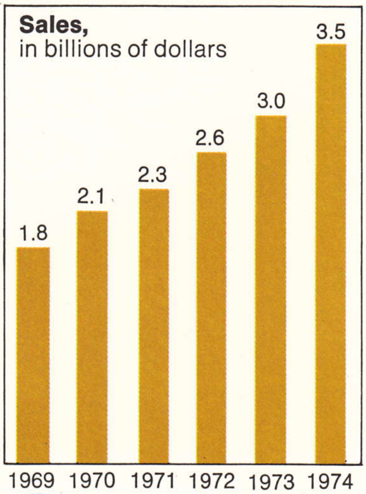
Beatrice Foods

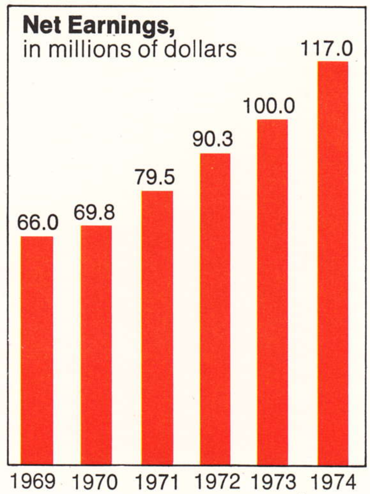
76th Annual Report

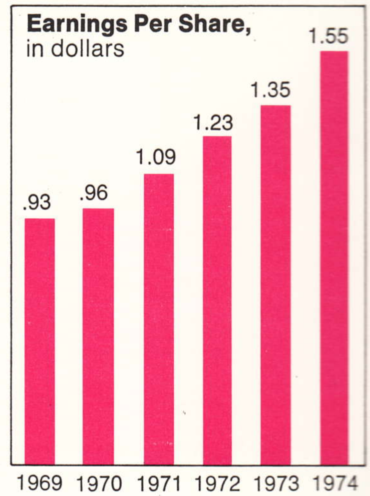
for the Fiscal Year ended February 28, 1974

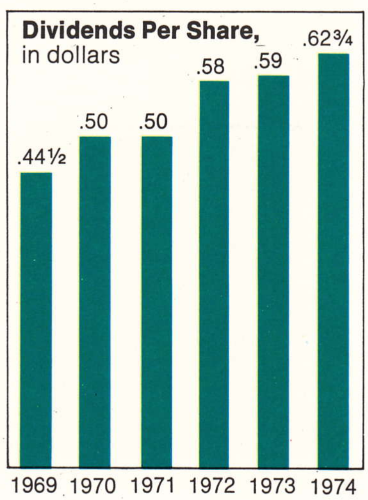
Building growth through management strength

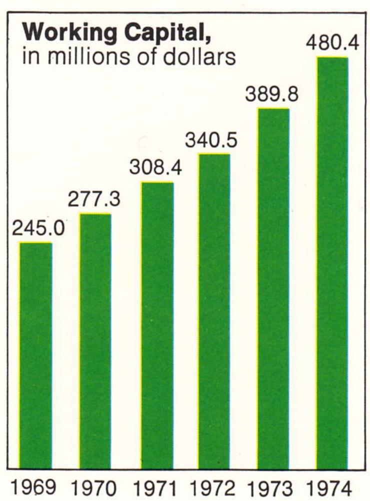
Five years of Progress

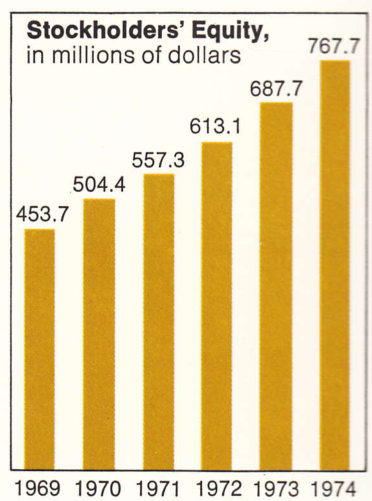












77th Annual Meeting

The 77th Annual Meeting will be held in the Arie Crown Theater, McCormick Place, East 23rd Street and the Lake Front, Chicago, Ill., at 1:30 p.m. (CDT) on Wednesday, June 5, 1974.

Beatrice Foods Co. and Subsidiaries

Financial Highlights

For the year ended February 28	1974	1973	Per Cent Increase
Net Sales	$3,541,215,602	$2,950,689,669	20
Net Earnings	116,991,180	100,031,523	17
Net Earnings Per Share of Common Stock (note)	1.55	1.35	15
Working Capital	480,404,824	389,753,328	23
Stockholders' Equity	767,737,438	687,735,723	12
Dividends	46,404,783	42,887,532	8
Dividends Paid Per Share of Common Stock	.62¾	.59	6
Number of Stockholders	40,642	34,310	18
For the three months ended February 28			
Net Sales	$ 949,762,238	$ 757,275,017	25
Net Earnings	23,989,667	20,722,808	16
Net Earnings Per Share of Common Stock	.32	.28	14

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

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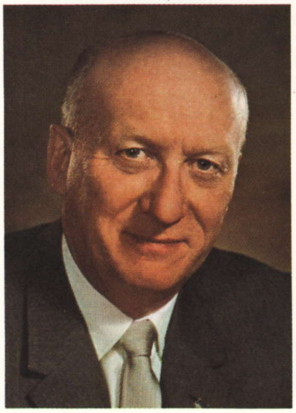


William G. Karnes
Chairman of the Board
Chief Executive Officer

Don L. Grantham
President
Chief Operating Officer

Sales, net earnings and earnings per common share increased for the 22nd consecutive year

To the stockholders of Beatrice Foods Co.

The fiscal year ended Feb. 28, 1974, was the most successful in your company's 76-year history. The greatest year-to-year dollar increases in sales, net earnings and earnings per common share enabled your company to achieve record highs in these and virtually every other phase of operations for the 22nd consecutive year.

The final quarter of the fiscal year was the 88th consecutive quarter in which sales, net earnings and earnings per share exceeded those of the same quarter of the previous year.

These accomplishments attest to the effectiveness of Beatrice Foods' world-wide management team in intensifying the company's long-term programs for increasing sales through internal growth and improving efficiencies. They also attest to this team's abilities in overcoming the problems resulting from price controls, including a price freeze, shortages of raw materials in some areas, energy conservation and continuing rises in wages and the costs of ingredients, equipment and transportation.

Record Internal Growth—The primary source of your company's record progress during the year was internal growth—that is, increases in sales and earnings of operations which were members of Beatrice Foods at the beginning of the fiscal year.

Internal growth accounted for $395 million of the total gain in sales last year—an average of $33 million per month. This represented an increase of $145 million, or 58 per cent, from the increase of $250 million in internal growth in sales reported for the previous fiscal year.

The advance in sales through internal growth amounted to more than 14 per cent of the reported sales for the previous year, compared to four per cent five years ago. In the last five years, your company has increased its sales by more than $950 million through internal growth.

Sales—Your company advanced to join the select number of companies in the world with more than three billion dollars in sales. Consolidated net sales of $3,541,215,602 represented a gain of $590,525,933, or 20 per cent from the previous year which has been restated to include companies acquired in poolings of interests mergers.

In the last five years, your company has increased its sales by more than $1.7 billion, or 98 per cent.

Earnings—Net earnings increased to $116,991,180, a record gain of $16,959,657, or 17 per cent, from the previous year. In the last five years, your company has increased its net earnings by almost $51 million, or 77 per cent.

Net earnings per common share increased 15 per cent to $1.55 from $1.35 for the previous year.

Net earnings per share of common stock, assuming full conversion of debentures and preference stock, increased 15 per cent to $1.50 from $1.31.

After-tax return on sales was 3.4 per cent. Return on average stockholders' equity was 16 per cent.

Dividends—Record dividends of $46,404,783 were paid on preference and common stocks during the fiscal year, compared to $42,887,532 paid in the previous year.

On Dec. 4, 1973 the board of directors voted to increase the quarterly dividend rate on the common stock 4.8 per cent to 16.25 cents per share, equal to an annualized rate of 65 cents per share. The previous annual rate was 62 cents per share.

This was the eighth increase in the dividend rate since March 1, 1965. In that time, the annual dividend rate has been increased 117 per cent to 65 cents per share from 30 cents after adjustments for three common stock distributions since then. In that same period, one share of common stock has increased to five and one-third shares as the result of stock distributions.

Capital Expenditures—During the last fiscal year, your company invested a record $78 million for new facilities, expansion, further automation and modernization, environmental control and energy conservation. A total of 134 projects was initiated world-wide, including 83 for food and related product and service plants.

Your company has invested more than $345 million in the last five years to maintain its plants and equipment at maximum efficiency. Further details are presented on pages 11 to 17.

Working Capital—Working capital increased for the 29th consecutive year. The total at year end was $480,404,824, compared to $389,753,328 at the end of the previous year. The increase of $91 million, or 23 per cent, was the largest in your company's history.

