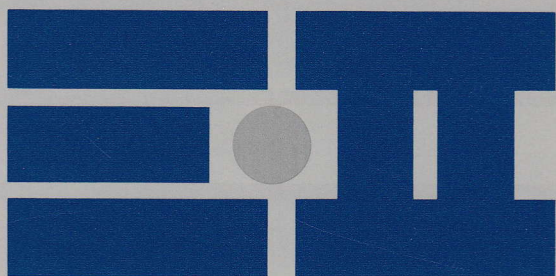


SECOND QUARTER REPORT
FISCAL YEAR 1988



HOLDINGS INC.

E-II Holdings Inc. manages a portfolio of businesses and seeks to enhance its value through leveraged acquisitions, improved management of operations, selective dispositions and corporate restructurings. Its diversified Consumer Products and Food Specialties companies include such well-known products as Samsonite luggage, Culligan water treatment systems, LouverDrape and Del Mar window coverings and Stiffel lamps, and strong regional brands, such as Martha White flour and baking mixes and Aunt Nellie's canned and glass packed vegetables.

E-II Holdings, a Delaware corporation, began its existence as a publicly held company on July 2, 1987 with an initial public offering of 28 million shares of common stock and a total of \$1.5 billion principal amount of senior subordinated notes and subordinated debentures. The operations of E-II were previously a part of Beatrice Company, formerly BCI Holdings Corporation. On July 9, E-II repaid to Beatrice \$800 million of notes which had been assumed by E-II in connection with its formation.

The company has approximately \$1 billion in cash and marketable securities and the ability to borrow additional funds when needed. These funds will be utilized in selective investments and may provide equity for future leveraged acquisitions the company intends to make.

TO OUR STOCKHOLDERS:

On August 31, 1987, E-II Holdings Inc. completed its initial quarter of existence following the inception of the company as a public corporation on July 2, 1987. This period constitutes the company's second quarter for the 1988 fiscal year which will end February 29, 1988.

E-II reported second-quarter operating earnings of \$23,511,000, a 14% increase over the comparable period a year ago. Revenues for the quarter increased 11% to \$389,813,000 from \$350,041,000 recorded for the same period last year. Primarily as a result of substantial interest expense, E-II reported a net loss (before an extraordinary item) of \$9,032,000 compared to a loss of \$1,383,000 in the comparable period a year ago.

During the second quarter, the company was required to report a one-time, noncash extraordinary item of \$26 million. This represented previously deferred financing fees related to the \$800 million of notes repaid to Beatrice Company during the quarter.

Operating earnings for the first six months of fiscal 1988 increased 6.5% to \$45,040,000 from \$42,274,000 for the same period last year. Revenues for the first six months were \$759,986,000 compared to \$681,484,000 a year ago, an increase of 11.5%. The loss before the extraordinary item was \$12,027,000 this year, while last year the company had net earnings of \$2,635,000.

E-II began its existence with a stable of profitable national, regional or "niche" companies previously owned by Beatrice. Sales and earnings for the first half of

fiscal 1988 improved as the benefits from increased marketing and capital expenditures over the past 16 months, as well as recent management changes and restructurings, began to be realized. Additionally, several new products were successfully introduced.

Consumer Products reported sales for the quarter of \$305,589,000, a 14% increase over last year. Segment earnings for the quarter also increased to \$23,526,000, nearly 31% above last year's figure of \$17,986,000.

For the six-month period, Consumer Products reported sales of \$593,857,000 for fiscal 1988, a gain of 14% compared to \$520,720,000 for fiscal 1987. Segment earnings for the six-month period also increased 14% from \$37,822,000 reported last year to \$43,254,000 this year.

Increases in sales and earnings for the Consumer Products segment resulted largely from new product introductions at Samsonite and Day-Timers, a strong overall performance at Culligan, and from favorable exchange rates from non-U.S. operations. In addition, management implemented improved operating systems at Home Fashions, manufacturer of Del Mar and LouverDrape window coverings.

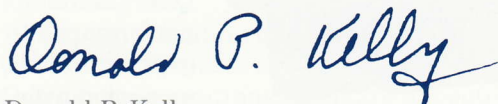
For the second quarter, Food Specialties reported sales increases of 3%, while earnings declined from \$7,684,000 last year to \$5,877,000 this year.

