich on dairy research projects in Chicago Research Center.

Directors tour anti-pollution research facilities in Beatrice laboratories in Chicago. (From left), Front Row: Wallace N. Rasmussen, Flavel A. Wright, Jay G. Neubauer, G. A. Costanzo. Back row: Brown W. Cannon, Dr. Durward B. Varner, Bernard A. Monaghan.

Ten Year Review

	1973	1972	1971	1970
Earnings (As Reported)				
Net sales	$2,786,970	$2,384,410	$1,827,307	$1,576,065
Other income	8,191	7,806	7,255	6,360
Total	2,795,161	2,392,216	1,834,562	1,582,425
Cost of sales, operating expenses, interest, etc.	2,589,159	2,212,388	1,693,010	1,456,923
Depreciation	38,611	35,784	27,376	23,171
Income taxes	77,000	66,353	52,331	49,849
Total	2,704,770	2,314,525	1,772,717	1,529,943
Net earnings	$ 90,391	$ 77,691	$ 61,845	$ 52,482
Net earnings per common share	$1.36	$1.23	$1.10	$1.00
Dividends per common share	$ .59	$ .58	$ .50	$ .50
Financial Condition (As Reported)				
Working capital	354,633	$ 291,767	$ 253,596	$ 217,858
Plant and equipment (net)	365,100	324,768	253,348	215,776
Other assets	107,947	105,195	87,713	70,313
	827,680	721,730	594,657	503,947
Deduct:				
Long term debt	152,401	139,331	125,802	94,060
Other liabilities, minority interests and deferred credits	76,971	65,316	48,124	42,963
Stockholders' equity	$ 598,308	$ 517,083	$ 420,731	$ 366,924
Ratio of current assets to current liabilities	2.4:1	2.4:1	2.7:1	2.7:1
Book value per common share	$8.58	$7.60	$6.77	$6.28
Earnings (Restated for Poolings)				
Net sales	$2,786,970	$2,441,429	$2,181,896	$1,941,227
Other income	8,191	7,998	7,930	7,337
Total	2,795,161	2,449,427	2,189,826	1,948,564
Cost of sales, operating expenses, interest, etc.	2,589,159	2,261,549	2,017,665	1,791,519
Depreciation	38,611	36,497	34,854	30,440
Income taxes	77,000	70,047	64,385	62,712
Total	2,704,770	2,368,093	2,116,904	1,884,671
Net earnings	$ 90,391	$ 81,334	$ 72,922	$ 63,893
Net earnings per common share	$1.36	$1.24	$1.12	$ .98
Dividends per common share	$ .59	$ .58	$ .50	$ .50
Financial Condition (Restated for Poolings)				
Working capital	354,633	$ 304,202	$ 277,738	$ 249,475
Plant and equipment (net)	365,100	330,384	303,694	272,329
Other assets	107,947	105,368	95,466	79,274
	827,680	739,954	676,898	601,078
Deduct:				
Long term debt	152,401	141,405	140,057	117,324
Other liabilities, minority interests and deferred credits	76,971	65,569	52,540	47,460
Stockholders' equity	$ 598,308	$ 532,980	$ 484,301	$ 436,294
Ratio of current assets to current liabilities	2.4:1	2.4:1	2.5:1	2.5:1
Book value per common share	$8.58	$7.58	$6.78	$6.07

(Dollars in thousands except per share figures)

1969	1968	1967	1966	1965	1964
$1,350,011	$1,093,139	$933,422	$796,443	$681,385	$606,157
4,098	2,920	3,346	2,686	3,167	2,857
1,354,109	1,096,059	936,768	799,129	684,552	609,014
1,247,831	1,006,819	864,661	739,758	638,521	569,003
18,813	15,572	14,376	12,233	9,986	9,800
42,522	34,536	27,009	22,500	18,000	15,500
1,309,166	1,056,927	906,046	774,491	666,507	594,303
$ 44,943	$ 39,132	$ 30,722	$ 24,638	$ 18,045	$ 14,711
$ .96	$ .94	$ .82	$ .73½	$ .62	$ .52½
$ .44½	$ .40¼	$ .37½	$ .33¾	$ .29	$ .26¼
$ 184,935	$ 136,864	$128,167	$104,639	$ 86,099	$ 77,276
157,959	131,422	108,069	84,422	68,118	64,064
40,604	29,218	19,118	10,486	7,271	5,267
383,498	297,504	255,354	199,547	161,488	146,607
39,066	21,043	16,952	7,214	—	—
37,927	30,324	20,146	7,846	5,616	4,676
$ 306,505	$ 246,137	$ 218,256	$184,487	$155,872	$141,931
3.0:1	2.8:1	3.5:1	3.6:1	3.6:1	3.8:1
$5.65	$5.48	$5.19	$5.16	$4.97	$4.69

$1,677,028
5,310
1,682,338
1,536,284
27,108
58,858
1,622,250
$ 60,088
$ .94
$ .44½
$ 218,027
217,228
50,218
485,473
53,682
42,607
$ 389,184
2.6:1
$5.31

Capital Stock Listing
New York Stock Exchange, Midwest Stock Exchange
Basel, Geneva, Lausanne and Zurich, Switzerland, Stock Exchanges
Stock Exchange Symbol—BRY

Registrars of Stock
The Chase Manhattan Bank, N.A.—The Northern Trust Company

Stock Transfer Agents
Morgan Guaranty Trust Company of New York
Continental Illinois National Bank and Trust Company of Chicago

Dividend Disbursement Agent
Continental Illinois National Bank and Trust Company of Chicago

Executive Offices
120 South LaSalle Street, Chicago, Illinois 60603

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Prepared and printed by the following divisions of Beatrice Foods Co.:

American Graphics Corporation Jahn and Ollier Engraving Company Bertsch and Cooper Typographers Monson Publishing Company