Stockholders' Equity—Stockholders' equity increased for the 37th consecutive year to a record $768 million, a gain of $80 million, or 12 per cent. Book value of each share of common stock also increased for the 37th consecutive year.

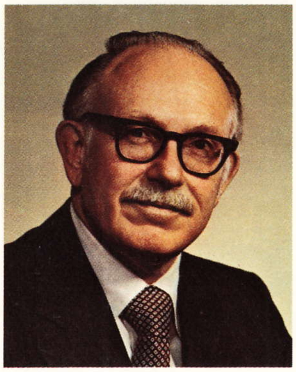
Stockholders—The number of stockholders increased for the 23rd consecutive year and totaled 40,642 at year end. We appreciate the many constructive comments and suggestions contributed through the year by our stockholders and thank you for your expressions of confidence and encouragement.

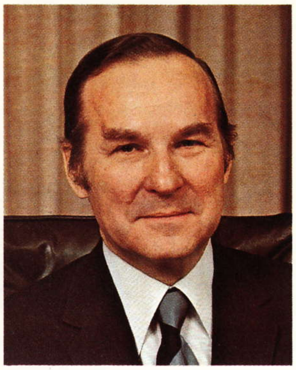
Management—Edward M. Muldoon and Jay G. Neubauer retired as directors of your company in accordance with company policy. Mr. Muldoon served the company for 20 years and was vice president in charge of the


Wallace N. Rasmussen
Executive Vice President
President, Food Operations


Brown W. Cannon
Executive Vice President
President, Manufacturing,
Chemical Operations


William G. Mitchell
Executive Vice President
Chief Financial Officer


Paul T. Kessler, Jr.
Executive Vice President
Chemical, Educational
& Consumer Arts,
International Grocery &
Confectionery Divisions,
Southwestern Investment Co.


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


E. A. Walker
Senior Vice President
Dairy Operations
Agri-Products Division

Grocery Division from 1961 to 1967. He was elected a director in 1966. Mr. Neubauer served the company for 49 years and was central regional vice president from 1957 to 1967. Both Mr. Muldoon and Mr. Neubauer were elected directors emeriti of your company.

We are deeply appreciative of the invaluable contributions to the company made by these two men.

John H. Coleman, Toronto, Ontario, Canada, deputy director and executive vice president of The Royal Bank of Canada (retired, 1973), and King D. Shwayder, Denver, Colo., were elected as new directors on June 6, and August 29, 1973, respectively. Mr. Shwäyder has been president of Samsonite Corporation, Denver, since 1961.

Consistent with your company's program for strengthening the executive management of the company to provide for continuing growth in the future, 13 members of Beatrice Foods were elected to new positions in senior management and on the corporate staff.

Three new executive vice presidents and a senior vice president were elected on March 5, 1974.

Wallace N. Rasmussen was elected executive vice president and president of all food operations. Brown W. Cannon was elected executive vice president and president of all manufacturing and chemical operations. Both previously had been senior vice presidents.

William G. Mitchell, previously vice president, was elected executive vice president and chief financial officer. E. A. Walker, previously vice president, was elected senior vice president in charge of dairy and agri-products operations.

On June 6, 1973, Richard A. Voell, formerly a group manager, was elected vice president-manufacturing and Norman E. Barber, previously manager, corporate accounting, was elected controller.

Elected as assistant vice presidents on the same date were R. Wilbur Daeschner, director of personnel and industrial relations; James G. Fransen, assistant to the president and operating director of the Caribbean dairy group; Leo J. Himmelsbach, previously assistant treasurer, and Carl T. Sutherland, executive coordinator for all manufacturing divisions. P. Robert McClure was elected assistant treasurer.

On April 18, 1974, H. Robert Winton, Jr., was elected corporate secretary and Fred K. Schomer was elected assistant vice president —corporate planning.

Energy and Environment Conservation—In the fall of 1973, your company adopted an intensive energy conservation program to reduce substantially the use of all forms of energy by its plants, offices and motor vehicles. Included in the program were measures to consolidate truck deliveries, improve production facilities as well as to use them for longer runs, revise work schedules and increase energy escape controls.

The majority of our plants are engaged in high priority operations such as the processing of foods. Most of them are in small communities across the nation and few are heavy energy users. For these reasons, along with its on-going conservation program, your company does not anticipate any major energy problems in the year ahead.

As the result of long-range planning over the last decade by our Anti-Pollution Committee and our research, sanitation and engineering departments, your company has no significant problems in the areas of water, air and noise pollution control.

The Year Ahead—The abilities, dedication and countless contributions of our employee team of 65,000 working with our experienced management team were the primary forces that enabled the company to increase its momentum of progress again during the year. We look forward to another year of even greater progress with the invaluable support of the men and women of Beatrice Foods, our stockholders, customers and suppliers.

William G. Karnes

Chairman of the Board
Chief Executive Officer

Don L. Grantham

President
Chief Operating Officer

Sales and Operating Earnings by Major Area

Beatrice Foods Co. and Subsidiaries

	1974		1973	
SALES				
Foods and Related Services				
Dairy products	$ 964,890,183	27%	$ 857,819,649	29%
Grocery and confectionery products	1,118,868,648	32	837,644,257	29
Specialty meat products	368,725,630	10	322,422,469	11
Warehousing and agri-products	212,610,299	6	153,685,218	5
	2,665,094,760	75	2,171,571,593	74
Manufactured and Chemical Products	876,120,842	25	779,118,076	26
Total sales	$3,541,215,602	100%	$2,950,689,669	100%
OPERATING EARNINGS				
Foods and Related Services				
Dairy products	$ 48,636,118	19%	$ 43,272,465	20%
Grocery and confectionery products	51,144,847	20	42,346,882	20
Specialty meat products	17,404,710	7	11,638,237	5
Warehousing and agri-products	29,874,021	11	21,277,024	10
	147,059,696	57	118,534,608	55
Manufactured and Chemical Products	109,312,417	43	97,046,449	45
Total Operating Earnings	256,372,113	100%	215,581,057	100%
Less:				
Non operating expenses (net)*	32,980,933		25,142,565	
Income taxes	106,400,000		90,406,969	
Net earnings	$ 116,991,180		$ 100,031,523	

*Includes interest, unallocated corporate expenses, minority interests and equity in earnings of unconsolidated subsidiary.

Sales and earnings of all international operations are included in the above amounts.

Building growth through management strength

Beatrice Foods confidently looks forward to continued growth, particularly greater and greater internal growth, for many reasons. One of the most important is:

The strength, depth and experience of the men and women of its management team operating under the company's long-established system of decentralized management.

The major advantages of this decentralized system to a diversified company such as Beatrice Foods are:

(Above)—**T. Mackin Sexton,** president, Sexton Division; **King D. Shwayder,** president, Samsonite Division; **Donald P. Eckrich,** president, Specialty Meats Division.

(Left)—**Theodore R. Ruwitch,** president, Consumer Products Division; **Richard A. Voell,** vice president, Manufacturing Divisions; **John A. Corry,** executive vice president, Consumer Products Division.

(Below)—**J. J. McRobbie,** group manager, Eastern Nationality Foods Group; **Charles J. Gardella,** vice president, group manager, Burny Bros.—Jaeger Bakery Group; **Gordon E. Swaney,** vice president, assistant general manager, Grocery Division.

(Above)—(Seated): **John P. Fox, Jr.,** vice president-law general counsel; **Lee W. Schlytter,** vice president, Corporate Development; (Standing): **H. Robert Winton, Jr.,** corporate secretary, associate general counsel; **R. Wilbur Daeschner,** assistant vice president, director, Personnel and Industrial Relations.

(Left)—**Arthur T. Mussett,** operating director, European Dairy Group; **James L. Dutt,** executive vice president, Dairy Division; **Juan E. Metzger,** vice president, international, group manager, Yogurt-Specialty Dairy Products Group.

—Senior management (division presidents, division executive vice presidents, group managers and their staffs shown on these pages) is located in the field—at the scene of the action—where it can make immediate decisions to adjust to rapid changes in market conditions and requirements of the community.

—The company is able to realize to the maximum the creative and innovative potentials and the entrepreneurial capabilities of individuals. It is a system that provides job satisfaction, that encourages people to do whatever they are doing well.

—Challenges and opportunities are provided for young people enabling them to develop their managerial skills more rapidly. We believe that as a company one of our obligations is to provide opportunities for people to fulfill their natural inclination to work for the betterment of their lives, their country and their company.

William W. Granger, Jr., vice president, Eastern Dairy Region; **James T. Hill,** group manager, Appalachian Dairy Group; **William R. Holmes,** group manager, Atlantic Coast Dairy Group, assistant operating director, European Dairy Group; **William J. Polidoro,** group manager, Southern Dairy Group; **John Keller,** group manager, Butter Group.