For the first six months of the 1988 fiscal year, sales exceeded prior year levels by 3% while earnings were \$12,678,000, trailing last year's six-month earnings of \$14,452,000. The decline in earnings was

due primarily to increased raw material costs, with meat and dairy ingredients up significantly. Selective price increases have been announced to offset these cost advances.

E-II invested a substantial portion of the net proceeds of its stock and debt offerings in a portfolio of selected short-term debt securities. To date, management has also invested in and evaluated the equity securities of a number of major public companies. Upon further investigation, we concluded that some of these equity investments would not provide E-II stockholders with sufficient returns and, therefore, have liquidated these positions. Similarly, we sold investments which had significant price increases. Realized gains from security transactions and interest income during the quarter totaled \$12.5 million. Other of our existing investments look promising and continue to be monitored and evaluated by management.

While the present economy has increased values of many businesses, our management philosophy remains consistent in adapting to market conditions, whatever they may be. The liquidity of our short-term investments ensures that E-II will have funds readily available as acquisition opportunities arise. We are committed to the quality of our investments which we believe will be measured by the longer-term returns they produce.



Donald P. Kelly
Chairman and Chief Executive Officer



Sales of Culligan drinking water equipment have shown significant growth fueled by increasing consumer demand for quality drinking water. Culligan, in a move to further explore consumer concern, is market testing Culligan Bottled Water.



Aunt Nellie's Farm Kitchens is the Number 1 brand nationally in glass packed vegetables. With 15 items in resealable and microwaveable glass jars, Aunt Nellie's has long been recognized for quality and consumer convenience.



Public demand is exceptionally strong for the two most influential new product offerings in the 77-year history of Samsonite. The Oyster (in blue as pictured here) and Silhouette 4 (in rose) were introduced by Samsonite in July.

REVIEW OF OPERATIONS

CONSUMER PRODUCTS

The Consumer Products segment accounted for 78% of total revenues and 77% of operating earnings, before unallocated expenses, for the first six months. Consumer Products includes nine companies that market products largely found in and around the home.

Samsonite luggage reported increased sales and operating earnings for both the second-quarter and six-month periods. Sales were particularly strong due to the excellent trade reception of two new luggage lines—Oyster and Silhouette 4—which began shipment during the quarter.

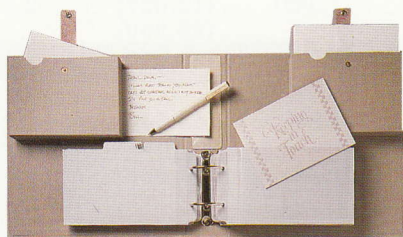
Culligan reported an overall solid performance with sales and operating earnings increases over last year. In particular, domestic household water softeners and drinking water systems reported significant increases in both sales and earnings.

Home Fashions achieved impressive increases in earnings for the second-quarter and six-month periods. Improvements resulted from initiatives by new management and increased operating efficiencies. Further benefits were realized from the recent restructuring of the Canadian operations.

Day-Timers reported increased sales for the quarter and for the year to date. Introduction during the quarter of the Keeping in Touch personalized message system, coupled with a fourfold increase in sales of the Senior Size Pocket Loose Leaf Calendar contributed to this strong performance by Day-Timers. Second-quarter and six-month operating earnings increased over last year.



Martha White Foods has strong brand recognition throughout its baking product lines, with Number 1 shares of market in both corn meal and cornbread mixes. Martha White serves mainly a 15-state area in the Southeast.



Day-Timers this year successfully launched Keeping in Touch, an innovative series of personal communications cards. The name Day-Timers is synonymous with pocket and desk date book organizers that continue to be increasingly popular with business people.



Market leader Home Fashions, manufacturer of LouverDrape and Del Mar window coverings, has sold more vinyl vertical blinds than all its competitors combined.

Earnings gains from Samsonite, Culligan, Home Fashions and Day-Timers more than offset shortfalls in the Home Products operations where difficult market conditions affected profit margins. Home Products consists of Waterloo tool storage products, Aristokraft kitchen cabinets and bathroom vanities, Samsonite Furniture, Twentieth Century plumbing and repair products and Stiffel lamps.

FOOD SPECIALTIES

Food Specialties accounted for 22% of E-II's total revenues and 23% of total operating earnings, before unallocated expenses, for the first six months. The Food Specialties segment includes six companies that either have strong regional brands or occupy specialized niches in the food industry.

