BEATRICE FOODS

Beatrice Foods Co.

79th Annual Report
Year Ended
February 28, 1977

The Beatrice Way

Beatrice always has operated in accordance with a set of basic principles which constitute our corporate philosophy of management.

1. *Management As A Science*—This means producing planned results by means of specific objectives, goals, priorities and strategies for both the near and long term.

Long-range planning provides a blueprint for achieving objectives. In addition, the process of planning enables managers to participate in goal setting. It allows them to relate their function to the rest of the corporation. It forces a valuable discipline upon them.

We expect management at all levels to have strong convictions about expense control and cost reduction. We want results that require highly motivated people. Capable people need the opportunity to demonstrate their ability. Our system of goals and rewards recognizes this and compensates them beyond the normal salary levels.

We are interested in results, not efforts. We want people who work *smart* and who keep the business simple.

We want people who are creative and innovative. We want profit-oriented people who make decisions and recommendations based on facts. People who do what is right, not what is acceptable.

2. *Profit Center Concept*—We are committed to the concept of individual profit centers managed by people responsible for profits and sales in each plant.

We believe in strong product management with profit and loss responsibility centered on the individual product manager. This involves development of new products as well as marketing them in a profitable, innovative way.

We must comply with local, state and federal laws and regulations which affect our operations. We should approach government as an ally instead of an adversary. All profit centers must be good corporate citizens.

3. Maximizing the Return on Investments always should be an essential part of our operating motto. This is a vital responsibility to our stockholders.

4. We expect Beatrice people to play a hard, clean game. We believe honesty and fairness involve candor and freedom to speak out without fear of the boss. This kind of integrity creates a positive atmosphere and a more unified management team.

Employees deserve fair treatment, honest answers, open channels of two-way communication. We expect our management to insure that employees clearly understand their job responsibility and are recognized and rewarded for good performance.

5. We value our suppliers, and they should be treated fairly in all transactions.

6. We value our customers and should "play it straight" in terms of promises, prices, quality, delivery and service.

7. We believe and insist on equal opportunity for all, regardless of race, religion, sex, color, creed or age, not because it is idealistic, but because it is a practical approach and a responsibility of our company.

We all should know where we are going. Motivated people, a commitment to long-range planning, a lean organization and thorough knowledge of our operating involvement will get us there.

Financial Highlights

For The Year Ended:	February 28, 1977	February 29, 1976	Per Cent Increase
Net Sales	$5,288,577,780	$4,805,575,684	10
Net Earnings	182,566,209	158,277,390	15
Net Earnings Per Share of Common Stock	2.13	1.86	15
Working Capital	720,233,790	671,874,389	7
Stockholders' Equity	1,158,215,211	1,031,963,707	12
Dividends	69,161,770	60,784,415	14
Dividends Paid Per Share of Common Stock	.82	.74	11
Number of Stockholders	43,049	42,811	
For The Three Months Ended:			
Net Sales	$1,322,416,702	$1,249,516,353	6
Net Earnings	37,973,542	33,240,306	14
Net Earnings Per Share of Common Stock	.44	.39	13

Silver Anniversary Record Year

Fiscal 1977 was a silver anniversary year of growth for Beatrice Foods. It was the 25th consecutive year that your company has increased its sales, net earnings and earnings per share of common stock, a performance that can be matched by few major companies in the world. The occasion is symbolized by the silver design of the cover of this report.

In the last quarter of a century of continuing progress, your company has multiplied its sales 11 times and its net earnings 12 times, despite six recessions and mini-recessions during that period. In that time, it has made six common stock distributions and multiplied its annual dividend rate six times. One share of common stock on March 1, 1952, has grown into 13.3 shares, with, as of April 1, 1977, an aggregate annual dividend of $12.80.

An anniversary also is an appropriate occasion for looking ahead. Times don't change; people change them. And companies don't just grow; people build them. The financial record of growth is but one measure of the men and women who have built Beatrice Foods and those who will continue to build it in the future. As the result of their dedication, their industry, their countless contributions, your company is firmly established on strong foundations for continuing progress.

Contents

80th Annual Meeting

The 80th Annual Meeting of Stockholders will be held in the San Francisco Room of the Los Angeles Bonaventure Hotel, 350 South Figueroa Street, Los Angeles, CA, at 10:30 a.m. (Pacific Daylight Time) on Wednesday, June 1, 1977.

World Headquarters
120 South LaSalle Street
Chicago, Illinois 60603
Telephone (312) 782-3820

To the Owners of Beatrice Foods Co.

We are pleased to report that your company achieved all-time highs in virtually every phase of operations as it extended its record to 25 consecutive years of growth in sales and earnings.

Increases of $24.3 million in net earnings and of 27 cents in net earnings per common share were the largest ever recorded. Our goal of $5 billion in sales world-wide was surpassed. All 15 operating divisions continued to be profitable.

Gains in fiscal 1977 and during the last five years reflect the company's predominant emphasis upon internal growth. This past year, internal growth accounted for $440 million, or 91 per cent, of the total sales increase.

The momentum achieved over the past five years supports our confidence that our growth will continue. In that time, stressing internal growth, Beatrice Foods virtually doubled its sales, net earnings and earnings per common share . . . building the equivalent of another Beatrice. The emphasis on internal growth will be continued.

To enable our stockholders to understand and evaluate the growth potentials of the company better, we have expanded our reporting lines of business from five to ten areas, as shown on page 6. Operations of international profit centers in 28 nations outside of the United States are included in these lines of business. However, to amplify this report the review of operations for fiscal 1977 includes a section about international operations.

Beatrice began the new fiscal year in the strongest financial condition in its history with more than $178 million in cash and short-term investments. We were able to achieve this position even as we made record capital investments to support growing demands for our products and services and increased the annual dividend rate on two occasions within a one-year period. This healthy financial condition also is reflected in the substantial reduction in long-term debt over the last two years.

SALES—Consolidated net sales increased to $5,288,577,780, a gain of 10 per cent, or $483,002,096 from the prior year. In the last five years, sales have increased by $2.5 billion, or 89 per cent.

Sales of food and related products and services, which are the predominant portion of your company's operations, accounted for $3.9 billion, or 75 per cent, of the company's sales world-wide.

EARNINGS—Net earnings rose to $182,566,209, an increase of $24,288,819 or 15 per cent. In the last five years, net earnings have increased $82.5 million, or 82 per cent.

Foreign currency translation adjustments, after the effect of hedging transactions, reduced net earnings by $4.0 million for the fiscal year.

Net earnings per common share increased 15 per cent, or 27 cents, to $2.13, from $1.86 for the previous year. Assuming conversion of all debentures and preference stock, net earnings per common share increased 15 per cent to $2.07 from $1.80.

After-tax return on sales for the year increased to 3.6 cents from 3.4 cents on every dollar. The company counteracted world-wide inflationary pressures with increased productivity, closer controls on costs, expenses, receivables and inventories and price increases in selected areas. Return on average stockholders' equity increased to 16.7 per cent, one of the highest in the food industry.

DIVIDENDS—Record dividends of $69,161,770 were paid on preference and common stocks during the fiscal year, compared with $60,784,415 paid in the prior year. The increase of $8.4 million was the largest in the company's history.

It is the policy of your board of directors to review continuously your company's dividend program. As a result, the directors declared two increases in the dividend rate on the common stock since your last annual report was issued.

On June 2, 1976, the board increased the quarterly dividend rate on the common stock 10.5 per cent or two cents per share to 21 cents, equal to an annualized rate of 84 cents per share with the first payment on July 1, 1976. On March 1, 1977, the quarterly dividend rate on the common stock was increased 14.3 per cent, or three cents per share, to 24 cents, equal to an annualized rate of 96 cents per share with the first payment on April 1, 1977.

The latest increase was the fifth in 39 months. In that time, the annual dividend rate has been increased almost 55 per cent from 62 cents. Since March 1, 1965, the annual dividend rate has been raised 12 times to 96 cents from 30 cents, an increase of 220 per cent, after adjustments for three common stock distributions.

William G. Mitchell
Chairman, Chief Corporate Officer

Wallace N. Rasmussen
President, Chief Executive Officer

CAPITAL EXPENDITURES—Beatrice invested a record $132 million for new facilities, plant expansions, further automation and modernization, energy conservation and environmental and safety controls. Eighty-three major projects were initiated world-wide. More than $145 million in capital expenditures have been budgeted for the 1978 fiscal year.

In the last five years, Beatrice invested more than $500 million in plant construction, expansion and modernization. In this period, substantial progress was made in meeting our commitments to eliminate air, water and noise pollution problems at all our facilities. This program has been guided by our Anti-Pollution Committee, established in 1970 to meet Beatrice's corporate responsibilities. The committee reports that no significant pollution problems exist that have not or are not now being corrected.

A similar corporate committee was established in 1973 to guide our program to combat rising energy costs. During the past fiscal year, the committee once again was expanded and the office of energy coordinator for the entire company was established. Working in conformity with federal regulations and in cooperation with federal agencies, substantial progress already has been achieved. It is our objective to reduce further our energy consumption in fiscal 1978.

WORKING CAPITAL—Working capital increased for the 32nd consecutive year to an all-time high of $720,233,790 compared with $671,874,389 at the end of the previous year. The ratio of dollar sales to dollars of working capital improved to 7.34 from 7.15, as we further improved our program to make better use of working capital.

Cash flow from operations improved to $264 million and was more than sufficient to finance Beatrice's internal operating needs. The ratio of long-term debt to total capital, including subordinated debt, was 18 per cent, compared with 21 per cent in the prior year.

STOCKHOLDERS' EQUITY—Stockholders' equity increased for the 40th consecutive year, exceeding the $1.1 billion level. The total was $1,158,215,211, an increase of $126 million, or 12 per cent. Book value of each common share also increased for the 40th successive year to a record $13.44.

STOCKHOLDERS—The number of stockholders increased for the 26th consecutive year and totaled 43,049 at year end. We thank our stockholders for their constructive comments and suggestions and their many expressions of encouragement and confidence.

MANAGEMENT—We are appreciative of the counsel and dedication of Beatrice's board of directors, particularly in the areas of planning to continue strengthening the management team and assuring the future growth of your company.

A number of changes were effected in the management structures consistent with our system of decentralization which places operating management in the field where it is able to act more quickly and effectively. Under this system, five executive vice presidents supervise specific sections of our operations permitting us to concentrate on corporate direction and goals. The five executive vice presidents and their responsibilities are:

James L. Dutt—Dairy and Soft Drink, Agri-Products and the International Foods Divisions and Financial Services—Southwestern Investment Company.

Donald P. Eckrich—Grocery, Specialty Meat, Institutional Foods and Warehouse Divisions, Shedd Food Products and Martha White Foods.

Harry Niemiec—Grocery Specialties and Confectionery and Snack Divisions and the Bakery Group.

Richard A. Voell—Consumer, Institutional and Industrial and Luggage and Home Environment Products Divisions.

James Weiss—Chemical, Consumer Arts and Leisure Products Divisions.

MARKETING—In line with our increasing emphasis on internal growth, we have taken a number of major steps to strengthen our marketing resources. Special marketing groups now report to each of the five executive vice presidents. These groups give us the flexibility to bolster the marketing activities of individual operating units and also to seek out and capitalize on totally new opportunities. In addition, individual operating units also are strengthening their marketing capabilities. Throughout the company, we are placing greater emphasis on new and improved product development, backed up by vigorous advertising and sales promotion programs. As a result of these and other efforts, Beatrice introduced 523 new or improved products in the past year, and we anticipate that this momentum will increase in the years ahead.