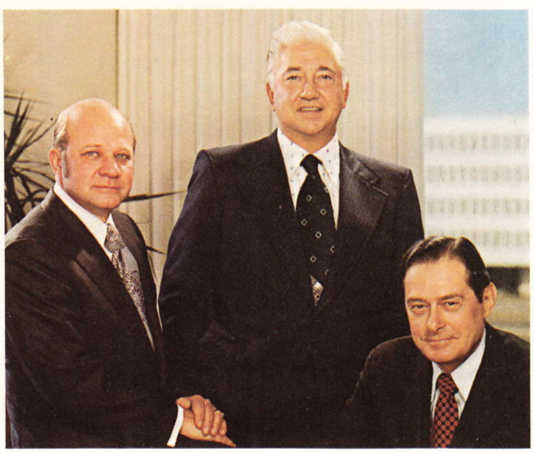
—Our channels of communication are short and direct. There are only two echelons of management between the manager of a profit center and the executive officers of the company. These are the group manager and the division president.

—We believe this system provides the company with one of the best management training programs in any industry. Each of our 400 profit centers in the United States and around the world has its own complete management team.

From jobs in sales, in production, in the office, men and women are promoted to general manager of a profit center. From general manager, they are promoted to group manager supervising as many as 15 plants with annual sales ranging from \$30 million to \$80 million. From group manager, they are promoted to division president. At that time, they are directing units with total annual sales of between \$50 million and \$350 million. Then, from division presidents they are promoted to executive officers of the company.

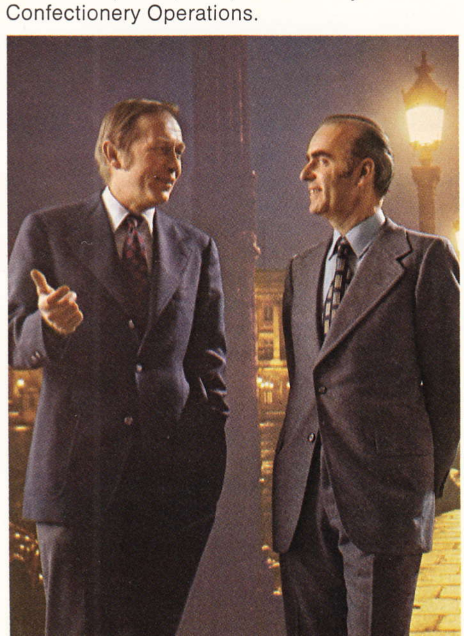
As they move up through the ranks, they receive experience in depth in every phase of operations. At

John D. Conners, regional manager, Western Dairy Region; **Lloyd H. Bracksieck,** regional manager, West-Central Dairy Region.



(Left)—Eckrich Division—**Chester W. Schmidt,** Executive vice president, Commercial Division; **Joseph E. Quinlan,** executive vice president, Retail Products; **Merrill K. Pulliam,** president and treasurer, E. W. Kneip, Inc.

(Below)—**Robert T. Drape,** operating director, European Grocery and Confectionery Division operations; **Kurt R. Jaisli,** director of corporate development, European Grocery and Confectionery Operations.



Sexton Division (Seated)— **William O. Egan,** vice president-merchandising; **William Sexton,** vice president-branch operations. (Standing)— **Howard Cashman,** vice president-marketing; **E. F. Egan,** vice president-industrial relations; **Gordon Hughes,** vice president-manufacturing.

(Above)—**Anthony Q. Sanna,** general manager, Agri-Products Division; **Robert Cooper,** general manager, Warehouse Division; **Charles H. Manchester,** president, Leisure Products Division.

(Above)—**Richard L. Chisholm,** group manager, Hawaiian Dairy Group; **Kenneth M. Shaffer,** group manager. Texas-Oklahoma Dairy Group; **John M. Spray,** group manager, Nebraska Dairy Group.

Building growth through management strength

Chemical Division—**Louis E. Stahl,** president; **Felix Levenbach,** division senior vice president, International Operations; **Harry C. Wechsler,** executive vice president.

(Above)—**Fred Phillips,** president, Home Products Division; **Douglas A. Bard,** executive vice president, Home Products Division; **Walter A. Lovejoy,** president, Metal Products Division.

Lloyd C. Thompson, group manager, Southern Illinois-Indiana-Kentucky Dairy Group; **Richard D. Graham,** group manager, Special Products Group-Ohio Milk Group; **John F. Hazelton, Jr.,** vice president, Midwest Dairy Region; **Vernon R. Janes,** group manager, North Central Dairy Group.

each step they are learning and growing; and as people develop and move forward, they move the company forward.

This management training system has provided the company with a seasoned management team in depth both in the field and on the corporate staff. This team of 86 corporate and division officers and group managers averages 51 years of age. But it averages 23 years in experience with the company.

It is this team operating under this flexible and simple management system that has led Beatrice Foods to 22 consecutive years of growth in sales and earnings.

It is this team, and the people being developed as successors, that will lead Beatrice Foods to even greater growth in the future.

(Above)—**Harry Tidey,** group manager, Bakery Group; **Adam Schubel,** group manager, Shedd-Bartush Foods Group.

(Below)—**H. William Collins,** group manager, Graphic Arts Group #1, Educational and Consumer Arts Division; **Rudolph E. Buczek,** group manager, Mail and Direct Marketing Group, Educational and Consumer Arts Division; **James Weiss,** president, Educational and Consumer Arts Division.

(Above)—**Wayne H. Tingey,** group manager, Western Idaho and Montana Dairy Group; **William Smith,** group manager, Western Soft Drink Group; **Ronald Averett,** group manager, Nevada-California-Oregon Dairy Group.

(Above)—Confectionery Division—**B. Robert Kill,** executive vice president; **William J. Powers,** president.

Building growth through management strength

(Left)—**J. Gordon Spiers,** group manager, Manitoba, Canada, Dairy Group; **Donald Chew,** director of operations, Canadian Dairy Operations; **Roland M. Binnington,** group manager, Ontario, Canada, Dairy Group.

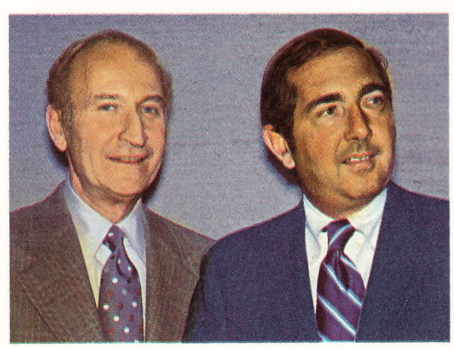
(Left)—(Seated): **Norman E. Barber,** Controller; **Robert W. France,** treasurer. (Standing): **Fred K. Schomer,** assistant vice president-corporate planning; **P. Robert McClure,** assistant treasurer.

(Above)—**Daniel R. Gallagher,** group manager, Glass-Pack Grocery Group; **Louis R. Smerling,** Grocery Nut Products Group; **Maurice Dowling,** group manager, Grocery Industrial Products Group.

(Below)—Southwestern Investment Company: **Warren J. Kincaid,** senior vice president and treasurer; **E. Jay O'Keefe,** executive vice president; **R. Earl O'Keefe,** president, chairman and chief executive officer; **Creighton B. Lynch,** executive vice president.

(Above)—**Allan W. Adams,** president, general manager, Adams International; **Richard S. Hartman,** director, Snack Food Operations, International Grocery and Confectionery Division; **Andre J. Job,** assistant general manager, International Grocery and Confectionery Division; **Peter Brown,** group manager, Australia and Far East, International Grocery and Confectionery Division.

(Right)—**James G. Fransen,** assistant to the president, operating director, Caribbean Dairy Group; **Carl T. E. Sutherland,** assistant vice president, group manager; **Leo J. Himmelsbach,** assistant vice president, group manager.

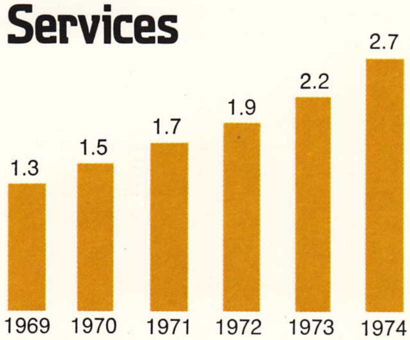


Norman Schneider, group manager, Educational and Special Products Group, Educational and Consumer Arts Division; **Melvin Weinstein,** group manager, Home and Auto Accessories Group, Educational and Consumer Arts Division.

(Right)—Samsonite Division—**Keith R. Schwayder,** president and general manager, Furniture Division; **Richard W. Hanselman,** executive vice president-operations; **I. J. Shwayder,** president-international division.

22nd year of progress in review

Foods and Related Services



Sales in billions of dollars (restated)

World-wide sales of foods and related services climbed to a record $2.7 billion, equal to 75 per cent of the company's total sales for the fiscal year.

Internal growth in these fields accounted for $333 million, or 67 per cent, of the total increase of $494 million, or 16 per cent, from sales reported for the previous year. Earnings from operations in these fields rose to $147 million.