Frozen Specialties reported a strong sales and earnings performance reflecting gains in distribution and a strong response to new promotion programs. Sales increases were also generated by Martha White, Lowrey's and Beatreme Food Ingredients. At these three particular companies, however, higher raw material prices and other operating costs resulted in an earnings shortfall.

Most companies in the Food Specialties segment experience stronger sales in the last half of the fiscal year, and improved earnings during the next six months are anticipated.

Capital spending programs to upgrade production facilities and expand production capacity continued and are expected to improve profit margins in future periods.

E-II Holdings Inc. Condensed Consolidated Statement of Income

(In Thousands, Except Per Share Data)
(Unaudited)

	Periods ended August 31			
	Quarter		Six Months	
	1987	1986	1987	1986
Net sales	\$389,813	\$350,041	\$759,986	\$681,484
Cost of sales	252,494	230,425	492,875	447,411
Gross earnings	137,319	119,616	267,111	234,073
Selling and administrative expenses	110,431	95,593	215,439	186,693
Amortization of intangible assets	3,377	3,353	6,632	5,106
Operating earnings	23,511	20,670	45,040	42,274
Interest expense	(33,056)	(1,598)	(34,586)	(3,059)
Investment income	12,471	—	12,471	—
Miscellaneous income (expense), net	(167)	794	522	1,720
BCI interest allocation	(8,000)	(22,500)	(30,500)	(33,750)
Earnings (loss) before income taxes and extraordinary item	(5,241)	(2,634)	(7,053)	7,185
Income tax expense (benefit)	3,791	(1,251)	4,974	4,550
Earnings (loss) before extraordinary item	(9,032)	(1,383)	(12,027)	2,635
Extraordinary item	(26,000)	—	(26,000)	—
Net earnings (loss)	\$ (35,032)	\$ (1,383)	\$ (38,027)	\$ 2,635
Weighted-average common shares outstanding	61,846	61,846	61,846	61,846
Common share equivalents	—	—	—	4,240
Weighted-average shares outstanding	61,846	61,846	61,846	66,086
Earnings (loss) per share before extraordinary item	\$ (.15)	\$ (.02)	\$ (.19)	\$.04
Net earnings (loss) per share	\$ (.57)	\$ (.02)	\$ (.61)	\$.04

E-II Holdings Inc. Segment Operating Results

(In Thousands) (Unaudited)

	Periods ended August 31			
	Quarter		Six Months	
	1987	1986	1987	1986
Net sales:				
Consumer Products	\$305,589	\$268,591	\$593,857	\$520,720
Food Specialties	84,224	81,450	166,129	160,764
Net sales	\$389,813	\$350,041	\$759,986	\$681,484
Operating earnings:				
Consumer Products:				
Gross earnings	\$115,838	\$ 97,642	\$222,561	\$190,882
Selling and administrative expenses	(89,554)	(77,118)	(174,081)	(149,189)
Amortization of intangible assets	(2,758)	(2,538)	(5,226)	(3,871)
Segment earnings	23,526	17,986	43,254	37,822
Food Specialties:				
Gross earnings	21,481	21,974	44,550	43,191
Selling and administrative expenses	(14,985)	(13,475)	(30,466)	(27,504)
Amortization of intangible assets	(619)	(815)	(1,406)	(1,235)
Segment earnings	5,877	7,684	12,678	14,452
Unallocated expense	(5,892)	(5,000)	(10,892)	(10,000)
Operating earnings	\$ 23,511	\$ 20,670	\$ 45,040	\$ 42,274

E-II Holdings Inc.

Condensed Consolidated Balance Sheet

(In Thousands)

	August 31 1987 (unaudited)	February 28 1987
Assets		
Current assets:		
Cash	\$ 8,463	\$ 7,396
Short-term investments, at cost which approximates market	1,019,856	7,506
Receivables, less allowance for doubtful accounts of		
\$9,293 and \$8,773, respectively	252,474	234,654
Inventories	232,831	212,103
Other current assets	33,170	30,049
Total current assets	1,546,794	491,708
Property, plant and equipment, net of accumulated depreciation		
of \$56,365 and \$35,116, respectively	301,629	304,344
Intangible assets, principally goodwill and unallocated		
purchase cost, respectively	509,641	508,972
Other noncurrent assets	82,641	51,151
	\$2,440,705	\$1,356,175
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term debt	\$ 35,425	\$ 40,373
Accounts payable and accrued expenses	303,731	173,610
Current maturities of long-term debt	3,551	3,661
Total current liabilities	342,707	217,644
Long-term debt	1,538,673	39,587
BCI Notes	—	800,000
Other noncurrent liabilities	33,308	29,065
Contingent liabilities	—	—
Stockholders' equity:		
Preferred stock	—	—
Common stock	618	—
Capital surplus	556,681	—
Accumulated deficit	(30,391)	—
Cumulative foreign currency adjustment	(891)	—
E-II Group equity	—	269,879
Total stockholders' equity	526,017	269,879
	\$2,440,705	\$1,356,175