THE YEAR AHEAD—No one can predict the future with absolute certainty. But you can certainly prepare for it. That is the most important axiom at Beatrice—work now for the future. Beatrice does this by analyzing its strengths, and building on them; by analyzing its weaknesses, and correcting them. That is why, for example, we have placed great emphasis on capital expenditures that maintain our leadership in production efficiency, and why we have devised and built new marketing support organizations to open up still further opportunities for the company. It is the Beatrice Way. We recognize that the world around us is in constant change, and that we must change with it. But we also believe that there are certain simple truths for a business enterprise that will stand the test of time. We must produce quality products that our customers can value. We must receive sufficient return for these products to compensate adequately our suppliers and our 74,000 employees, to continue to build our capital base and to provide a satisfactory return to the owners, our 43,049 stockholders. We also recognize that these tasks must be accomplished in the styles and manners of the societies which we serve. With this in mind, we are confident that fiscal 1978 will be another record year.

Standing: Norman E. Barber (left), corporate senior vice president and chief financial officer; James A. Johnson, controller. Seated, from left; H. Robert Winton, Jr., secretary; Richard J. Pigott, corporate senior vice president and general counsel; P. Robert McClure, Jr., treasurer.

W. G. Mitchell

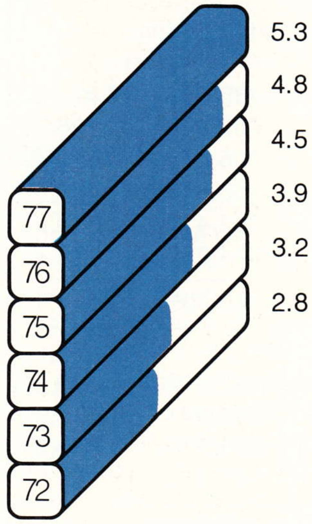
William G. Mitchell
Chairman, Chief Corporate Officer

W Rasmussen

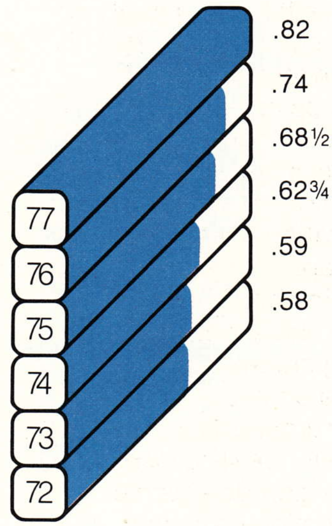
Wallace N. Rasmussen
President, Chief Executive Officer

Five Years of Progress

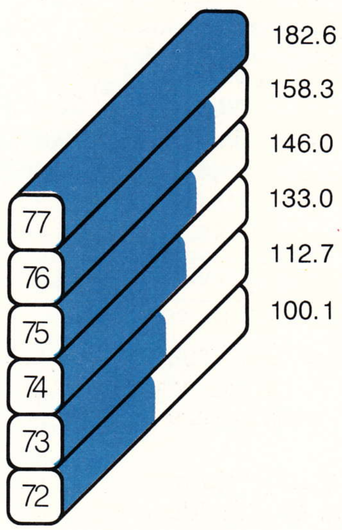
Sales
(in billions of dollars)



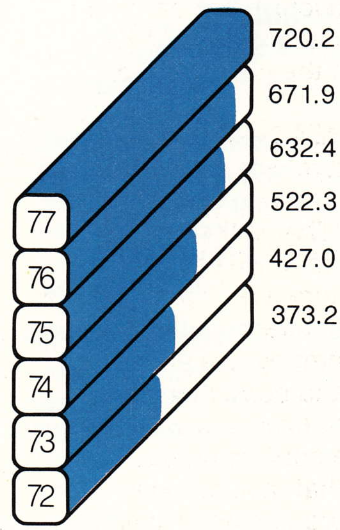
Dividends Per Share
(in dollars)



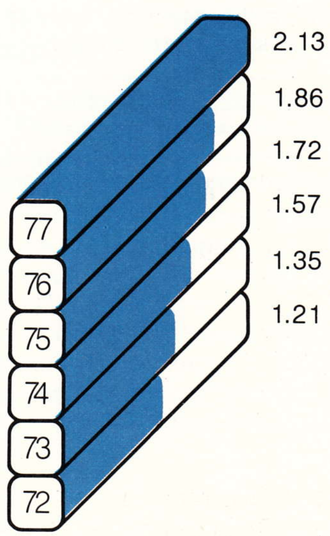
Net Earnings
(in millions of dollars)



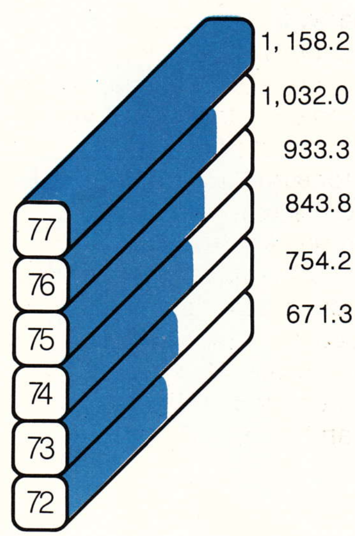
Working Capital
(in millions of dollars)



Earnings Per Share
(in dollars)



Stockholders' Equity
(in millions of dollars)



Sales and Operating Earnings by Major Lines of Business
(In Thousands)

	1977	1976	1975	1974	1973
SALES					
Food and Related Services					
Dairy & Soft Drink Products	**$1,488,009**	$1,372,508	$1,221,103	$1,040,705	$ 921,642
Grocery Products	**703,562**	726,565	686,765	552,643	456,257
Food Distribution & Warehousing	**706,077**	629,923	569,297	456,593	294,576
Specialty Meat Products	**458,878**	429,026	364,764	368,726	322,422
Confectionery & Snack Products	**362,412**	320,820	335,197	241,097	198,448
Agri-Products	**224,057**	175,349	179,562	202,987	134,170
	3,942,995	3,654,191	3,356,688	2,862,751	2,327,515
Manufactured and Chemical Products					
Institutional & Industrial Products	**432,578**	347,222	361,261	301,253	244,123
Travel & Recreational Products	**415,641**	358,924	302,453	265,984	252,755
Housing & Home Environment Products	**301,940**	280,310	284,642	300,220	276,709
Chemical & Allied Products	**195,424**	164,929	159,501	136,242	106,920
	1,345,583	1,151,385	1,107,857	1,003,699	880,507
Net Sales	**$5,288,578**	$4,805,576	$4,464,545	$3,866,450	$3,208,022
OPERATING EARNINGS					
Food and Related Services					
Dairy & Soft Drink Products	**$ 82,133**	$ 75,117	$ 60,358	$ 52,203	$ 46,584
Grocery Products	**48,717**	52,129	37,765	29,194	29,573
Food Distribution & Warehousing	**34,120**	29,805	35,282	23,332	18,885
Specialty Meat Products	**34,644**	28,467	22,924	17,396	11,638
Confectionery & Snack Products	**40,458**	27,303	22,093	13,444	9,958
Agri-Products	**20,921**	15,785	17,568	23,884	14,731
	260,993	228,606	195,990	159,453	131,369
Manufactured and Chemical Products					
Institutional & Industrial Products	**73,896**	58,446	58,440	49,592	39,906
Travel & Recreational Products	**38,297**	35,114	24,163	24,688	27,513
Housing & Home Environment Products	**22,672**	22,262	27,864	32,857	29,130
Chemical & Allied Products	**23,069**	17,280	23,310	19,662	13,419
	157,934	133,102	133,777	126,799	109,968
Total Operating Earnings	**418,927**	361,708	329,767	286,252	241,337
Less:					
Non-operating expenses (net)*	**25,944**	19,177	16,077	12,250	9,692
Interest expense	**30,217**	31,635	29,816	20,760	16,811
Income taxes	**180,200**	152,619	137,879	120,211	102,118
Net earnings	**$ 182,566**	$ 158,277	$ 145,995	$ 133,031	$ 112,716

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

Dairy and Soft Drinks

DAIRY

Meadow Gold

Viva

Viva-Yo

Dannon

Danny-Yo

Sanalac

Swiss Miss

Johnston's

Louis Sherry

County Line

American Hostess

Keller's

Hotel Bar

Kaptain Kidd

Meinerz

Beatreme

Dell Foods

N-Rich

SOFT DRINK FRANCHISES

Royal Crown

Diet Rite Cola

Upper Ten

Canada Dry

7-Up

Beatrice's world-wide dairy and soft drink operations achieved their 38th consecutive year of sales and earnings increases. Sales climbed eight per cent to $1.5 billion, and operating earnings increased nine per cent to $82.1 million.

Dairy Operations

Beatrice continued to benefit from its special approach to the dairy products market. First, in our fluid milk and ice cream operations, we stress internal efficiencies and selective geographic market expansion to resist the constant cost-price pressures that traditionally impact margins in the high-volume section of the dairy industry. Second, we place special emphasis on geographic and product line extensions in our specialty dairy areas, where competitive leadership can produce improved margins. These specialty products include Sanalac, Swiss Miss chocolate mix, yogurt, sterile cream and by-products, specialty cheese and custom manufactured products produced by drying operations.

This two-fold marketing and management strategy was pursued vigorously in fiscal 1977.

Milk and ice cream production efficiency was enhanced by major capital improvements. A general remodeling of all Western Meadow Gold milk and ice cream plants featured new blow-mold milk bottle operations at Salt Lake City and Lincoln, Neb. The Northeast butter operation installed new churning and packaging equipment. In the booming U.S. "Sunbelt," expanded milk and ice cream storage and new and renovated equipment cleaning, paper bottling and materials handling systems were placed into operation at several plants to take advantage of increased demand.

Beatrice continued to lift its ice cream brands out of the "commodity class" through product and packaging innovations. These included increased distribution of Olde Fashioned Recipe all-natural ice cream, the introduction of a new premium ice cream sandwich in Western U.S. markets and the introduction of a nostalgia-appealing all-natural ice milk, packaged in an old-style rectangular-tapered carton with a wire handle, in the Chicago market.

Beatrice's yogurt brands captured additional customers by responding to consumer concern for nutrition and by aggressive geographic and product line extension efforts.

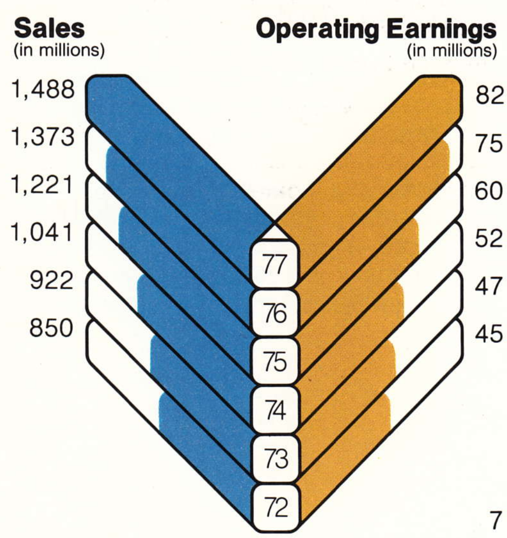
The all-natural Dannon yogurt line set the pace for the industry. It opened its fourth yogurt plant—in Miami—and began construction of a fifth, in Minster, Ohio, scheduled for completion in October.