These increases were effected primarily through the broadening of distribution, more comprehensive marketing programs, introduction of new products, phasing out of low margin or non-profitable items and expansion of production facilities.

Modernization and automation of plants and facilities were accelerated during the year. Capital improvements were completed or in progress at 83 foods and related service operations world wide.

Two hundred ninety-two new or substantially improved products were introduced by these companies during the fiscal year, with 326 scheduled for further development and market tests during fiscal 1975.

Dairy sales and earnings world-wide increased for the 35th consecutive year.

Dannon expanded distribution of its yogurt products into several new markets, and now is established all along the East Coast from Maine to Miami as well as in Tampa, Atlanta, Cleveland and Chicago. Continued rapid sales growth of yogurt is anticipated.

Louis Sherry also extended distribution of its premier French style and Classic American ice creams "with no artificial ingredients" from the Eastern states into the Midwest.

Dairy specialty items continue to be stressed in the new product field. Sanna successfully introduced four new Swiss Miss flavors made with non-fat milk. Viva dairy spread with only 35 per cent butter fat content—less than half that of butter—was consumer tested successfully in Oklahoma and Texas, and distribution is being extended into additional markets. Other new specialties include gourmet ice creams, fruit ices, whipped cream cottage cheese, fruit drinks and ice cream novelties.

Expansions and improvements were completed at 21 domestic dairy plants, including major projects at Meadow Gold plants in Nashville, Tenn., Orange City, Fla., New Bremen, Ohio, and Missoula, Mont., and at the Sanna plant and distribution center in Menomonie, Wis.

Gold Medal Bottling, St. Paul, Minn., developed several new flavors for carbonated beverages and also introduced a number of package innovations. Royal Crown Bottling of Louisville has scheduled construction of a new plant, while Royal Crown of Los Angeles completed a major expansion project that includes a high-speed canning line.

Grocery and Confectionery products sales increased substantially to a new high. Grocery product earnings also set a record, but domestic confectionery earnings dipped slightly.

Significant economies in distribution were achieved by more efficient use of Beatrice operated over-the-road truck fleets and by the establishment of second and third assembly points for combining less than truck load lots from various plants. The truck fleet at Archbold, Ohio, was expanded to provide better service to customers of LaChoy Food Products and Beatrice Frozen Specialties which are located there.

Market expansion accounted for major gains. Export sales were boosted by Shedd-Bartush Foods in the Pacific basin, while Dell Food Specialties expanded its exports of snack food flavorings into Iran, Greece, Saudi Arabia and Central Africa. La Choy achieved increased market penetration for both its canned and frozen lines of Chinese-style foods in several areas of the country.

Brookside Vineyard Company opened its 32nd wine tasting cellar in Long Beach, Calif., and started work on another in Elgin, Ill., a suburb of Chicago. The Elgin cellar, to be opened late this summer, will be Brookside's first in the Midwest.

Among plant improvement projects, Cincinnati Fruit and Extract transferred its cherry pitting operation to the Traverse City, Mich., area. This new production facility eliminates an environmental and pollution problem in Cincinnati and permits pitting to be done adjacent to the orchards.

Fisher Nut, with its sunflower nuts becoming ever more popular, increased its sales significantly over the previous year. Fisher expanded its line of foil packages for sale through candy and tobacco jobbers.

Domestic confectionery and bakery operations, affected by rapid rises in the cost of ingredients, were disappointing. However, they continued to be profitable and showed substantial improvement in the latter part of the fiscal year.

The D.L. Clark Company's Clark bar became the top selling 15-cent bar in the country during the year, with its Zagnut bar rated third and Holloway's Milk Duds sixth. All candy operations expanded their advertising and marketing efforts, much of it in support of a wide line of new products. These include Clark's Clarconut bar, Switzer's natural licorice Brix, portion control packages from Richardson's Mints, Jolly Rancher's Super Chews and Holloway's Milk Duds in three new flavors.

These companies plan to introduce a record number of new products during fiscal 1975, with emphasis on items for the supermarket, institutional and vending fields.

Murray Biscuit, Augusta, Ga., and Little Brownie Bakers, Marietta, Okla., expanded production facilities. Burny Bros., Chicago, Ill., introduced 30 new bakery items with primary emphasis upon frozen products. Murray developed 37 new items and Mother's Cookies 10.

The Sexton Division, which provides foodservice customers across the nation with more than 2,000 different products, penetrated into new market areas with the addition of branches in Seattle-Tacoma and Rochester, N.Y.

Sexton's nation-wide network of distribution centers, all located in key markets in the continental United States and Hawaii, will be expanded further with the opening of another in Houston, Texas, this spring. Adding to Sexton's growth was the introduction of several new institutional food items.

The Specialty Meat Division faced short supplies of pork and beef during the year. With the lifting of the beef price freeze in September, this situation improved, and the greater availability forecast for 1974 is encouraging.

The Eckrich Company responded to consumer wants and needs by adding both a freshness date and nutritional information to its packages of specialty convenience meats. The freshness date was made more meaningful by adding the qualifying statement "Full Flavor 7 Days Beyond" followed by the date. Nutrition information was included even before the USDA published its proposed regulations. This year, Eckrich packages also will start to carry metric weight information.

E. W. Kneip, Inc., consolidated and further mechanized operations to improve efficiencies in its processing of specialty meats. Additional vacuum packaging was added to Kneip's line. This provides longer shelf life and more efficient shipping and storage of portion control meat specialties such as cured and cooked corned beef rounds which are distributed nationally.

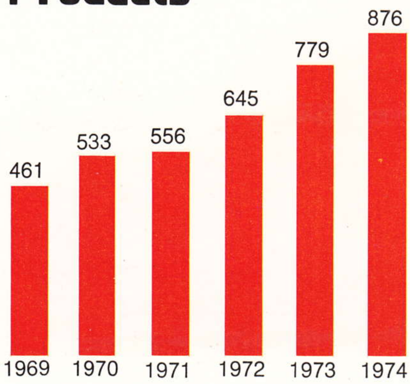
The Warehouse Division, which increased both revenues and earnings from the previous year, continued its expansion program.

A substantial portion of new space at Tampa Cold Storage and Warehouse will be occupied by a leading Florida retail food chain to service supermarkets and smaller retail stores throughout the state.

Quincy Market Cold Storage and Warehouse in Gloucester, Mass., is completing an addition which will accommodate eight million pounds of fish blocks. Inland Center, Kansas City, Kans., was approved by the United States Government as a foreign trade center, with a sizeable area set aside for the storage of imports and exports that are in-transit and not subject to customs duty.

The Agri-Products Division achieved record increases in sales and earnings to new highs, primarily through internal growth. Several of the companies either completed new facilities, have expansion projects under way or are designing plant additions. These include Vigortone, which opened its third plant for the formulation of animal food pre-mixes, in Marion, Ohio.

Manufactured and Chemical Products



Sales in millions of dollars (restated)

Sales and earnings of manufacturing and chemical operations again attained record highs, primarily through extension of distribution, further diversification of product lines and expansion of production facilities. Sales world-wide rose to $876 million, and operating earnings increased to $109 million.

Plant expansion projects were either completed or in progress at 47 locations at the close of the fiscal year. In all, manufactured and chemical products companies introduced more than 200 new or substantially improved products—primarily consumer items—during the year, with 187 scheduled for introduction in fiscal 1975.

Manufacturing
Companies manufacturing food service equipment and related products for institutions such as schools, restaurants, cafeterias, hospitals and plants and offices made substantial gains. Construction of such institutions continued throughout the year at a steady pace, and the quality reputation of Beatrice-manufactured steam cookers, ovens, soft ice cream dispensers, maintenance equipment and related products put these items in great demand.

Home accessory companies also displayed excellent growth. More new Stiffel lamps lighted homes and offices than ever before. The company expanded its Chicago plant facilities. There also was record consumer demand for Hekman's lines of high-fashion tables, chairs and occasional furniture, and its plant capacity was increased, too.

Reacting to the nationwide gasoline shortage that adversely affected sales of its travel trailers during the last half of the year, Airstream initiated a diversification program designed to strengthen the company by broadening its manufacturing base in areas in which it has know-how and expertise. New Airstream products include aluminum cargo containers for the airlines and the maritime shipping industry, special truck bodies for the bakery business and aluminum cabs for industrial and agricultural vehicles.

Improvements in Airstream's operations already were being reported in the final weeks of the fiscal year. With the removal of the oil boycott and as a result of fuel conservation measures, travel trailer sales showed a substantial improvement.

Mobile home sales also experienced a decline for several months, but were on an upward trend again at the close of the fiscal year.