E-II Holdings Inc.**Condensed Consolidated Statement of Changes in Financial Condition***(In Thousands) (Unaudited)*

	Periods ended August 31			
	Quarter		Six Months	
	1987	1986	1987	1986
Cash provided (used) by operations:				
Earnings (loss) before extraordinary item	\$ (9,032)	\$ (1,383)	\$ (12,027)	\$ 2,635
Items not involving cash:				
Depreciation and amortization	12,087	12,174	24,524	20,845
Deferred taxes and other items, net	1,512	—	1,807	—
Changes in working capital, excluding current debt	89,783	5,541	88,452	(7,147)
Cash provided by operations before extraordinary item	94,350	16,332	102,756	16,333
Net cash used by extraordinary item	—	—	—	—
Cash provided by operations	94,350	16,332	102,756	16,333
Cash used by investment activities:				
Net expenditures for property, plant and equipment	(10,487)	(11,022)	(18,829)	(18,895)
Other items, net	(8,494)	(223)	(7,689)	(3,828)
Cash used by investment activities	(18,981)	(11,245)	(26,518)	(22,723)
Cash provided (used) by financing activities:				
Change in debt, excluding Offerings	(2,939)	(1,197)	(5,972)	341
Proceeds from Offerings	1,739,772	—	1,739,772	—
Transactions with BCI:				
Repayment of BCI Notes	(800,000)	—	(800,000)	—
BCI interest allocation	8,000	22,500	30,500	33,750
Administrative cost allocation	1,667	5,000	6,667	10,000
Income tax allocation	969	(2,563)	240	756
Net cash transferred	(10,810)	(29,512)	(53,960)	(44,970)
Other items, net	4,812	2,508	19,932	7,488
Cash provided (used) by financing activities	941,471	(3,264)	937,179	7,365
Increase in cash and short-term investments	1,016,840	1,823	1,013,417	975
Cash and short-term investments at beginning of period	11,479	8,041	14,902	8,889
Cash and short-term investments at end of period	\$1,028,319	\$ 9,864	\$1,028,319	\$ 9,864

BOARD OF DIRECTORS

Donald P. Kelly
Chairman of the Board and
Chief Executive Officer
E-II Holdings Inc.

Frank W. Considine
Chairman, President and
Chief Executive Officer
American National Can Company
Vice Chairman and Director
Triangle Industries, Inc.

Leander (Lee) W. Jennings
Chief Executive Officer
Jennings & Associates

John J. Schmidt
Independent Consultant
Former Chairman and
Chief Executive Officer
Santa Fe Southern Pacific
Corporation

James R. Wolfe
Chairman, President and
Chief Executive Officer
CNW Corporation

EXECUTIVE OFFICERS

Donald P. Kelly
Chairman of the Board and
Chief Executive Officer

James M. Snodgrass
President, E-II Consumer Products
Company, Inc.

F. Edward Gustafson
President, E-II Food Specialties Company, Inc.

Roger T. Briggs
Executive Vice President and
Chief Financial Officer

Richard J. Pigott
Executive Vice President and
Chief Administrative Officer

Karl M. Becker
Senior Vice President and General Counsel

William L. Chambers
Senior Vice President, Human Resources

William E. Reidy
Senior Vice President, Planning and Strategy

Chance Bahadur
Vice President and Treasurer

William P. Carmichael
Vice President, Taxes

J. S. Corcoran
Vice President, Financial

Arthur J. McGivern
Vice President, Associate General Counsel
and Secretary

Lizabeth G. Sode
Vice President

E-II HOLDINGS INC.

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(312) 558-4000

STOCK TRANSFER AGENT AND REGISTRAR

Harris Trust and Savings Bank
311 West Monroe, Chicago, IL 60606

STOCK LISTING

E-II Holdings Inc. is listed on the New York Stock Exchange
under the stock ticker symbol EII.