Dannon, until a few years ago an East Coast product line only, expanded beyond its latest marketing frontier, the Mississippi River, into Minneapolis, St. Paul, St. Louis, Kansas City and Omaha.

Dannon's major product line extensions included the introduction of new frozen yogurt packaging concepts—Danny, in an eight-ounce cup, and Danny Flip, in a five-ounce container. Danny, in particular, won immediate wide supermarket acceptance, as did the Viva-Yo frozen and soft serve yogurt in cups and cones in Western markets.

Dannon's highly successful advertising and promotional efforts featured an award-winning television commercial of centenarians consuming yogurt in the Soviet Union and sponsorship, with Johnston yogurt, of the U.S. ski team.

In the West Coast yogurt market, Johnston more than doubled its warehouse and distributor network, market areas and routes on the way to a better-than-doubled profit increase. The Johnston line also benefitted from the popularity in the West of soft frozen yogurt and yogurt specialty stores, which already had been proved successful by Dannon in the East.



Left to right: John D. Conners, corporate vice president; James L. Dutt, corporate executive vice president; William J. Polidoro, executive vice president, Eastern Dairy Area; Juan A. Metzger, corporate vice president.

Other Beatrice specialty dairy products cultivated retailer and consumer demand for increased product shelf life. Sterile milk manufacturing operations, installed in Denver, offered products with shelf-life potential of three months or more, compared to 10 days to two weeks for traditional products. A new cylindrical, resealable container helped widen the market leadership of Sanna's powdered Swiss Miss hot cocoa line.

While achieving these market gains, Beatrice's dairy operations also added to their record of responsible conservation and protection of resources. Air pollution control, sewage-treatment, and energy-efficient equipment went on-line at several more plants. A milestone in by-product recovery was passed at the Covington, Ohio, plant where an 80 per cent protein product is being extracted from surplus cheese whey.

The importance of innovative marketing methods in a highly competitive business continued to be emphasized. Marketing managers were named for each of the four dairy regions. In addition to serving on the national marketing committee, they are in charge of programs tailored to conditions in their own regions.

Additional dairy operations also joined our highly successful Marching Bands of America program that was initiated a year ago. Intended primarily as a public service to encourage and assist the more than two million youngsters participating in nearly 23,000 high school marching bands throughout the country, the MBA program has returned great dividends in the form of strengthening our Meadow Gold brand image at the consumer level.

Soft Drinks

Beatrice's soft drink bottlers achieved overall sales and earnings increases in the fiscal year, and at the same time prepared for the expected acceleration in soft drink consumption, rebounding from the demand-depressing 1974–75 sugar price increase.

Container innovations received major attention, with introduction of the first metric containers (two-liter returnable bottles) in Nashville and Louisville, and of a 64-ounce plastishielded non-returnable bottle in Washington, D.C.

Other highlights with long-range benefits were remodeling of Gold Medal facilities in St. Paul, Minn., acquisition of the Schweppes line in Southern California, combination of Canada Dry with Royal Crown bottling facilities in Northern California, expansion and improved efficiencies in the Oakland and Denver plants and the addition of the Royal Crown and Dad's Root Beer franchises in Charleston, W.Va.

Sales and earnings increases for the dairy and soft drink lines again are projected in fiscal 1978 as basic strategies are pursued and benefits accrue from expansions and efficiencies already in place.

For information on International Dairy and Soft Drink Operations, please see pages 18–19.

GROCERY

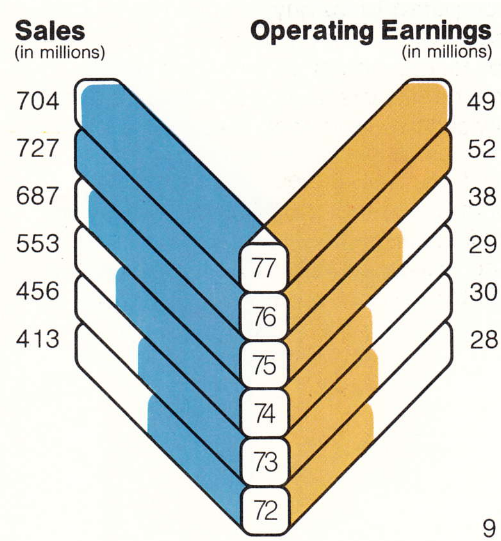
Grocery Products

La Choy
Gebhardt's
Rosarita
Aunt Nellie's
Mario's
American
Rainbo
Burny Bros.
Mother's
Little Brownie
Murray's
Palmetto
Sap's
Krispy Kreme
Martha White
Butter Krust
Shedd's
Liberty
Brookside
South Georgia Pecans
Southland Pecans
Brown-Miller
Olive Products
Temple
Beatrice Frosted
Dahlgren
Byron's Bar-B-Q

Left to right: T. Mackin Sexton, corporate vice president; Joseph E. Quinlan, president, Specialty Meat Division; Donald P. Eckrich, corporate executive vice president; Adam Schubel, president, Shedd Food Products; Robert Cooper, president, Warehouse Division.

Sales of Beatrice's grocery products world-wide totaled $704 million for fiscal 1977, compared to $727 million for the prior year. Operating earnings were $48.7 million, compared to $52.1 million in the prior year.

The company's grocery products business consists of Grocery Specialties, Shedd Food Products and Bakery. Among them, they market almost 2,000 items, the majority of which are convenience and specialty foods, the fastest growing part of the grocery products industry. Beatrice has concentrated its growth in the areas of specialization and quality. Each company unit is a specialist in its marketplace, product line and distribution channels. This lessens direct competition and provides the opportunity to improve margins.



Grocery Specialties markets a variety of nationality foods, vegetables and related products.

The continued growth of the LaChoy Oriental foods line is being supported by the addition of new warehouse and distribution facilities, LaChoy's 11th expansion in the last 12 years. Product line extensions are also in progress, with several canned and frozen Oriental food items set for introduction during the coming year.

Gebhardt Mexican foods introduced an improved chili formula, while Rosarita Mexican foods completed a 47,000-sq. ft. plant expansion to serve increased demand in the Southwest.

Both Mexican food units are building sales through institutional distribution and machine vending, and are preparing major redesigns of their package graphics to spur consumer acceptance at the supermarket level.

Beatrice Frozen Specialties expanded distribution of its pizza lines and is manufacturing a five-inch pizza for Weight-Watchers that satisfies dietetic requirements.

Dahlgren continues as a leading hybrid sunflower oil seed processor for the farm market and is enjoying consumer interest in sunflower oil's health properties and excellent cooking characteristics.

Aunt Nellie's began a pilot manufacturing operation for making liquid and powder red coloring from beets, as a natural substitute for some artificial red food dyes banned by the Food and Drug Administration. It also has developed other colors made from beets.

The Shedd Products Group markets margarine, peanut butter, salad dressings and specialty fruits and vegetables in various markets across the nation.

Shedd's branded margarine is enjoying sales gains, particularly for the soft and 60 per cent vegetable oil varieties. New advertising and promotional programs are encouraging this growth, which is occurring partly at the expense of private label margarines.

Plant expansions in South Carolina, Texas, Michigan and Illinois will raise margarine production capacity and provide new distribution centers for Shedd.

A peanut butter processing operation, being added to the Sunnyvale, Cal., margarine plant, will supply West Coast demand at reduced distribution costs.

Increased sales volume for Mario's Spanish olives and Olive Products ripe olives has generated expansions at both plants.

The Brown-Miller pickle operations in Texas and Mississippi will increase production using new holding and brining tanks.

Shedd established a new foodservice company to market group products to the fast-growing industrial and institutional food business.

Bakery, which includes well-established regional cookie, doughnut and baked goods units, is building its marketing plans to meet changes in the market and consumer lifestyles. In recognition of the trend to smaller families and less structured meals, our cookie and cracker companies are developing more adult-oriented products suitable for casual meals.

Our bread companies will continue to emphasize specialty items and are considering smaller units and individual service items. Our sweet goods bakeries are expanding marketing of single-serve items and other products for the booming fast-food market.

Burny Bros. instituted a system whereby supermarkets receive frozen baked goods that are merchandised in the fresh bakery section, thus eliminating a costly route delivery and return process.

Sap's Doughnut Company capitalized on fast-growing demand in the Midwest by entering new markets and intensified its penetration in existing markets.

Krispy Kreme, which produces and markets quality doughnuts in the Southeast, joined the company during the year. Krispy Kreme is expanding to serve demand in that region.

Successful territory expansions have readied Martha White for penetration into major Eastern and Midwestern markets. Martha White sells packaged muffins, biscuits and corn bread mixes in selected markets from Pennsylvania to Texas. Its major 1977 activity was a change in distribution from 25,000 store-door delivery accounts to 1,500 wholesale distributors.

For information on International Grocery Operations, please see pages 18-19.

Southwestern Investment Company

Southwestern Investment Company, an Amarillo, Texas-based finance and insurance subsidiary, entered its 47th year in excellent financial condition. Consolidated net earnings during the year ended December 31, 1976, rose 57 per cent to $4.5 million; consolidated revenues gained eight per cent to $114 million.

The Finance Group provides direct consumer loans, retail sales financing, commercial financing and equipment leasing through 127 offices in 10 western states. Net earnings set a record $1.5 million compared to $820,000 the prior year. Higher finance volume, lower loss experience and lower cost of borrowed capital were factors responsible for the increase.

The Insurance Group offers life and credit insurance and annuities in 35 states, and auto, liability, fire and related casualty insurance in 11 states. Life insurance in force rose 12 per cent last year to $750 million while group net earnings increased six per cent to $2.1 million.

Security Savings and Loan Association, Colorado Springs, Colo., increased deposits and loans 16 per cent last year. Net earnings of $300,000 compared with a prior year loss of nearly $500,000.

The Industrial Group, including Nunn and Nubro and cattle feeding businesses, reported a modest profit increase.

CONFECTIONERY

Confectionery and Snack

Switzer

Thos. D. Richardson

After-Dinner Mints

Clark Bar

ZagNut Bar

Fisher Nut

Pik-Nik

Kobey's

The Jolly Rancher

Mrs. Leland's

Slo-Poke

Milk Duds

Food Producers

Standing: B. Robert Kill (left), president, Confectionery & Snack Division; William Burkhardt, president, Bakery. Seated: Harry Niemiec (left), corporate executive vice president; Gordon Swaney, corporate vice president.

World-wide sales and earnings of Confectionery and Snack products set all-time records in fiscal 1977. Sales rose 13 per cent to $362 million and operating earnings 48 per cent to $40.5 million.

Ingredient costs significantly affected the industry last year. Sugar prices stabilized after two years of wide fluctuations. However, chocolate prices rose 250 per cent in that time. This caused many shifts in the marketplace, but our companies, particularly those in the United States, were able to solidify and improve their brand strengths and positions as leaders in their markets.