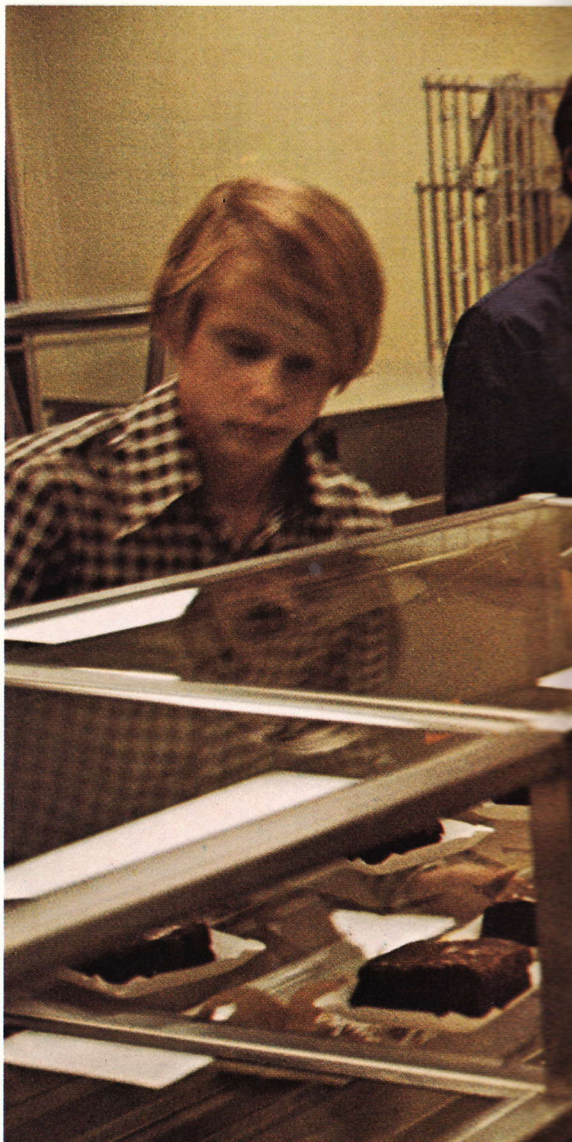
Samsonite, which joined Beatrice Foods in August, 1973, achieved record sales and earnings in its domestic, export and international operations. The luggage division continued to expand its marketing position domestically, particularly at the retail level, through introduction of new products, styles and colors.

Samsonite's advertising format, keyed to the campaign "A Bag Named Sam" this past year, is being extended in fiscal 1975. Expansion of the twin plants' operation in Tucson, Ariz., and Nogales, Mexico, enabled this facility to increase significantly the range of soft side products it can produce.

Samsonite's furniture division set an all-time sales record in the bridge, patio and contract furniture market segments. To meet increasing market needs, the division's Murfreesboro, Tenn., plant, which also serves as its national furniture distribution center, was expanded to boost production capacity 50 per cent.

The Educational and Consumer Arts Division also increased its sales to an all-time high, primarily through the expansion of product lines for the educational, leisure activity, arts and crafts and graphic arts markets.

Stuckey and Speer further expanded its lines of products for the school markets. Homemaker opened a new plant in Salem, Ill., to provide for the continuing growth in demand for sleeping and slumber bags for campers. Allison, Velva Sheen and Nat Nast, which serve the sports and children's activity fields, expanded their facilities and Mark Fore/Vatco developed a new type of ski carrier for cars and expanded its luggage carrier line. With the current trend toward smaller cars, demand has grown substantially for more luggage carrier capacity via external racks and carriers.



The substantially increased sales of Day-Timers has made necessary a further expansion of its facilities in Allentown, Pa. Sax Arts and Crafts moved into a new facility in Milwaukee, Wis., enabling it to double its capacity. Walker-Litho Graphics was established in San Francisco, Calif., as a new division to meet the demand for high technology litho-graphics on the West Coast.

The Chemical Division continued its rapid progress with sales continuing to grow at a rate of approximately 30 per cent for the second consecutive year. All profit centers participated in this performance.

New facilities were added for the production of acrylic and polyurethane resins for the coatings and inks markets. Commercial production was begun on new emulsions for water-based coatings for wood, plastic and paper surfaces to replace solvent-based coatings and reduce air pollution.

A new fashion center for the leather, shoe and garment industry was established in Peabody, Mass., a suburb of Boston. It will be the source of new styling and fashion ideas and for product development for the world-wide markets served by the division. Polyurethane resins for fabric coating experienced an outstanding year as competing natural materials became more expensive and competing synthetics increasingly scarce.

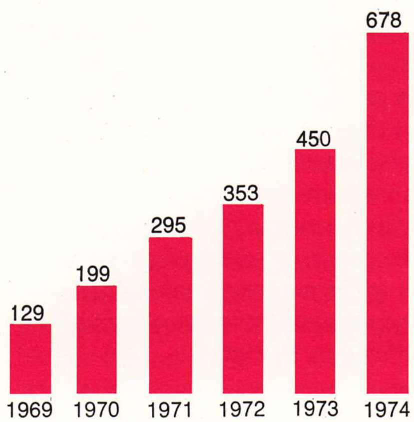
The division's products for the treatment and restoration of concrete and masonry experienced their best year in history. Sales to overseas markets are being expanded rapidly in response to the excellent reception being given these products in residential construction, public works and other markets.

New powder coating "paints" went on the market commercially and are attaining a dominant position in store display fixtures, metal furniture and related products. The sale of high performance lubricants and greases reached all-time records in spite of shortages created by the oil crisis. Significantly, higher penetration was achieved in traditional as well as new markets as our programmed lubrication services (MAPPS) met with continued success.

Southwestern Investment Company, Amarillo, Texas, joined Beatrice Foods as an unconsolidated subsidiary July 24, 1973. Southwestern is engaged primarily in consumer and commercial finance and life and casualty insurance. Southwestern's finance group provides direct consumer loans and retail sales financing and equipment leasing through 139 offices in 13 states.

International Operations

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



Sales in millions of dollars (restated)

(Note: These figures have been included in the two preceding charts in this year-in-review section of this report.)

International operations produced a record increase in sales to an all-time high of $678 million, a gain of $228 million, or 51 per cent. Beatrice's share of net earnings after taxes was $29.5 million.

At the start of fiscal 1975, Beatrice, which launched its overseas expansion in 1961, owned or had major interests in 140 plants and distribution centers in 27 nations around the world.

Expansion of product lines and plant capacities were the major factors in contributing to this growth. A total of 27 capital improvements were completed or in progress at international locations at the end of the fiscal year.

EUROPE—Milk and ice cream plants in Belgium and ice cream operations in Denmark, Germany, Spain and Italy achieved record sales. Production facilities were expanded, as were product lines that now include fruit ices, fruit ades and ice cream novelties.

Expanded distribution was achieved for snack foods in Ireland, where potato chip production facilities were increased by one-third; by our spice business in Holland, and by grocery, confectionery and bakery companies in France, Switzerland and Italy.

Manufacturing and chemical companies in Europe also moved ahead as they added new facilities to meet the demand for their products.

Samsonite S.A. (Europe) introduced luggage with expandable soft sides and Silhouette 100 luggage with combination locks. Plant construction was begun in Brussels to provide a new 175,000 square foot plant to meet growing demand in the European market.

Melnor Industries, N.V., opened a plant in Herentals, Belgium, near Antwerp in June. The plant, Melnor's first in Western Europe, produces lawn sprinklers and a full line of garden care products for the European Common Market.

A new production facility was completed in Monchengladbach, West Germany, for the manufacture of high performance lubrication products. In the current petroleum crisis, our metallic lubricant compounds have grown in demand because of their premium qualities and improvement of industrial machine performance.

CARIBBEAN, LATIN AMERICA—Beatrice Foods companies throughout this area, like those in the United States, successfully expanded their businesses by widening distribution and adding new products and facilities.

Our ice cream operation in Mexico expanded its distribution to retail multi-flavored ice cream stores, established one new distribution branch and expanded another. New products boosted dairy sales and earnings in Puerto Rico, Jamaica and the Dominican Republic.

Snack food companies in Puerto Rico, the Dominican Republic, Guatemala and Colombia followed the same pattern. These companies also are expanding their line of products to include confections and new types of chips.

CANADA—Sales and earnings of Canadian operations both established new records for the year. Substantial expansions were made at 10 dairy plants in Ontario, Manitoba and Quebec. The line of specialty dairy products was expanded substantially, and distribution increased, especially in the Greater Toronto market.

Grocery companies expanded both manufacturing and warehouse facilities to provide for substantially greater production capacity.

The Canada Chinese food operations completed a new warehouse and manufacturing plant addition that will enable them to more than triple present capacity.

Pyramid Mobile Homes completed the most successful year in its history and is expanding plants in three locations.

Samsonite of Canada expanded its product line in Canada. The Canada-based units of Melnor (lawn sprinklers and lawn care equipment), Beneke (bathroom accessories) and Bloomfield Industries (institutional foodservice equipment) all expanded their distribution and further diversified their product lines.

AUSTRALIA-FAR EAST—Present and anticipated sales growth resulted in substantial expansion programs by several companies in this area. New products such as fruit and nut bars were successfully introduced by our confectionery companies.

Red Tulip launched an expansion program that will increase its confectionery production capacity by 300,000 square feet in the next five years. Patra, Melbourne-based processor of fruit juices, also is expanding its facilities substantially.