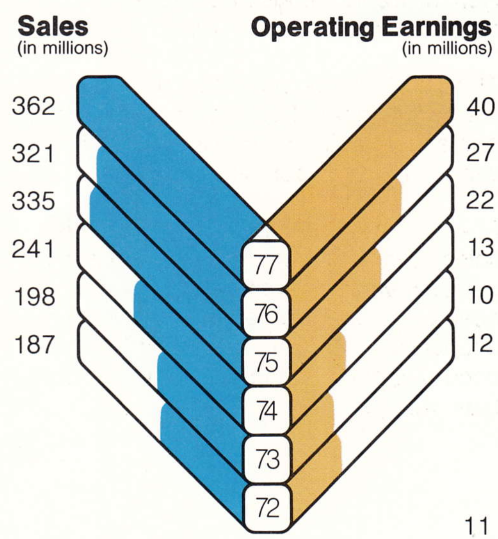
The widening gap between retail prices of domestic chocolate items and non-chocolate items such as our Richardson's mints, Jolly Rancher hard candies, Switzer licorice, Holloway Milk Duds, Clark Bars, Brenner Taffy and Mrs. Leland's hard candies should enable them to increase their market penetration.

We are confident that this section of the food industry will continue to grow rapidly and expect to double our sales within the next five years. A major part of this growth will come from aggressive new product development and marketing programs.

New product introductions last year included Kobey's French Fried Potato Sticks, Switzer's Allsorts of Candy and Chocolate Stix, Mrs. Leland's Nuggets and Peanut Butter Crunch for the fund-raising markets, Jolly Rancher Nut Caramels and Jolly O's and Clark's Mint and Crispy bars and Peanut Butter Log.

Fisher Nut products again attained record sales and earnings and is benefiting further from the opening of a new South Carolina plant that places it closer to supply and Eastern Seaboard demand. Additions to plant capacity were made at Switzer and Jolly Rancher.

For information on International Confectionery and Snack Operations, please see pages 18-19.



DISTRIBUTION

Food Distribution & Warehousing

John Sexton

Food Marketers

Cal Compack

Knickerbocker Mills

Produce Terminal

Grand Trunk Cold Storage

Lehigh Valley Refrigerated

Inland Center

Lackawanna Cold Storage

Quincy Market

James J. Gallery

North East Cold Storage

Soo Terminal

Tampa Cold Storage

Terminal Refrigerating

Chicago Cold Storage

Denver Cold Storage

Sales and earnings of our Food Distribution business, consisting of our institutional foods and warehousing operations, made a strong comeback in fiscal 1977, following disappointing results the previous year. Sales topped $706 million—a 12 per cent increase over fiscal 1976—while operating earnings increased 14 per cent to $34.1 million.

In institutional foods, John Sexton & Co. led with an above average sales increase, despite declining prices for major food commodity items, except coffee. Profits were inhibited by higher labor, energy and distribution costs. Sexton's longer-term profit potential was enhanced by its investment into a new line enabling them to supply frozen foods to hotels, restaurants and institutions.

A notable trend affecting the food service business is the shift to a younger population, more working wives and smaller families—all favorable to the restaurant business. This trend, plus more stable commodity prices, brightens prospects for the food service business in the foreseeable future. Other institutional food units also turned in strong performances. Food Marketers completed the "shakedown" of its Chicago-area automated food warehouse and began the new year on a profitable basis.

Cal-Compack's spice-growing, processing and blending operations continued to outpace industry growth averages while once again adding to its processing capacity. The South Georgia pecan line showed increased earnings, despite a crop that was off normal by 60 per cent. The turnaround in the building industry improved sales and profits in this operation's pecan shell flour division.

Warehousing operations also showed improved results, attributable to both effective management and favorable external conditions.

Two major facilities opened in fiscal 1977 with a total of 3.25 million cubic feet of warehouse space. The Denver facility already has negotiated a major lease arrangement with a supermarket chain, establishing a strong base for efficient storage of retail frozen foods.

In an effort to increase warehousing efficiency, a new productivity yardstick called "Standard Time Values" was initiated in several locations. While still in its developmental stages, the system is proving to be a precise, workable tool for handling and storage pricing.

Our Inland Center facility in Kansas City, Kan., also is in the forefront of a major industry-wide development—unitized loads from the processor to the end-user. This technique promises to reduce labor costs by handling products in pre-designated units.

Seven New England refrigerated warehouses profited from a record Maine blueberry crop and early winter fishing activity. Our Boston facility improved results with higher occupancy and a more balanced storage mix.

Plans to insure future warehousing growth include expansion of our Chicago Cold Storage facility and additional refrigeration equipment in Southern California to freeze bulk fruit. The de-regulation of warehouses as utilities under California law also will contribute to operating flexibility in this region.

In our Florida operations, a strong growth pattern in retail pack frozen foods should offset declines in citrus concentrate caused by freezing weather conditions and reduced crops.

For information about International Food Distribution operations, please see pages 18–19.

Specialty Meats

Peter Eckrich

E. W. Kneip

Lowrey's Freshies

Convenience Foods

Rudolph Foods

The Specialty Meat Division, comprised of seven profit centers, reported sales of $459 million during 1977, up seven per cent from 1976. Operating earnings rose 22 per cent to $34.6 million. Overall lower meat prices depressed total dollar volume sales while unit volume increased significantly.

The two major elements of this division are the Eckrich operation, which produces a high quality line of specialty and convenience meats, and E. W. Kneip, a general processor of meat products.

The Eckrich line especially benefits from today's lifestyle trend to more snack-type products and informal meals in and away from the home. As a result, Eckrich has been able to broaden its distribution base substantially.

In only eight years, Eckrich's territory has grown from solely in the Midwest eastward into Pennsylvania, southeastward into Georgia and westward into Kansas. Successful market penetration has encouraged strong but controlled growth as quickly as manufacturing and distribution facilities can be readied.

Steps taken in the fiscal year to maximize future growth include:

- An Eckrich semi-automated frankfurter plant in Quincy, Mich., opened early last year.
- A major expansion now underway at Kalamazoo, Mich., to triple manufacturing capacity for smoked sausage products.
- An expansion at the Fort Wayne, Ind., bulk deli-products plant.
- An expansion at the Chicago boning and blending operation, which supplies all Eckrich processing plants.
- Land acquisition for a new plant in Oklahoma City, Okla., scheduled to begin operation in 1980.

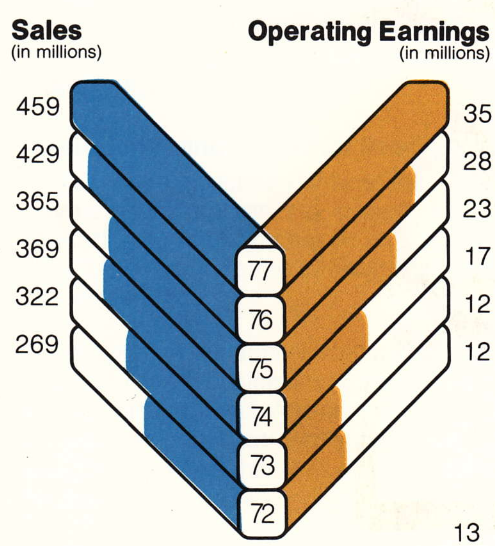
Packaging improvements were made last year to strengthen supermarket shelf eye-appeal for frankfurter, smoked sausage and chipped meat lines.

New product research activities are being increased, with several promising lines currently under development.

Eckrich also benefited last year from a favorable raw meat price and supply situation which had the reverse effect on the Kneip operation.

The E. W. Kneip unit processed and sold more fresh beef last year than ever before, but gains were held in check by falling beef prices. Reduced cattle inventories in the coming year should strengthen margins.

The division's meat snack companies also showed sales gains. Convenience Foods opened a plant in Cornwells Heights, Pa. Lowrey's introduced another popular beef jerky product.



AGRI-PRODUCTS

Agri-Products

C.U.I. International

Pfister & Vogel

Vigortone

Ross-Wells

Western By-Products

Pet/Poultry Foods

San Angelo By-Products

Dale Alley

Norfolk Rendering

Amarillo By-Products

Lubbock Rendering

Regal Packer By-Products

The performance of the Agri-Products business was among the best of any company operation.

Sales increased 28 per cent to $224 million, while operating earnings increased 33 per cent to $20.9 million.

Beatrice participates in selected agri-markets whose products are a natural complement to other Beatrice processing units, including such operations as rendering and blending for the pet food and tanning for the fashion apparel markets. In addition, Beatrice sells a leading line of pre-mixed animal vitamin and mineral supplements under the Vigortone label.

The Vigortone line, sold through independent farmer-salesmen to their fellow farmers, continued the growth that has seen its sales increase approximately ten-fold in the last decade, with the anticipation that it will double again in the next five years. This forecast is based, in part, on the estimate that some 90 per cent of the potential market remains open for conversion to pre-mixes, where Vigortone holds leadership. To help meet this projected demand, a new Vigortone plant went into operation in Cedar Rapids, Iowa, during the fiscal year.

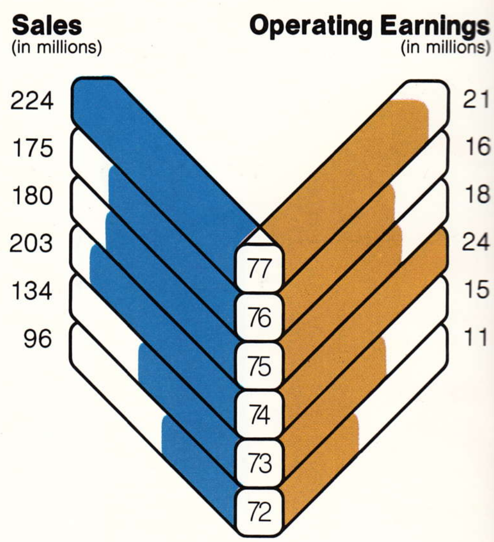
Beatrice's rendering and blending operations also profited from greater demand for nutritional value in farm animal and pet foods, which spurred sales of Beatrice oil and meat proteins. To meet anticipated market growth, a new rendering plant was constructed in Dallas, and others were completed and are now operating at near capacity in Boise, Idaho, and Amarillo, Tex.

A further increase in pet population also spurred demand for beef and other products that Beatrice supplies to premium pet food processors. In response, dry dog food manufacturing equipment was installed at L.V. Patteson Company in Winnipeg, Canada. Additionally, Ross Wells is producing a new food for dogs and mink that in tests is outperforming competitive items.

An additional investment in the future of edible agri-products was installation of mechanical de-boning equipment for beef products at Hereford, Tex., Clinton, Okla., and Greeley, Colo.

Beatrice's leather tanning and wool-pulling operations benefited from a consumer shift in fashion taste that favors these products. New product development, and the start of a new hide operation in San Angelo, Tex., were among the steps taken to capitalize on this trend.

With many favorable market factors expected to continue, and with Beatrice's companies in better position than ever to capitalize on them, fiscal 1978 is expected to be a record-breaking year for the agri-products line.



MANUFACTURING

Samsonite Furniture

Charmglow

Melnor

Spiegel

Hekman

Stiffel

Irvinware

United Cabinet

Chicago Specialty

Dearborn Brass

Vogel Peterson

Geerpres Wringer

World Dryer

Day-Timers

Bloomfield

Market Forge

Taylor Freezer

Brillion

Wells Manufacturing

Airstream

Argosy

Bonanza

Morgan Yacht

Samsonite Luggage

Jahn & Ollier

Collins, Miller & Hutchings

Jordan & Horn

Modern Litho Plate Service

Walker Engraving

Left to right: Richard W. Hanselman, corporate senior vice president; Richard A. Voell, corporate executive vice president; Walter R. Lovejoy, corporate vice president; Theodore R. Ruwitch, corporate vice president.

Housing and Home Environment Products

Housing and home environment products recorded increases in sales and earnings over the previous year. Operating earnings reached $22.7 million while sales rose eight per cent to $302 million.

Samsonite furniture, Melnor lawn and garden products and Charmglow insect-control devices posted the most significant increases. A combination of new products, new channels of distribution, cost controls and an early spring contributed to these increases.

Bath and plumbing products continued to post good sales increases. These gains were attributable, in part, to such new product introductions as a pulsating shower head and "do it yourself" plumbing repair kits.

Stiffel lamps achieved record earnings for the year, aided by innovative in-store promotion programs and new showrooms in Chicago, Dallas and High Point, N.C., which are helping Stiffel extend its leadership in home lighting.

United Cabinet, which also achieved record earnings, opened a new plant in Minnesota that already is profitable.

In the closet accessory field, addition of the well-established Handiform brand substantially increased our distribution to the department store trade. This added dimension should help build sales in fiscal 1978 and beyond.

For the future, long-term product development should continue to support growth in our housing and home environment product lines. For example, Samsonite furniture is pursuing opportunities in the commercial and institutional market with such products as banquet tables, multi-stack chairs and reception room furniture, an emphasis that reduces dependence on the housing industry cycles.

Institutional and Industrial Products

Performance of institutional and industrial products was outstanding in fiscal 1977 Operating earnings increased 26 per cent to $73.9 million on sales of $433 million, a 25 per cent rise.

These gains were achieved following two years of formal business planning review in each product line. A recently undertaken organizational review was designed to keep this division's products on this growth track.

In food service equipment, Beatrice is positioned to take advantage of an anticipated 100 per cent growth in the industry by 1985.

Over the last two years, restaurant cooking utensils, salad carts and Silex coffee makers have shown strong growth. A new coin-operated version of the Silex coffee maker was successfully introduced for use in small offices.

Other developments in food service products include Market Forge's new countertop convection oven for the fast food industry and expansion of its hospital line. Also notable was sales growth of Taylor Freezer soft-serve ice cream machines, spurred by popularity of frozen yogurt, and a new sundae freezer, for use by fast food chains.

Our industrial product lines showed substantial growth during the year, accomplishing a 70 per cent increase in earnings. Excel's highway safety equipment group introduced a new line of barricade flasher lights and other highway safety devices. Other promising developments include Waterloo Industries expansion into the institutional fields and a new line of proprietary injection food containers.

In our agricultural line, product developments this past year included a new "once-over-the-field" planting system and a new and innovative irrigation system, called "Big Squirt," which offers significant time and labor savings.

Brillion Iron Works again increased its capacity and introduced new and improved items into its popular line of specialty farm equipment.

The Day-Timers line of incentive awards was expanded with the introduction of a complete new product line, including wall plaques, desk accessories and certificates for any incentive program.

Geerpres floor-cleaning equipment, always an industry leader, was selected for use at the 1976 Olympic Games in Montreal, attesting to the quality of this equipment.

Travel and Recreational Products

Travel and recreational products sales and operating earnings reached $416 million and $38.3 million respectively, posting gains of 16 and nine per cent.

In the recreational group, Airstream set the pace, completing a year of successful diversification as well as substantially increasing sales of its motor homes. The upward trend is expected to continue with the promising introduction of the new Argosy Minuet, a new lightweight travel trailer for easy towing by compact cars. The diversification program, initiated to buffer Airstream against any repeat of the energy-related market drop of several years ago, will be expanded substantially in fiscal 1978. In addition, Airstream further automated all three of its plants.

Samsonite luggage, with "luggage on wheels" and new casual "Scamps" proving extremely popular, achieved a substantial increase in sales and earnings. This growth should continue next year with stepped-up promotion programs and the unveiling of three new lines: The Omega Attache, the Concorde line and a new "softside" line to replace Scandia.

Casual apparel products continued strong, led by T-shirts featuring cartoon characters and sports personalities. A licensing agreement was signed with Walt Disney Productions for use of its famous characters on a new boy's T-shirt line beginning in calendar 1977.

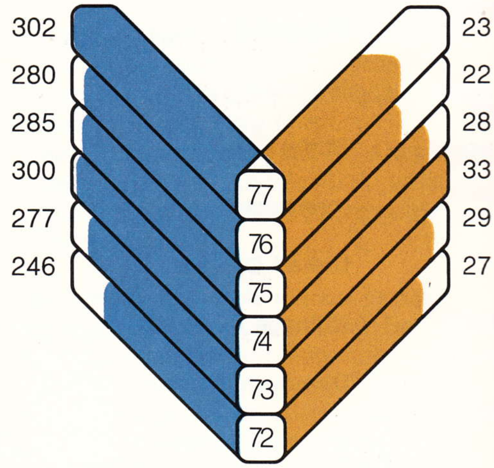
Sportline increased its position in the camping market with a line of sleeping bags aimed specifically at backpackers.

Nat Nast has literally "reinvented the sweatshirt," creating its own insulation with 100 per cent nylon knit lining. Other successful products include "arctic" jackets and new lines of softball and leisure-wear shirts.

For information about International Manufacturing operations, please see pages 18–19.

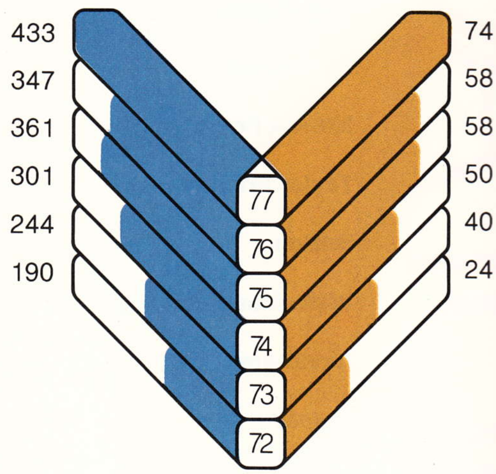
Housing and Home Environment

Sales (in millions) **Operating Earnings** (in millions)



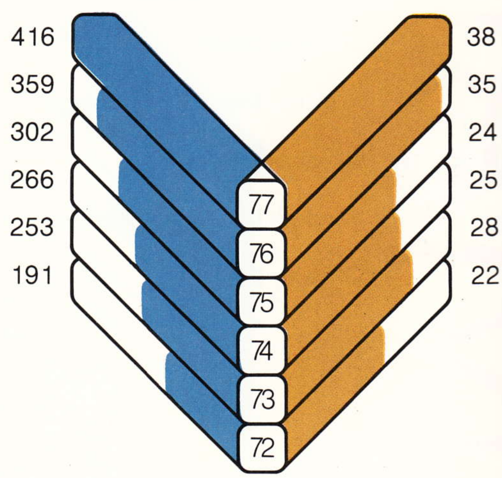
Institutional and Industrial

Sales (in millions) **Operating Earnings** (in millions)



Travel and Recreational

Sales (in millions) **Operating Earnings** (in millions)



CHEMICAL

Chemical and Allied Products

Stahl Finish

Farboil

Dri-Print Foils

Imperial Oil & Grease

Standard Dry Wall

Converters Ink

Polyvinyl

Permuthane

Paule

Left to right: Louis E. Stahl, corporate vice president; James Weiss, corporate executive vice president; Norman M. Schneider, president, Leisure Products; Harry C. Wechsler, executive vice president, Chemical Division.

Chemical and Allied product operations set new sales records on a global basis in fiscal 1977. Sales increased 18 per cent, to $195 million. Operating earnings increased 34 per cent, to $23.1 million.

Beatrice participates in specially selected segments of the broad chemical industry, where the opportunities for higher margins are most promising. In fiscal 1977, sales increases were posted virtually across the board.

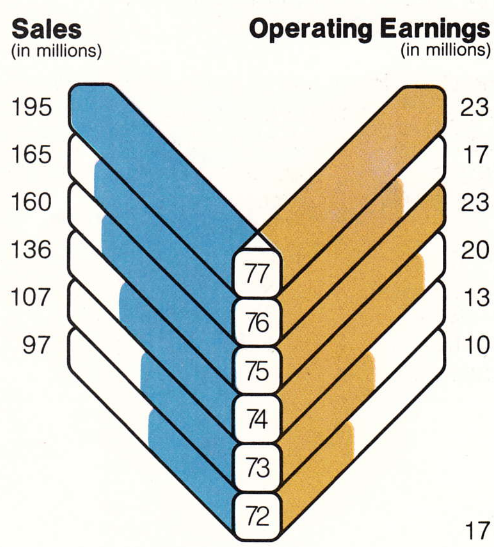
Overall operations were further strengthened by the addition of Liquid Nitrogen Processing, a leading producer of reinforced thermoplastics and fluoropolymer compounds. Internal expansion is reflected in the nine new facilities built or expanded in the last year, including a new design center.

Sales increased sharply for Stahl leather finishes, including recently introduced polyurethane resins, designed to improve both durability and wearability. Standard Dry Wall successfully tested a new roofing system. This lightweight insulating system is expected to generate strong sales because of its energy-conserving values. Sales continued to be brisk for Polyvinyl's waterborne acrylic polymers, developed to replace conventional solvent systems that may be forced off the market because of environmental and pollution problems.

Another product line prospering from environmental regulation is Farboil marine paints, which eliminates chemical ingredients considered environmentally unsafe. New Farboil powder coatings, capable of being cured at low temperatures to save energy, received strong early market acceptance, as did Permuthane solution resins and emulsions. In the lubrications field, our Molub-Alloy products developed for sub-zero conditions continue to pick up momentum. Results are particularly gratifying in the mining industry.

Dri-Print stamping foils achieved an industry first with new in-mold decorating and chrome foils with superior abrasion resistance. Multi-color foils found new applications in labeling and plastic decorating. Responding to the natural gas shortage, a new line of fast-drying inks was developed by Converters Ink, which has doubled its research facilities.

For information on International Chemical operations, please see pages 18-19.



INTERNATIONAL

International

Australia

Belgium

Brazil

Canada

Colombia

Denmark

Dominican Republic

England

France

Guatemala

Hong Kong

Ireland

Italy

Jamaica

Japan

Korea

Malaysia

Mexico

The Netherlands

New Zealand

Nicaragua

Peru

Singapore

Spain

Switzerland

Thailand

Venezuela

West Germany

Left to right: Andre J. Job, president, Latin American Food Operations; James G. Fransen, corporate vice president; Chester W. Schmidt, president, International Management Services; Roland M. Binnington, president, Canadian Dairy Operations; William W. Granger, Jr., corporate vice president; John F. Hazelton, Jr., corporate vice president; Peter Brown, president, Australia & Far East Food Operations.

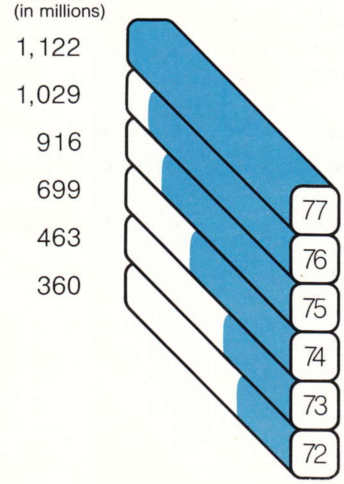
Sales of Beatrice International operations increased for the 15th consecutive year to a record $1.1 billion, an increase of nine per cent, over the previous year. Our share of international net earnings after taxes was $36.3 million, or 17 per cent above fiscal 1976.