Construction of an ice cream plant in Singapore was started by Beatrice and its partners in dairy operations there.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Consolidated Balance Sheet

February 28, 1974, and February 28, 1973

Assets	1974	1973
Current assets:		
Cash	$ 54,942,930	$ 65,342,426
Marketable securities, at cost	3,909,482	4,941,975
Receivables, less allowance for losses $13,209,045 (1973—$12,241,685)	339,059,942	282,842,264
Inventories	412,298,523	311,222,285
Prepaid expenses (note 3)	16,271,970	13,899,685
Total current assets	826,482,847	678,248,635
Investment in unconsolidated subsidiary (note 9)	37,424,603	29,318,730
Plant and equipment:		
Land	28,922,399	28,001,439
Buildings	238,321,578	223,269,197
Machinery and equipment	462,666,227	414,251,792
	729,910,204	665,522,428
Less accumulated depreciation	295,490,701	264,290,422
	434,419,503	401,232,006
Investments and other assets	23,974,021	21,394,002
Intangible assets	97,123,279	90,283,584
	$1,419,424,253	$1,220,476,957

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

Liabilities & Stockholders' Equity	1974	1973
Current liabilities:		
Accounts payable and accrued expenses	$ 308,705,676	$ 247,382,555
Current portion of long-term debt	10,367,082	13,515,145
Income taxes	27,005,265	27,597,607
Total current liabilities	346,078,023	288,495,307
Debentures and notes (note 4)	161,855,000	114,645,000
Indebtedness incurred upon acquisition of other companies (note 4)	46,365,474	49,901,394
Deferred credits and other non-current liabilities (notes 3 and 5)	77,440,841	63,623,644
Minority interests in subsidiaries	19,947,477	16,075,889
Stockholders' equity:		
Preference stock (without par value). Authorized 2,500,000 shares. Issued 366,525 shares (1973—385,920 shares) at stated value with aggregate liquidation preference of $36,003,980 (1973—$37,762,400) (note 6)	9,590,816	10,018,130
Common stock (without par value). Authorized 100,000,000 shares. Issued 74,298,577 shares (1973—73,561,360 shares) at $1.85 stated value (notes 4, 6 and 7)	137,452,367	136,088,516
Capital surplus	37,472,936	28,994,406
Earnings invested in the business (earned surplus)	583,571,624	512,985,227
	768,087,743	688,086,279
Less 189,354 shares (1973—189,490 shares) of common stock in treasury at stated value	350,305	350,556
Stockholders' equity	767,737,438	687,735,723
	$1,419,424,253	$1,220,476,957

Statement of Consolidated Earnings

Years Ended February 28, 1974, and February 28, 1973

	1974	1973
Income:		
Net sales	$3,541,215,602	$2,950,689,669
Other income, including equity in net earnings of unconsolidated subsidiary (note 9)	13,839,386	13,274,404
	3,555,054,988	2,963,964,073
Costs and expenses:		
Cost of sales	2,659,960,980	2,177,695,395
Selling, administrative and general expenses	601,626,695	536,256,735
Depreciation expense	46,771,463	41,590,080
Interest expense	18,915,673	15,490,292
	3,327,274,811	2,771,032,502
Earnings before income taxes	227,780,177	192,931,571
Provision for income taxes (note 3)	106,400,000	90,406,969
Earnings after income taxes	121,380,177	102,524,602
Minority interests in net earnings of subsidiaries	4,388,997	2,493,079
Net earnings	$ 116,991,180	$ 100,031,523
Net earnings per common share	$1.55	$1.35
Net earnings per common share assuming full conversion of debentures and preference stock	1.50	1.31

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

Beatrice Foods Co. and Subsidiaries

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

Years Ended February 28, 1974, and February 28, 1973

	1974	1973
Capital Surplus		
Balance at beginning of year	$ 28,994,406	$ 8,187,352
Excess of stated value of converted shares of preference stock over stated value of shares of common stock issued upon conversion (note 6)	248,952	8,690,770
Excess of principal amount of converted debentures over stated value of 101,599 shares (1973—181,461 shares) of common stock issued upon conversion	1,555,087	2,753,406
Excess of proceeds over stated value of shares of common stock issued under stock options (note 7)	4,610,672	7,864,961
Excess of fair value over stated value of 142,973 shares (1973—169,221 shares) of common stock issued upon purchase of other companies	2,245,490	3,156,558
Stated value of 93,832 shares (1973—66,818 shares) of common stock issued as additional consideration in pooling-of-interests transactions consummated in prior years	(173,588)	(118,945)
Charges resulting from:		
Common stock distribution	—	(1,605,040)
Adjustment of treasury common shares to stated value	—	(495,850)
Other items	(8,083)	561,194
Balance at end of year	$ 37,472,936	$ 28,994,406
Earnings Invested in the Business (Earned Surplus)		
Balance at beginning of year (note 2)	$512,985,227	$455,841,236
Net earnings for the year	116,991,180	100,031,523
	629,976,407	555,872,759
Less dividends paid:		
Preference stock	1,493,908	1,919,657
Common stock, \$.62¾ a share (1973—\$.59 a share)	43,870,515	37,069,922
Capital stocks of pooled companies	1,040,360	3,897,953
	46,404,783	42,887,532
Balance at end of year	$583,571,624	$512,985,227

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

Statement of Changes in Consolidated Financial Position

Beatrice Foods Co. and Subsidiaries

Years Ended February 28, 1974, and February 28, 1973

	1974	1973
Funds Provided:		
Net earnings	$116,991,180	$100,031,523
Items which did not currently use funds:		
Depreciation	46,771,463	41,590,080
Deferred tax and other items	9,065,906	9,501,384
Undistributed earnings of unconsolidated subsidiary	(3,657,314)	(2,471,670)
Total from operations	169,171,235	148,651,317
Sale of common stock under option plans	5,162,184	8,768,271
Fair value of common stock issued for assets of purchased companies	2,509,988	3,401,098
Issuance of common stock upon conversion of preference stock and debentures	2,170,360	13,497,584
Proceeds from sale-and-leaseback of properties	15,853,140	9,900,725
Long-term borrowings:		
Debentures	25,000,000	25,000,000
Other	34,281,946	5,688,489
Other items	3,340,051	3,312,905
Total funds provided	257,488,904	218,220,389
Funds Used:		
Cash dividends	46,404,783	42,887,532
Plant and equipment acquired through purchase of other companies	12,013,034	13,460,703
Plant and equipment purchased, net of retirements $7,268,207 (1973—$5,938,514)	78,137,692	76,996,842
Preference stock and debentures (net) retired upon conversion into common stock	2,170,360	13,497,584
Reductions in long-term debt	13,817,866	16,822,382
Increase in investment in unconsolidated subsidiary	4,448,559	488,311
Intangible assets acquired (net)	7,129,924	2,431,099
Increase in investments, etc.	2,715,190	2,429,906
Total funds used	166,837,408	169,014,359
Increase in working capital	$ 90,651,496	$ 49,206,030
Changes In Working Capital Components:		
Increases (decreases) in current assets:		
Cash and marketable securities	$(11,431,989)	$ 5,701,354
Receivables	56,217,678	40,382,582
Inventories	101,076,238	49,059,942
Prepaid expenses	2,372,285	1,553,917
	148,234,212	96,697,795
Increases (decreases) in current liabilities:		
Accounts payable and accrued expenses	61,323,121	44,912,879
Current portion of long-term debt	(3,148,063)	204,725
Income taxes	(592,342)	2,374,161
	57,582,716	47,491,765
Increase in working capital	$ 90,651,496	$ 49,206,030

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

Summary of Significant Accounting Policies

Principles of Consolidation
The consolidated financial statements include all majority owned subsidiaries except Southwestern Investment Company and its subsidiaries which are carried on the equity method (see note 9). Subsidiaries operating outside the United States are included on the basis of fiscal years ending generally on December 31. Current assets and current liabilities of such subsidiaries are translated at rates of exchange in effect at December 31, while long term assets and liabilities are translated at the rates in effect at the dates such assets and liabilities were acquired or incurred. Revenue and expense accounts are translated at the average exchange rates in effect during the year except for depreciation which is translated at historical rates. Effective with the devaluation of the U. S. dollar in February, 1973, the Company adopted the policy of deferring any net unrealized translation gains until the international currency situation stabilizes. In prior years the Company reflected all exchange adjustments in current earnings.

Inventories
Inventories are valued at the lower of cost (principally first-in, first-out) or market.

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.

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.

Intangible Assets
The excess of cost over net tangible assets of companies acquired prior to November 1, 1970 (approximately $80 million) is not being amortized until such time as there may be evidence of a permanent loss in value. Intangible assets acquired after that date are being amortized on a straight line method generally over a 40 year period.

Income Taxes
Certain items of income and expense (principally depreciation and gains on sale-and-leaseback transactions) are reported for income tax purposes on methods 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.

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, stock options and 4⅞% Convertible Debentures) 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 sheet of Beatrice Foods Co. and subsidiaries as of February 28, 1974, and February 28, 1973 and the related consolidated 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, 1974, and February 28, 1973 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 15, 1974

Peat, Marwick, Mitchell & Co.

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:

	1974	1973
	(in thousands)	
Current assets	$189,287	$133,212
Plant and equipment (net)	107,717	87,462
Investments in joint ventures	5,728	5,146
Intangibles and other assets	27,961	20,717
	330,693	246,537
Less:		
Current liabilities	122,319	80,120
Other liabilities	31,871	20,047
Minority interests	19,244	15,751
	173,434	115,918
Company's equity in net assets	$157,259	$130,619
Company's equity in net earnings	$ 29,463	$ 19,513

Translation adjustments arising in the current and prior years were immaterial.

2) Business Combinations

During the year ended February 28, 1974, the Company acquired Southwestern Investment Company (S.I.C.), Samsonite Corporation (Samsonite), and several other companies in transactions accounted for by the pooling of interests method. In connection therewith, the Company issued a total of 8,205,365 shares of its common stock of which 2,434,789 shares and 3,795,409 shares were issued to former stockholders of S.I.C. and Samsonite, respectively. The statement of consolidated earnings for the year ended February 28, 1974, includes the equity in the net earnings of S.I.C. for the year ended December 31, 1973 (of which $2,083,552 applies to the period January 1, 1973 to date of merger) and the sales and net earnings of the other acquired companies for the entire year (of which $99,717,354 and $4,544,734, respectively, applies to the period March 1, 1973 to dates of merger).

The financial statements for the year ended February 28, 1973 have been restated to reflect the above business combinations. The net sales and net earnings of the Company for the year ended February 28, 1973 before such restatement aggregated $2,786,970,098 and $90,390,993, respectively. The net earnings of pooled companies that have been omitted or duplicated due to changes in their fiscal years amounted to $1,525,074 and are included in the 1973 beginning balance of earned surplus. Certain adjustments have been made in the separate financial statements of the acquired companies to conform their accounting methods with those of the Company. Such adjustments did not materially affect net earnings previously reported by the acquired companies.

3) Income Taxes

The provisions for income taxes comprise the following:

	1974	1973
	(in thousands)	
Current taxes:		
Federal	$ 74,829	$63,649
Foreign	20,074	14,111
State	10,500	9,532
Deferred taxes:		
Federal	(758)	1,327
Foreign	514	722
Deferred investment credits—net:		
Federal	1,065	1,062
Foreign	176	4
Total	$106,400	$90,407

Net non-current deferred taxes and the unamortized balance of investment credits amounted to $14,041,685 and $7,036,588, respectively, at February 28, 1974 ($13,853,009 and $5,795,452, respectively, at February 28, 1973), and are included in deferred credits in the balance sheet. Net current deferred tax charges aggregated $4,675,143 at February 28, 1974 ($4,242,595 at February 28, 1793) and are included in prepaid expenses in the balance sheet.

The Company has provided for deferred taxes on that portion of the undistributed earnings of its foreign subsidiaries which is not considered to be permanently invested overseas. The accumulated earnings that have been permanently invested overseas aggregated $32 million at February 28, 1974, exclusive of those reinvested earnings on which there would be little or no U. S. tax upon transfer to the Company.

4) Long Term Debt
Debentures and notes comprise the following:

	1974	1973
	(in thousands)	
7⅞% Sinking Fund Debentures due 1994 ..	$ 35,000	$ 35,000
9% Debentures due 1985.	12,000	13,000
Convertible Subordinated Debentures:		
7¼% due 1990	14,905	16,645
6¼% due 1991	24,950	25,000
4½% due 1992	25,000	25,000
4⅞% due 1993	25,000	—
8½% Bank notes due 1977	20,000	—
Bank note, interest at prime rate, due 1975 ..	5,000	—
	$161,855	$114,645

The indentures under which the debentures were issued provide for annual sinking fund payments or otherwise require prepayments of principal. The 7¼%, 6¼%, 4½% and 4⅞% debentures are convertible into the Company's common stock at the rate of 57.142, 43.716, 35.714 and 43.956 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 2016.

5) Sale-and-Leaseback Transactions
During the year ended February 28, 1974, the Company sold and leased back certain operating properties. The excess of the proceeds ($15,853,140) over the net book value of the properties sold ($10,191,766) 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 $27,844,840 at February 28, 1974 ($23,165,105 at February 28, 1973) and is included in deferred credits in the balance sheet.

6) Preference Stock
The following is a summary of preference stock issued and outstanding:

	1974	1973
	(in thousands)	
$2.70 convertible, $60 stated value, 16,213 shares (1973-20,740 shares)	$ 973	$ 1,245
$4.00 convertible, $10 stated value,* 267,854 shares (1973-279,726 shares)	2,679	2,797
$4.50 convertible, $100 stated value, 57,114 shares (1973-57,224 shares)	5,711	5,722
Series A convertible, $9 stated value,* 25,344 shares (1973-28,230 shares)	228	254
	$9,591	$10,018

*Liquidation preference $100 per share.

In the 1974 fiscal year, 19,395 shares of preference stock were converted into 96,412 shares of common stock. There are 1,803,467 shares of common stock reserved for conversion of outstanding preference shares at February 28, 1974.

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, 1974, are summarized as follows:

	Number of Shares	Total Option Price
Shares under option at February 28, 1973	1,148,698	$20,374,097
Options granted	225,535	4,915,669
Options assumed	62,368	1,345,541
Options exercised*	(298,115)	(5,162,184)
Options cancelled	(90,149)	(1,756,781)
Shares under option at February 28, 1974	1,048,337	$19,716,342

*In addition, a pooled company issued, under its stock option plan, the equivalent of 4,286 shares of the Company's common stock.

Options to purchase 736,755 shares are currently exercisable. There are 1,071,685 shares of common stock reserved for the granting of additional options.

8) Pension Plans

The amount charged to earnings under Company pension plans totaled $11,300,000 for the year ended February 28, 1974, and $7,700,000 for the year ended February 28, 1973. During the year ended February 28, 1974, the Company also contributed approximately $6,200,000 under plans jointly administered by industry and union representatives.

9) Southwestern Investment Company and Subsidiaries (S.I.C.)

The following condensed statements summarize the consolidated financial position and operating results of S.I.C. (A):

Summary of Financial Condition	December 31	
	1973	1972
	(in thousands)	
Assets:		
Cash and marketable securities	$ 59,093	$ 55,812
Finance receivables (net)	119,512	109,966
Other receivables (net)	65,388	50,559
Other assets	21,200	14,740
	$265,193	$231,077
Liabilities and Company's Equity:		
Short-term notes payable (C)	$ 83,680	$ 70,108
Accounts payable and other liabilities	23,705	25,300
Savings accounts	39,688	36,284
Life insurance policy reserves	27,044	20,033
Long-term debt (B) (C)	53,651	50,033
Company's equity	37,425	29,319
	$265,193	$231,077

Summary of Operations	YEAR ENDED	
	December 31 1973	August 31 1972
	(in thousands)	
Revenues	$ 70,408	$ 49,432
Company's equity in net earnings	4,244	3,685

Notes:

(A) S.I.C. is a wholly owned subsidiary of Beatrice Foods Co. and is engaged principally in the finance and insurance businesses. In 1973, S.I.C. changed its fiscal year-end from August 31 to December 31.

(B) Long-term debt matures in varying amounts through 1987 and bears interest at rates ranging from 4¾% to 10%.

(C) The debt of S.I.C. is not guaranteed by the Company.

10) Leases

Total minimum noncancelable rental commitments (net of sublease rentals) are payable as follows:

	Type of Property		
Fiscal Years	Real Property	Motor Vehicles	Other
	(in thousands)		
1975	$17,868	$ 8,707	$ 3,728
1976	16,928	7,586	3,086
1977	15,319	6,508	2,054
1978	14,709	4,425	1,212
1979	14,064	2,209	924
1980-1984	60,873	1,096	1,902
1985-1989	49,533	—	45
1990-1994	38,313	—	26
after 1994	51,024	—	—

The aggregate rental payments shown above that are applicable to financing leases (generally those which cover 75% or more of the economic life of the leased properties) are as follows: 1975—$19,607; 1976—$18,868; 1977—$17,429; 1978—$15,090; 1979—$12,542; 1980 thru 1984—$49,140; 1985 thru 1989—$42,230; 1990 thru 1994—$35,786; after 1994—$50,929.