These increases were primarily the result of another outstanding performance by the International Foods Division. Among the major contributors were the European dairy and grocery operations and confectionery and snack operations in Latin America.

The basic Beatrice strategy of specializing in high quality products that command higher competitive margins works

(Note: The figures in this chart and in the review of International Operations have been included in the preceding reviews and charts in this report.)

Sales
(in millions)



especially well in the international area. Other growth factors are the introduction of new products and expansion of plant facilities in key markets.

Europe

Dairy and grocery operations in Europe were significant contributors to Beatrice's international food growth last year. Demand for ice cream and yogurt products was especially strong, principally because of the summer drought and, more significant for the long term, the growing availability of refrigeration equipment in Europe.

In Italy, Sanson, continuing its emphasis on top quality, high margin specialty ice cream products, is doubling its plant capacity in Verona and adding a new distribution center in Turin. Premier Is, in Denmark, and Interglas, in Spain, are introducing several new dairy products. Interglas substantially expanded its facilities in Seville and Las Palmas, Canary Islands, during the year.

In the grocery area, A. J. ten Doesschate, located in The Netherlands, added a new distribution center and completed the integration of Van Olphen, a manufacturer and distributor of special spice mixtures for butchers and meat packers.

In France, Etablissements Baud, a grocery wholesaler, added more warehouse space in Paris and now has fully automated stocking of merchandise. Nergico, a food supplier to institutions, acquired a new manufacturing facility in Objat, France, and will start production of a variety of puddings, powder desserts and drinks in 1977. S.E.S., based in Strasbourg, France, operates Europe's most advanced supermarkets. New stores were opened in the Alsace-Lorraine region last year and a fully-automated distribution center was completed in Strasbourg.

Aux Planteurs Reunis, a wholesale grocery distributor based in Switzerland, will expand its distribution network into the German-speaking part of that nation during 1977.

Tayto, Dublin, Ireland-based snack company, recorded the best year in its history, as did King Foods, which completed a new snack plant in Dublin. William Dwan Co., Thurles, Ireland-based bottler of Royal Crown Cola and a full line of flavored soft drinks, joined the International Foods Division this year.

Supervision of Samsonite's United Kingdom operation was transferred from Canada to Belgium during 1976 to serve the Common Market more effectively.

International chemical operations also continued to show strong growth. A new office building and applications laboratory were completed in Waalwijk, The Netherlands. New compounding equipment also was added there. Liquid Nitrogen Processing dedicated a new factory in Raamsdonsveer, The Netherlands.

Latin America

Beatrice dairy operations in the Caribbean again expanded their markets last year. Mantecados Payco, Puerto Rico, introduced a new dietetic ice cream and a gourmet line of premium grade ice cream. Holanda opened several new ice cream stores in Mexico with more planned for 1977.

Frigor's dairy operations were adversely affected by a shortage of electric energy in the Dominican Republic; however, the situation has eased and improvement is expected in 1977.

Considerable progress was made in Beatrice's Latin American snack food and confectionery operations during 1976.

Rene S.A. in Guatemala added a new meat snacks plant and is expanding its distribution throughout Central America. Industrias Gran Colombia benefitted from improved demand for its candy items. Beatrice candy and snack operations in Venezuela enjoyed an excellent year compared to 1975 when a long strike at a major plant disrupted production.

Samsonite's joint venture in Mexico achieved a profit as luggage sales continued strong despite the peso devaluation. Chemical plants in Mexico and Nicaragua again were expanded.

Australia—Far East

The major thrust of Beatrice Foods activity in the Far East is in confectionery products, but recent acquisitions in both the grocery and non-food areas appear promising.

In Australia, Red Tulip, a manufacturer of premium quality chocolates and other confectionery items, bolstered its distribution capability to the wholesale confectionery market by coordinating activities on a national basis.

Europe Strength Food Co. added a cherry nut flavor to its broad range of natural ingredient candy bars and formed a joint venture to manufacture and distribute its products in Japan.

Patra added production facilities for orange juice in Queensland and purchased "Squeeze", a well-known orange drink brand in Victoria, which will double its penetration of that market.

Beatrice also entered into a joint venture in New Zealand last year with Van Camp Chocolate Ltd., a manufacturer of premium quality chocolates.

Beatrice Foods (Singapore) Pte. Ltd. broadened its range of ice cream flavors and is operating at full capacity.

Canada

Government price controls and industry price competition adversely affected our Canadian dairy operations last year. The company is responding by seeking production efficiencies and stressing the growth of specialty items that command more attractive margins. These include such new products introduced during the year as "Olde Fashioned Recipe" Ice Cream and Beatrice "Fruit Through Yogurt." A milk price increase granted in February is providing relief and should contribute to profit improvement in fiscal 1978.

In the non-food area, Samsonite Canada enjoyed a strong sales year in its luggage lines.

Consolidated Balance Sheet

February 28, 1977 and February 29, 1976

Assets	1977	1976
Current assets:		
Cash	$ 88,188,807	$ 64,986,959
Short-term investments, at cost which approximates market	90,068,574	79,716,910
Receivables, less allowance for losses $19,798,412 (1976—$17,616,130)	491,427,117	446,271,302
Inventories	595,830,825	527,863,327
Prepaid expenses	25,699,455	23,450,638
Total current assets	1,291,214,778	1,142,289,136
Investment in unconsolidated subsidiary	46,993,082	41,466,433
Plant and equipment:		
Land	44,670,474	39,300,454
Buildings	358,873,610	323,808,705
Machinery and equipment	663,049,164	597,343,432
	1,066,593,248	960,452,591
Less accumulated depreciation	429,926,418	394,754,633
	636,666,830	565,697,958
Investments and other assets	43,713,915	37,642,555
Intangible assets	110,286,044	111,553,169
	$2,128,874,649	$1,898,649,251

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

Liabilities and Stockholders' Equity	1977	1976
Current liabilities:		
Accounts payable and accrued expenses	$ 500,362,379	$ 412,645,295
Current portion of long-term debt	14,255,123	13,892,771
Income taxes	56,363,486	43,876,681
Total current liabilities	570,980,988	470,414,747
Debentures and notes	205,624,000	215,222,000
Other long-term debt	52,835,698	57,416,794
Deferred credits and other non-current liabilities .	112,183,834	99,562,632
Minority interests in subsidiaries	29,034,918	24,069,371
Stockholders' equity:		
Preference stock (without par value). Authorized 2,500,000 shares. Issued 144,473 shares (1976—282,580 shares) at stated value with aggregate liquidation preference of $14,089,660 (1976—$27,786,360)	6,960,490	8,529,960
Common stock (without par value). Authorized 125,000,000 shares (1976—100,000,000 shares). Issued and outstanding 85,128,846 shares (1976—83,853,459 shares) at $1.85 stated value	157,488,365	155,128,899
Capital surplus	44,153,217	32,096,148
Earnings invested in the business	949,613,139	836,208,700
Total stockholders' equity	1,158,215,211	1,031,963,707
	$2,128,874,649	$1,898,649,251

Statement of Consolidated Earnings

Years Ended February 28, 1977 and February 29, 1976

	1977	1976
Income:		
Net sales	$5,288,577,780	$4,805,575,684
Other income, including net earnings of unconsolidated subsidiary	19,471,920	17,437,217
	5,308,049,700	4,823,012,901
Costs and expenses:		
Cost of sales	3,933,828,949	3,596,889,572
Selling, administrative and general expenses	910,615,789	819,722,679
Depreciation expense	63,857,317	59,307,772
Interest expense	30,216,988	31,634,922
	4,938,519,043	4,507,554,945
Earnings before income taxes	369,530,657	315,457,956
Provision for income taxes	180,200,000	152,618,734
Earnings after income taxes	189,330,657	162,839,222
Minority interests in net earnings of subsidiaries	6,764,448	4,561,832
Net earnings	$ 182,566,209	$ 158,277,390
Net earnings per common share	$2.13	$1.86
Net earnings per common share assuming full conversion of debentures and preference stock	2.07	1.80

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

Statement of Consolidated Capital Surplus and Earnings Invested in the Business

Years Ended February 28, 1977 and February 29, 1976

	1977	1976
Capital Surplus		
Balance at beginning of year	$ 32,096,148	$ 28,741,884
Excess of stated value of converted shares of preference stock and principal amount of converted debentures over stated value of shares of common stock issued upon conversion	5,458,415	1,467,062
Excess of proceeds over stated value of shares of common stock issued under stock options	2,877,708	2,747,744
Excess of fair value over stated value of 25,592 shares of common stock contributed to the Employee Stock Ownership Plan	613,866	—
Excess of fair value over stated value of shares of common stock issued upon purchase of other companies	1,732,096	—
Net unrealized gain (loss) on marketable equity securities owned by unconsolidated subsidiary	1,064,502	(1,064,502)
Other items	310,482	203,960
Balance at end of year	$ 44,153,217	$ 32,096,148
Earnings Invested in the Business		
Balance at beginning of year	$ 836,208,700	$738,715,725
Net earnings for the year	182,566,209	158,277,390
	1,018,774,909	896,993,115
Less dividends paid:		
Preference stock	912,352	1,300,650
Common stock, $.82 a share (1976—$.74 a share)	68,093,159	57,868,344
Capital stocks of pooled companies	156,259	1,615,421
	69,161,770	60,784,415
Balance at end of year	$ 949,613,139	$836,208,700

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

Statement of Consolidated Changes in Financial Position

Years Ended February 28, 1977 and February 29, 1976

	1977	1976
Funds Provided:		
Net earnings	$182,566,209	$158,277,390
Items which did not currently use (provide) funds:		
Depreciation	63,857,317	59,307,772
Deferred tax and other items	22,115,525	14,854,810
Undistributed earnings of unconsolidated subsidiary	(4,462,144)	(2,851,045)
Total from operations	264,076,907	229,588,927
Sale of common stock under option plans	3,232,007	3,182,968
Fair value of common stock issued for assets of purchased companies	1,859,940	—
Issuance of common stock upon conversion of preference stock and debentures	7,290,518	2,183,173
Increases in long-term debt	16,149,745	12,737,177
Other items	969,568	1,633,513
Total funds provided	293,578,685	249,325,758
Funds Used:		
Cash dividends	69,161,770	60,784,415
Plant and equipment acquired through purchase of other companies	2,769,694	3,134,653
Capital expenditures, net of retirements	132,056,495	98,593,180
Preference stock and debentures (net) retired upon conversion into common stock	7,290,518	2,183,173
Reductions in long-term debt	24,480,841	28,226,599
Intangible assets acquired	2,905,154	12,656,990
Other items	6,554,812	4,272,103
Total funds used	245,219,284	209,851,113
Increase in working capital	$ 48,359,401	$ 39,474,645
Changes in Working Capital Components:		
Increases (decreases) in current assets:		
Cash and short-term investments	$ 33,553,512	$ 38,681,616
Receivables	45,155,815	42,791,296
Inventories	67,967,498	(4,905,396)
Prepaid expenses	2,248,817	(1,069,165)
	148,925,642	75,498,351
Increases (decreases) in current liabilities:		
Accounts payable and accrued expenses	87,717,084	36,281,958
Current portion of long-term debt	362,352	(313,419)
Income taxes	12,486,805	55,167
	100,566,241	36,023,706
Increase in working capital	$ 48,359,401	$ 39,474,645

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.