Rent expense for the two years ending February 28, 1974 was as follows:

	1974	1973
Financing Leases	(in thousands)	
Minimum rentals	$15,651	$11,722
Contingent rentals	53	17
Sublease rentals	(191)	(62)
	15,513	11,677
Other Leases		
Minimum rentals	26,526	23,951
Contingent rentals	2,490	2,416
Sublease rentals	(776)	(876)
	28,240	25,491
Total rent expense	$43,753	$37,168

The present value of rental commitments under financing leases (as defined) using a weighted average interest rate of 6.9% (rates implicit in the terms of the leases range from 2% to 12%) as of February 28, 1974, and February 28, 1973, are summarized by type of property as follows:

	1974	1973
Leased Property	(in thousands)	
Real property	$109,220	$ 90,089
Motor vehicles	24,239	16,870
Other	6,771	5,944
Total	$140,230	$112,903

There would be no material effect on net earnings if such financing leases were capitalized.

Directors

Brown W. Cannon
Executive Vice President
President, Manufacturing,
Chemical Divisions
Denver, Colo.

John H. Coleman
Retired (1973) as Deputy Chairman
Executive Vice President
The Royal Bank of Canada
Toronto, Ontario, Canada

G. A. Costanzo
Vice Chairman
First National City Corporation
New York, N.Y.

Donald P. Eckrich
Specialty Meat
Division President
Fort Wayne, Ind.

Don L. Grantham
President
Chief Operating Officer
Chicago, Ill.

William G. Karnes
Chairman of the Board
Chief Executive Officer
Chicago, Ill.

Paul T. Kessler, Jr.
Executive Vice President
Chemical, Educational & Consumer
Arts, International Grocery &
Confectionery Divisions,
Southwestern Investment Co.
Chicago, Ill.

Juan E. Metzger
Vice President-International
Group Manager, Yogurt-Specialty
Dairy Products Group
New York, N.Y.

Bernard A. Monaghan
President, Chief Executive Officer
Vulcan Materials Company
Birmingham, Ala.

Harry Niemiec
Executive Vice President
Grocery, Confectionery Divisions,
Bakery Group
Chicago, Ill.

Wallace N. Rasmussen
Executive Vice President
President, Food Operations
Nashville, Tenn.

Lee W. Schlytter
Vice President
Corporate Development
Chicago, Ill.

King D. Shwayder
Samsonite
Division President
Denver, Colo.

T. Mackin Sexton
John Sexton
Division President
Chicago, Ill.

Dr. Durward B. Varner
President
University of Nebraska
Lincoln, Nebraska

Omer G. Voss
Executive Vice President
International Harvester Company
Chicago, Ill.

E. A. Walker
Senior Vice President
Dairy Operations
Agri-Products Division
Salt Lake City, Utah

Flavel A. Wright
Partner, Law Firm of Cline,
Williams, Wright & Oldfather
Lincoln, Neb.

Committees

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

STOCK OPTION COMMITTEE
Flavel A. Wright, Chairman
G. A. Costanzo
Bernard A. Monaghan
Durward B. Varner

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

PENSION COMMITTEE
G. A. Costanzo, Chairman
John H. Coleman
Bernard A. Monaghan
Durward B. Varner

Officers

William G. Karnes
Chairman of the Board
Chief Executive Officer

Don L. Grantham
President
Chief Operating Officer

Operations

Wallace N. Rasmussen
Executive Vice President
President, Food Operations

Brown W. Cannon
Executive Vice President
President, Manufacturing,
Chemical Operations

Paul T. Kessler, Jr.
Executive Vice President
Chemical, Educational & Consumer
Arts, International Grocery &
Confectionery Divisions,
Southwestern Investment Co.

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

E. A. Walker
Senior Vice President
Dairy Operations
Agri-Products Division

Richard A. Voell
Vice President
Manufacturing Divisions

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

William W. Granger, Jr.
Vice President
Eastern Dairy Region

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

Gordon E. Swaney
Vice President
Assistant General Manager
Grocery Division

Charles J. Gardella
Vice President
Group Manager

James G. Fransen
Assistant Vice President
Assistant to President
Operating Director, Caribbean
Dairy Area

Leo J. Himmelsbach
Assistant Vice President
Group Manager

Carl T. E. Sutherland
Assistant Vice President
Group Manager

Administration

William G. Mitchell
Executive Vice President
Chief Financial Officer

Lee W. Schlytter
Vice President
Corporate Development

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

Norman E. Barber
Controller

Robert W. France
Treasurer

H. Robert Winton, Jr.
Secretary
Associate General Counsel

R. Wilbur Daeschner
Assistant Vice President
Director, Personnel & Industrial
Relations

Fred K. Schomer
Assistant Vice President
Corporate Planning

P. Robert McClure
Assistant Treasurer

Ten Year Review (Dollars in thousands except per share figures)

	1974	1973	1972	1971
Earnings (As Reported)				
Net sales	$3,541,216	$2,786,970	$2,384,410	$1,827,307
Other income	13,839	8,191	7,806	7,255
Total	3,555,055	2,795,161	2,392,216	1,834,562
Cost of sales, operating expenses, interest, etc.	3,284,893	2,580,253	2,205,455	1,688,036
Depreciation	46,771	38,611	35,784	27,376
Income taxes	106,400	85,906	73,286	57,305
Total	3,438,064	2,704,770	2,314,525	1,772,717
Net earnings	$ 116,991	$ 90,391	$ 77,691	$ 61,845
Net earnings per common share	$1.55	$1.36	$1.23	$1.10
Dividends per common share	$ .62¾	$ .59	$ .58	$ .50
Financial Condition (As Reported)				
Working capital	$ 480,405	$ 354,633	$ 291,767	$ 253,596
Plant and equipment (net)	434,419	365,100	324,768	253,348
Other assets	158,522	107,947	105,195	87,713
	1,073,346	827,680	721,730	594,657
Deduct:				
Long term debt	208,221	152,401	139,331	125,802
Other liabilities, minority interests and deferred credits	97,388	76,971	65,316	48,124
Stockholders' equity	$ 767,737	$ 598,308	$ 517,083	$ 420,731
Ratio of current assets to current liabilities	2.4:1	2.4:1	2.4:1	2.7:1
Book value per common share	$9.87	$8.58	$7.60	$6.77
Earnings (Restated for Poolings)				
Net sales	$3,541,216	$2,950,690	$2,577,015	$2,312,324
Other income	13,839	13,274	12,217	9,999
Total	3,555,055	2,963,964	2,589,232	2,322,323
Cost of sales, operating expenses, interest, etc.	3,284,893	2,731,935	2,376,407	2,129,979
Depreciation	46,771	41,590	39,363	37,799
Income taxes	106,400	90,407	83,142	75,088
Total	3,438,064	2,863,932	2,498,912	2,242,866
Net earnings	$ 116,991	$ 100,032	$ 90,320	$ 79,457
Net earnings per common share	$1.55	$1.35	$1.23	$1.09
Dividends per common share	$ .62¾	$ .59	$ .58	$ .50
Financial Condition (Restated for Poolings)				
Working capital	$ 480,405	$ 389,753	$ 340,547	$ 308,391
Plant and equipment (net)	434,419	401,232	362,265	335,827
Other assets	158,522	140,996	132,046	120,940
	1,073,346	931,981	834,858	765,158
Deduct:				
Long term debt	208,221	164,546	153,856	152,930
Other liabilities, minority interests and deferred credits	97,388	79,699	67,916	54,937
Stockholders' equity	$ 767,737	$ 687,736	$ 613,086	$ 557,291
Ratio of current assets to current liabilities	2.4:1	2.4:1	2.4:1	2.5:1
Book value per common share	$9.87	$8.86	$7.87	$7.07

1970	1969	1968	1967	1966	1965
$1,576,065	$1,350,011	$1,093,139	$933,422	$796,443	$681,385
6,360	4,098	2,920	3,346	2,686	3,167
1,582,425	1,354,109	1,096,059	936,768	799,129	684,552
1,453,332	1,245,643	1,005,179	863,555	738,994	638,039
23,171	18,813	15,572	14,376	12,233	9,986
53,440	44,710	36,176	28,115	23,264	18,482
1,529,943	1,309,166	1,056,927	906,046	774,491	666,507
$ 52,482	$ 44,943	$ 39,132	$ 30,722	$ 24,638	$ 18,045
$1.00	$ .96	$ .94	$ .82	$ .73	$ .62
$ .50	$ .44½	$ .40¼	$ .37½	$ .33¾	$ .29
$ 217,858	$ 184,935	$ 136,864	$128,167	$104,639	$ 86,099
215,776	157,959	131,422	108,069	84,422	68,118
70,313	40,604	29,218	19,118	10,486	7,271
503,947	383,498	297,504	255,354	199,547	161,488
94,060	39,066	21,043	16,952	7,214	—
42,963	37,927	30,324	20,146	7,846	5,616
$ 366,924	$ 306,505	$ 246,137	$218,256	$184,487	$155,872
2.7:1	3.0:1	2.8:1	3.5:1	3.6:1	3.6:1
$6.28	$5.65	$5.48	$5.19	$5.16	$4.97

$2,064,901
10,005
2,074,906
1,900,683
33,044
71,349
2,005,076
$ 69,830
$ .96
$ .50
$ 277,276
305,700
101,554
684,530
130,810
49,351
$ 504,369
2.4:1
$6.38

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

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