During the fiscal year ended February 28, 1977 the Company adopted Statement of Financial Accounting Standards No. 8 relating to the translation of foreign currency financial statements. Consolidated financial statements for 1976 have been restated to reflect Statement No. 8 and the effect of such restatement was immaterial.

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.

Intangible Assets

The excess of cost over net tangible assets of certain companies acquired prior to November 1, 1970 (approximately $65 million) is not being amortized until such time as there may be evidence of a permanent loss in value. The remaining intangible assets are being amortized using a straight line method over periods not in excess of 40 years.

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 financial reporting 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 generally include the amortization of prior service costs 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

Earnings per share of common stock are based on the weighted average number of shares of common stock and common stock equivalents (stock options and 4⅞% convertible debentures) outstanding during the period.

Accountants' Report

The Stockholders
Beatrice Foods Co.:

We have examined the consolidated balance sheet of Beatrice Foods Co. and subsidiaries as of February 28, 1977 and February 29, 1976, and the related statements of consolidated earnings, capital surplus and earnings invested in the business and changes in financial position for the years then ended. Our examinations were 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 consolidated financial statements present fairly the financial position of Beatrice Foods Co. and subsidiaries at February 28, 1977, and February 29, 1976, and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

April 22, 1977

Peat, Marwick, Mitchell & Co.

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

6) Preference Stock

A summary of outstanding preference stock follows:

	1977	1976
	(in thousands)	
\$2.70 convertible, \$60 stated value, 8,941 shares (1976–11,791 shares)	\$ 536	\$ 707
\$4.00 convertible, \$10 stated value,* 79,213 shares (1976–213,960 shares)	792	2,140
\$4.50 convertible, \$100 stated value, 56,319 shares (1976–56,829 shares)	5,632	5,683
	\$6,960	\$8,530

*Liquidation preference \$100 per share.

In 1977, 138,107 shares of preference stock were converted into 689,250 shares of common stock. There are 686,711 shares of common stock reserved for conversion of outstanding preference shares at February 28, 1977.

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 number of shares reserved for outstanding options are summarized below:

	1977	1976
Shares under option at beginning of year	1,031,044	1,133,020
Options granted	57,431	262,888
Options assumed	—	12,500
Options exercised*	(165,476)	(199,640)
Options cancelled	(61,528)	(177,724)
Shares under option at end of year	861,471	1,031,044

*In addition, during 1977 and 1976 pooled companies issued the equivalent of 26,037 and 69,879 shares, respectively, of the Company's common stock through their own stock option plans.

The total option price of options exercised during 1977 and 1976 was \$3,232,007 and \$3,182,968, respectively. The total option price of options outstanding at February 28, 1977 was \$17,676,268. Options to purchase 652,963 shares are currently exercisable. There are 114,985 shares of common stock reserved for the granting of additional options.

8) Pension Plans

The amounts charged to earnings for pension plans totaled \$29,070,000 for 1977 and \$23,740,000 for 1976, of which \$11,730,000 and \$8,300,000, respectively, pertained to plans jointly administered by industry and union representatives. As of the latest valuation dates, the actuarially computed value of vested benefits for the principal plans exceeded the total of pension fund assets by \$5,700,000.

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

S.I.C. is a wholly owned, unconsolidated subsidiary of the Company and is engaged principally in the finance and insurance businesses. The following condensed statements summarize the consolidated financial position and operating results of S.I.C.

Summary of Financial Condition

	December 31, 1976	1975
	(in thousands)	
Assets:		
Cash	\$ 14,124	\$ 19,197
Marketable securities	104,170	74,446
Finance receivables (net)	146,087	136,393
Other receivables (net)	105,826	85,777
Other assets	27,369	25,901
	\$397,576	\$341,714
Liabilities and Stockholder's Equity:		
Short-term notes payable	\$ 85,680	\$ 98,558
Accounts payable and other liabilities	29,238	27,118
Savings accounts	59,107	50,609
Life insurance policy reserves	106,126	75,113
Long-term debt	70,432	48,850
Stockholder's equity	46,993	41,466
	\$397,576	\$341,714

Summary of Operations

	Year Ended Dec. 31, 1976	1975
	(in thousands)	
Revenues	\$114,026	\$105,640
Net earnings	4,462	2,851

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

10) Leases

Rent expense was \$61,840,000 in 1977 and \$58,640,000 in 1976, of which \$27,330,000 and \$25,700,000, respectively, related to financing leases (generally leases with terms which cover 75% or more of the economic life of the property).

Minimum rental commitments under noncancelable leases as of February 28, 1977 are payable as follows:

Fiscal Years	Real Property	Equipment, Principally Vehicles	Total
	(in thousands)		
1978	\$22,461	\$19,169	\$41,630
1979	21,001	15,752	36,753
1980	19,281	11,877	31,158
1981	17,715	7,900	25,615
1982	16,870	4,041	20,911
1983–1987	73,556	3,205	76,761
1988–1992	53,473	343	53,816
1993–1997	36,989	24	37,013
After 1997	36,327	—	36,327

The above schedule includes rental commitments under financing leases as follows: 1978—\$27,381; 1979—\$24,735; 1980—\$21,340; 1981—\$17,808; 1982—\$14,143; 1983 thru 1987—\$54,321; 1988 thru 1992—\$43,248; 1993 thru 1997—\$32,568; after 1997—\$34,494.

The present value of rental commitments under financing leases as of February 28, 1977, and February 29, 1976, is shown below. Interest rates implicit in the terms of the leases ranged from 2% to 15% and averaged 7.2%.

	1977	1976
	(in thousands)	
Real property	\$113,356	\$117,378
Equipment, principally vehicles	44,180	49,104
Total	\$157,536	\$166,482

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

11) Proposed Merger
The Company has entered into an agreement to acquire Harman International Industries, Inc. in exchange for approximately four million shares of the Company's common stock. The merger will be accounted for as a pooling of interests. Harman is principally engaged in the manufacture, distribution and sale of audio components for home entertainment, professional and commercial use. For the year ended August 31, 1976, Harman had net sales of $136.5 million and net income of $9.1 million. Total assets of Harman on August 31, 1976 were $86.4 million.

12) Audit Committee Review
An investigation of the operations of the Company was conducted to determine whether, since March 1, 1971, the Company made any unlawful or questionable payments or used improper accounting practices to incorrectly reflect assets, liabilities, revenues or expenses. The investigation was conducted by a Review Committee acting under the direction and supervision of the Audit Committee of the Company's Board of Directors. This investigation has been completed and on March 10, 1977, the Company filed a Form 8-K Report with the Securities and Exchange Commission describing the committees' findings. The text of such Form 8-K Report is set forth in the Company's Proxy Statement for its 1977 Annual Meeting of Stockholders.

In the opinion of the Company the practices in question which came to the attention of the committees during the course of the investigation are not material, either individually or collectively, to the consolidated financial condition, business or operations of the Company and its subsidiaries, and the Company believes that the termination of such practices has not had, and will not have, any material adverse effect thereon.

One or more of the matters which were the subject of such investigation are also the subject of an investigation being conducted by the Securities and Exchange Commission and are under review by the Internal Revenue Service in connection with its regular audit of the Company's tax returns for the fiscal years 1973 and 1974.

13) Litigation
In the opinion of management, the outcome of the litigation to which the Company is a party will not materially affect the Company's consolidated financial condition.

14) Replacement Cost Information (Unaudited)
In compliance with recent Securities and Exchange Commission regulations, the Company has estimated the replacement cost of buildings, machinery and equipment, depreciation, cost of sales and inventories.

The replacement of fixed assets with assets having equivalent productive capacity will usually require a capital investment greater than the historical cost of the assets. The increased capital investment is due to the cumulative effect of worldwide inflation over the long useful lives of these assets.

The replacement costs of ending inventory and cost of sales are somewhat higher than their historical costs on the financial statements. The differences are primarily due to increases in the prices of raw materials and labor during the year.

In general, the Company has compensated for cost increases through increased productivity, work efficiency improvements, improvements in technology and selling price increases.

The Company's Annual Report to the Securities and Exchange Commission on Form 10-K (a copy of which is available from the Corporate Secretary upon request) contains more specific information on the replacement cost of buildings, equipment, depreciation, cost of sales and inventories.

15) Quarterly Results of Operations (Unaudited)
The following is a summary of the unaudited quarterly results of operations for the year ended February 28, 1977:

	Three Months Ended (in thousands, except per share data)			
	May 31	Aug. 31	Nov. 30	Feb. 28
Net sales	$1,283,857	$1,328,591	$1,353,713	$1,322,417
Cost of sales	953,579	987,803	994,933	997,514
Net earnings	45,381	49,068	50,143	37,974
Net earnings per common share	$.53	$.57	$.59	$.44
Net earnings per common share assuming full conversion of debentures and preference stock	.51	.56	.57	.43

Management's Discussion and Analysis of Operations

1977 Compared to 1976

Net sales increased to a record $5,288,577,780 surpassing the $5 billion milestone for the first time. This represented an increase of 10 per cent over the prior year. Sales increases were primarily attributable to new market penetrations both in Europe and the United States, new product developments and selling price increases. Sales for Food and Related Services were up 7.9 per cent overall, with substantial sales increases in all lines of business except Grocery Products which decreased from last year's record levels primarily because of lower dollar sales in the specialty baking operations. Sales for Manufactured and Chemical Products were up 16.9 per cent with all lines of business showing an increase for the year. Sales of the principal lines of business are shown on page 6.

The increase in other income was primarily attributable to a $1.6 million increase in the earnings of Southwestern Investment Company, a wholly owned unconsolidated subsidiary.

The increase in total costs and expenses was proportionate to the sales increase.

Earnings before income taxes reached a new high, totaling $369,530,657, an increase of 17 per cent. This increase was the result of increased sales and higher overall operating margins. Operating earnings of the principal lines of business are shown on page 6. Operating earnings of Food and Related Services were up 14.2 per cent. Earnings of Dairy & Soft Drink, Food Distribution & Warehousing, Specialty Meat, Confectionery & Snack and Agri-Products all were up substantially over the prior year. Increases were primarily attributable to higher sales volume in existing product lines, a return to a more normal inventory level in warehousing operations, and increased production efficiencies. Earnings of Grocery Products declined from a record prior year due to lower sales and margins in the specialty bakery operations.

Operating earnings of Manufactured and Chemical Products were up 18.7 per cent. Earnings of Institutional & Industrial, Travel & Recreational and Chemical substantially increased over the prior year. The increases were attributable to a variety of reasons including the reversal of the recessionary economy, entrance into several new marketing areas, new products, increases in sales volume of existing products and price increases. Earnings of Housing & Home Environment improved only slightly due to the lower earnings of our mobile home operations in the United States and Canada.

The increase in income taxes approximated the increase in pre-tax earnings.

Minority interest in the net earnings of subsidiaries increased $2.2 million over the prior year principally because of the improved performance of majority owned companies located in Europe and South America.

For further information about specific lines of business and profit centers refer to pages 6 to 19.

1976 Compared to 1975

Net sales increased 7.6% over the record level of 1975. Sales for Food and Related Services were up 8.9% and Sales for Manufactured and Chemical Products were up 3.9%. The increase in sales was primarily due to increases in unit sales of various products, the creation of new products and greater market penetration as well as price increases. Sales were up for all major product lines except for Confectionery & Snack, Agri-Products, Housing & Home Environment Products, and Institutional & Industrial Products which experienced slight declines.

Increased interest income on short term investments and improved earnings of joint venture companies contributed to an increase in other income of $4.0 million. The earnings of Southwestern Investment Company increased $.6 million as a result of reduced short term interest rates.

The increase in total cost and expenses was proportionate to the sales increase.

Operating earnings of Food and Related Services were up 16.6%. All product lines in this area were substantially up over last year except Food Distribution & Warehousing, and Agri-Products which declined as a result of reduced customer inventories and lower commodity prices. The operating earnings of Manufactured and Chemical Products experienced a slight decline of .5 per cent. Travel & Recreational was substantially up over the prior year and while Institutional & Industrial was virtually unchanged, other product lines in this area declined. Housing & Home Environment declined principally because of lower mobile home sales while Chemical & Allied Products was affected by the recessionary economy.

Common Stock Data

	1977		1976	
Fiscal Quarter	Cash Dividends Paid	Market Price Range*	Cash Dividends Paid	Market Price Range*
First Quarter (May 31)	$.19	$25½-21½	$.18	$23⅜-19
Second Quarter (August 31)	.21	27⅛-25	.18	24⅜-18
Third Quarter (November 30)	.21	28⅛-24⅝	.19	24⅞-18½
Fourth Quarter (February 28)	.21	28½-23⅜	.19	25⅞-22⅝

*High and low prices based upon composite sales prices for the fiscal year ended February 28, 1977 and the period January 1, 1976 through February 29, 1976; preceding periods upon sales prices of the New York Stock Exchange.

Ten Year Review (Dollars in Thousands Except Per Share Figures)

	1977	1976	1975
Earnings			
Net Sales	$5,288,578	$4,805,576	$4,464,545
Other Income	19,472	17,437	13,485
Total	5,308,050	4,823,013	4,478,030
Cost of Sales and Operating Expenses	4,851,210	4,421,174	4,107,471
Interest	30,217	31,635	29,816
Depreciation	63,857	59,308	56,869
Income Taxes	180,200	152,619	137,879
Total	5,125,484	4,664,736	4,332,035
Net Earnings	$ 182,566	$ 158,277	$ 145,995
Net Earnings per Common Share	$2.13	$1.86	$1.72
Dividends per Common Share	$ .82	$ .74	$ .68½
Financial Condition			
Working Capital	$ 720,234	$ 671,874	$ 632,400
Plant and Equipment (net)	636,667	565,698	523,278
Other Assets	200,993	190,663	176,656
	1,557,894	1,428,235	1,332,334
Deduct:			
Long Term Debt	258,460	272,639	289,641
Other Liabilities, Minority Interests and Deferred Credits	141,219	123,632	109,416
Stockholders' Equity	$1,158,215	$1,031,964	$ 933,277
Ratio of Current Assets to Current Liabilities	2.26:1	2.43:1	2.46:1
Book Value per Common Share	$13.44	$11.98	$10.80

1974	1973	1972	1971	1970	1969	1968
$3,866,450	$3,208,022	$2,799,332	$2,507,048	$2,240,986	$1,947,017	$1,748,100
17,625	15,438	13,075	11,038	10,655	8,336	7,111
3,884,075	3,223,460	2,812,407	2,518,086	2,251,641	1,955,353	1,755,211
3,557,103	2,944,752	2,559,885	2,289,380	2,044,729	1,767,791	1,590,058
20,760	16,811	15,951	17,280	12,843	7,201	5,586
52,970	47,063	43,910	42,132	36,847	32,808	29,111
120,211	102,118	92,560	82,332	79,531	74,303	60,877
3,751,044	3,110,744	2,712,306	2,431,124	2,173,950	1,882,103	1,685,632
$ 133,031	$ 112,716	$ 100,101	$ 86,962	$ 77,691	$ 73,250	$ 69,579
$1.57	$1.35	$1.21	$1.06	$.96	$.92	$.89
$ .62¾	$ .59	$ .58	$ .50	$.50	$.44½	$.40¼
$ 522,306	$ 427,007	$ 373,226	$ 337,377	$ 300,170	$ 264,468	$ 239,798
478,897	439,360	394,291	368,238	334,203	266,074	242,191
162,774	144,971	135,810	123,129	103,663	77,659	60,155
1,163,977	1,011,338	903,327	828,744	738,036	608,201	542,144
223,657	176,331	163,680	165,220	138,689	72,401	60,240
96,552	80,788	68,397	55,452	49,789	43,785	35,222
$ 843,768	$ 754,219	$ 671,250	$ 608,072	$ 549,558	$ 492,015	$ 446,682
2.36:1	2.34:1	2.42:1	2.50:1	2.39:1	2.50:1	2.48:1
$9.73	$8.67	$7.78	$7.00	$6.38	$5.68	$5.05

Directors, Officers and Executives

DIRECTORS

William G. Mitchell
Chairman
Chief Corporate Officer
Chicago, IL

Wallace N. Rasmussen
President
Chief Executive Officer
Chicago, IL

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

G. A. Costanzo
Vice Chairman
Citibank, N.A.
New York, NY

James L. Dutt
Executive Vice President
Chicago, IL

Donald P. Eckrich
Executive Vice President
Fort Wayne, IN

Don L. Grantham
Retired President
Chief Operating Officer
Chicago, IL

William G. Karnes
Retired Chairman
Chief Executive Officer
Chicago, IL

Juan E. Metzger
Vice President
New York, NY

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

Harry Niemiec
Executive Vice President
Chicago, IL

Lee Schlytter
Retired Vice President
Sun City, AZ

T. Mackin Sexton
Vice President
Chicago, IL

King D. Shwayder
Retired President
Samsonite Corp.
Denver, CO

Dr. Durward B. Varner
Chairman
Chief Executive Officer
University of Nebraska Foundation
Lincoln, NE

Richard A. Voell
Executive Vice President
Miami, FL

Omer G. Voss
Executive Vice President
International Harvester Co.
Chicago, IL

James Weiss
Executive Vice President
Chicago, IL

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

BOARD COMMITTEES

Executive Committee
Wallace N. Rasmussen, Chairman
Donald P. Eckrich
Don L. Grantham
William G. Karnes
William G. Mitchell
Bernard A. Monaghan
Richard A. Voell
Omer G. Voss
Flavel A. Wright

Compensation and Benefits Committee
G. A. Costanzo, Chairman
Flavel A. Wright, Vice Chairman
John H. Coleman
Don L. Grantham
Bernard A. Monaghan
Dr. Durward B. Varner
Omer G. Voss

Audit Committee
Bernard A. Monaghan, Chairman
John H. Coleman
Flavel A. Wright

Planning Committee
Dr. Durward B. Varner, Chairman
James L. Dutt
Donald P. Eckrich
William G. Mitchell
Wallace N. Rasmussen
King D. Shwayder
Richard A. Voell
Omer G. Voss

OFFICERS

William G. Mitchell
Chairman
Chief Corporate Officer

Wallace N. Rasmussen
President
Chief Executive Officer

OPERATIONS

James L. Dutt
Executive Vice President
Dairy & Soft Drink, Agri-Products, International Foods
Southwestern Investment Company

Donald P. Eckrich
Executive Vice President
Grocery, Specialty Meat, Warehouse

Harry Niemiec
Executive Vice President
Grocery Specialties, Confectionery & Snack, Bakery

Richard A. Voell
Executive Vice President
Consumer Products, Institutional and Industrial, Luggage & Home Environment

James Weiss
Executive Vice President
Chemical, Consumer Arts, Leisure Products

John D. Conners
Vice President
Executive Vice President, Western Dairy Area
President, Agri-Products Division

James G. Fransen
Vice President
Operating Director, Caribbean Dairy Area, Group Manager, Finance Group–
Southwestern Investment Company

William W. Granger, Jr.
Vice President
President, International Foods

Richard W. Hanselman
Senior Vice President
President, Luggage & Home Environment Division

John F. Hazelton, Jr.
Vice President
President, European Foods Operations

Walter R. Lovejoy
Vice President
President, Institutional & Industrial Division

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

Theodore R. Ruwitch
Vice President
President, Consumer Products Division

T. Mackin Sexton
Vice President
President, Institutional Foods Division

Louis E. Stahl
Vice President
President, Chemical Division

Gordon E. Swaney
Vice President
Assistant General Manager
Grocery Specialties Division

ADMINISTRATION

Norman E. Barber
Senior Vice President
Chief Financial Officer

Richard J. Pigott
Senior Vice President
General Counsel

James A. Johnson
Controller

H. Robert Winton, Jr.
Secretary
Associate General Counsel

P. Robert McClure, Jr.
Treasurer

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

Neil R. Gazel
Assistant Vice President
Director, Public Relations

Fred K. Schomer
Assistant Vice President
Executive Vice President, International Foods Division

Richard W. Truelick
Assistant Vice President
Assistant to Chairman of the Board
Director, Corporate Development

Donald H. Klein
Assistant Secretary
Director of Corporate Insurance & Employee Benefits

Charles E. Harrison
Assistant Secretary

Robert L. Skummer
Assistant Treasurer

DIVISION EXECUTIVES

FOOD AND RELATED SERVICES

Roland M. Binnington
President, Canadian Dairy Operations, International Foods

Peter Brown
President, Australia & Far East Operations, International Foods

William Burkhardt
President
Bakery

Robert Cooper
President
Public Warehouse

Robert V. Dale
President
Martha White Foods

Andre J. Job
President, Latin American Operations, International Foods

B. Robert Kill
President
Confectionery & Snack

William J. Polidoro
Executive Vice President
Eastern Dairy & Soft Drink Area

Chester W. Schmidt
President
International Management Services
International Foods

Adam J. Schubel
President
Shedd Food Products

Joseph E. Quinlan
President, Specialty Meat

MANUFACTURED AND CHEMICAL

Vernon Davidson
Executive Vice President
Leisure Products

Creighton B. Lynch
Chairman and President
Southwestern Investment Company

Norman M. Schneider
President
Leisure Products

Harry C. Wechsler
Executive Vice President
Chemical

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.
1 Chase Manhattan Plaza
New York, NY 10015

The Northern Trust Company
50 South LaSalle Street
Chicago, IL 60690

Stock Transfer Agents
Morgan Guaranty Trust Company
of New York
30 West Broadway
New York, NY 10015

Continental Illinois National Bank
and Trust Company of Chicago
321 South LaSalle Street
Chicago, IL 60690

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

Dividend Reinvestment Service
Citibank, N.A.
Dividend Reinvestment Service
Post Office Box 2670
Grand Central Station
New York, NY 10017

Dividend Reinvestment Service Now Available to Holders of Beatrice Foods Common Stock

Effective with the April 1, 1977, dividend payment, Citibank, N.A. New York, N.Y. began making available to the holders of Beatrice Foods Co. common stock an automatic dividend reinvestment service.

Those interested in participating in this new service are invited to write for details and an authorization form to:

Corporate Secretary
Beatrice Foods Co.
120 South LaSalle Street
Chicago, IL 60603

Annual Report on Form 10-K
A copy of the annual report to the Securities and Exchange Commission on Form 10-K will be available without charge after June 1, 1977, upon written request to the Corporate Secretary, Beatrice Foods Co., 120 South LaSalle Street, Chicago, IL 60603.

Beatrice Foods Co. World Headquarters 120 South LaSalle Street, Chicago, Illinois 60603