SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter ended August 31, 1988

BEATRICE COMPANY

(Exact name of registrant as specified in its charter)

1-9119	**Delaware**	**13-3327481**
(Commission File No.)	(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Two North LaSalle St. **Chicago, Illinois**	**60602**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (312) 782-3820

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No __.

As of September 30, 1988, a total of 81,700,000 shares of Beatrice Company common stock was outstanding.

PART I. FINANCIAL INFORMATION

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BEATRICE COMPANY

CONDENSED CONSOLIDATED BALANCE SHEET

(In millions)

	August 31, 1988 (Unaudited)	February 29, 1988
ASSETS		
Current assets:		
Cash and cash equivalents	$1,462	$ 970
Receivables, less allowance for doubtful accounts of $16 and $19, respectively	310	291
Inventories	562	496
Net current assets of discontinued operations	—	72
Other current assets	154	155
Total current assets	2,488	1,984
Property, plant and equipment, less accumulated depreciation of $224 and $163, respectively	826	818
Intangible assets, principally goodwill	1,929	2,092
Net noncurrent assets of discontinued operations	—	553
Other noncurrent assets	248	264
	$5,491	$5,711
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 65	$ 21
Accounts payable and accrued expenses	787	879
Total current liabilities	852	900
Long-term debt	2,909	3,372
Noncurrent and deferred income taxes	397	370
Other noncurrent liabilities	559	580
Stockholders' equity:		
Preferred stock	—	—
Common stock	1	1
Additional capital	418	418
Retained earnings	352	68
Cumulative foreign currency translation adjustment	3	2
Total stockholders' equity	774	489
	$5,491	$5,711

See Notes to Condensed Consolidated Financial Statements.

BEATRICE COMPANY

CONDENSED CONSOLIDATED STATEMENT OF EARNINGS
(Unaudited)

(In millions, except per share data)

	Periods ended August 31,			
	Quarter		Six Months	
	1988	1987	1988	1987
Net sales	$1,022	$ 932	$1,990	$1,824
Costs and expenses:				
Cost of sales	758	698	1,466	1,347
Selling and administrative expenses	192	172	387	358
Amortization of intangible assets	13	14	27	28
Total costs and expenses	963	884	1,880	1,733
Operating earnings	59	48	110	91
Interest income	34	9	66	13
Interest expense	(107)	(89)	(211)	(162)
Miscellaneous income (expense), net	19	(28)	12	(33)
Earnings (loss) from continuing operations before income taxes	5	(60)	(23)	(91)
Income tax expense	2	2	3	8
Earnings (loss) from continuing operations	3	(62)	(26)	(99)
Discontinued operations:				
Earnings (loss) from operations, net of income tax expense of nil, $28, nil and $38, respectively	—	4	(1)	(13)
Gain on sale of Tropicana, net of income tax expense of $203	—	—	333	—
Extraordinary items, net of income tax benefit of $8, nil, $8 and nil, respectively	(22)	(6)	(22)	(6)
Net earnings (loss)	$ (19)	$ (64)	$ 284	$ (118)
Weighted-average common shares outstanding	82	82	82	82
Common share equivalents	57	—	57	—
	139	82	139	82
Earnings (loss) per share:				
Continuing operations	$ .06	$ (.76)	$ (.11)	$ (1.21)
Discontinued operations	—	.05	2.39	(.16)
Extraordinary items	(.16)	(.07)	(.16)	(.07)
Net earnings (loss)	$ (.10)	$ (.78)	$ 2.12	$ (1.44)

See Notes to Condensed Consolidated Financial Statements.

BEATRICE COMPANY

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(Unaudited)

(In millions)

	Periods ended August 31,			
	Quarter		Six Months	
	1988	1987	1988	1987
Cash provided (used) by operations:				
Earnings (loss) from continuing operations	$ 3	$ (62)	$ (26)	$ (99)
Items not involving cash:				
Depreciation and amortization of intangibles	34	34	71	68
Other items, net	3	3	10	6
Changes in working capital, excluding current debt	(109)	(41)	(176)	(124)
Cash used by continuing operations	(69)	(66)	(121)	(149)
Net cash provided (used) by discontinued operations	—	28	(21)	4
Net cash used by extraordinary items	(15)	(4)	(15)	(4)
Cash used by operations	(84)	(42)	(157)	(149)
Cash provided (used) by investment activities:				
Net expenditures for property, plant and equipment	(37)	(24)	(56)	(39)
Net proceeds from divested operations	—	444	1,121	444
Repayment to Beatrice of the E-II notes	—	800	—	800
Other items, net	1	(21)	3	20
Cash provided (used) by investment activities	(36)	1,199	1,068	1,225
Cash provided (used) by financing activities:				
Change in debt	(429)	(582)	(430)	(495)
Other items, net	(5)	(14)	11	(9)
Cash used by financing activities	(434)	(596)	(419)	(504)
Cash provided (used) before cash distribution	(554)	561	492	572
Cash distribution paid or accrued	—	(80)	—	(80)
Increase (decrease) in cash and cash equivalents	(554)	481	492	492
Cash and cash equivalents at beginning of period	2,016	56	970	45
Cash and cash equivalents at end of period	$1,462	$ 537	$1,462	$ 537

See Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Background and Basis of Presentation

Beatrice Company ("Beatrice"), formerly BCI Holdings Corporation, acquired Beatrice Companies, Inc. ("Old Beatrice") on April 17, 1986 in a purchase transaction for approximately $6.2 billion (the "Merger"). Subsequent to the Merger, Beatrice has sold significant portions of its operating businesses, the results of which have been segregated in the condensed consolidated financial statements as discontinued operations (Note 2).

In the opinion of management, unaudited information reflects all adjustments necessary for a fair presentation of the interim financial information. Such adjustments consist only of normal recurring adjustments.

2. Discontinued Operations

On April 8, 1988 Beatrice completed its previously announced sale of Tropicana Products, Inc. ("Tropicana") for cash proceeds of $1.2 billion.

In fiscal 1988, Beatrice sold its bottled water operations and Beatrice International Food Company ("Beatrice International"). Beatrice also distributed its ownership in E-II Holdings Inc. ("E-II"), comprising substantially all of Beatrice's then existing nonfood and food specialties businesses, to its stockholders and warrant holders during fiscal 1988 (the "Distribution"). Also, in connection with the Distribution, Beatrice distributed $80 million to its stock, option and warrant holders.

Summary income statement data for the above described discontinued operations follows (in millions):

	Periods ended August 31,			
	Quarter		Six Months	
	1988	1987	1988	1987
INCOME STATEMENT*:				
Net sales	$ —	$1,125	$ 68	$2,430
Costs and expenses	—	(1,042)	(61)	(2,275)
Amortization of intangible assets	—	(6)	(1)	(14)
Interest allocation**	—	(45)	(7)	(116)
Earnings (loss) before income tax allocation	—	32	(1)	25
Income tax expense allocation	—	28	—	38
Net earnings (loss)	$ —	$ 4	$ (1)	$ (13)

**Results of operations sold are included through the date of sale.*

***Interest has been allocated based upon the actual or anticipated debt reductions resulting from the application of actual or estimated net proceeds received or to be received upon sale or the Distribution. To the extent that proceeds received or to be received from sales of discontinued operations have not been and are not expected to be used to reduce debt, interest has been allocated based upon the ratio of net assets of the discontinued operations to Beatrice's consolidated capitalization.*

3. Inventories

Inventories, in millions, consist of the following:

	August 31, 1988	February 29, 1988
Raw materials and supplies	$128	$137
Work in process	72	63
Finished goods	362	296
	$562	$496

4. Long-term Debt

On June 1, 1988, Beatrice announced a tender offer to purchase any or all of its outstanding 11% Ten Year Senior Notes ("Senior Notes") at $1,030 plus accrued interest to the purchase date of June 30, 1988 for each $1,000 principal amount of notes. The tender offer expired at 5:00 p.m. New York time, on June 29, 1988. As of that date, $118 million principal amount of these notes had been tendered for a total cost to Beatrice of $124 million, including premiums and accrued interest. As a result of the tender offer, Beatrice became entitled to purchase up to $698 million principal amount of its 12½% senior subordinated debentures, 12¾% subordinated debentures and floating rate junior subordinated debentures (collectively, the "Subordinated Indebtedness") during the 90-day period ending September 28, 1988. During such 90-day period, Beatrice purchased $322 million principal amount of such Subordinated Indebtedness including the redemption of floating rate junior subordinated debentures on September 27, 1988 pursuant to a $40 million redemption notice given on August 25, 1988. Any decision to purchase additional Senior Notes or Subordinated Indebtedness in the future will depend on, among other things, the prices at which such indebtedness is available for purchase, the amount of cash available to Beatrice, alternative investments available to Beatrice, Beatrice's debt covenants and future developments, if any, relating to the possible restructuring alternatives available to Beatrice.

The terms of the Senior Notes and Subordinated Indebtedness restrict the payment of dividends on common stock. As of August 31, 1988, approximately $48 million of retained earnings was available for dividends on common stock.

In June 1987, Beatrice entered into a revolving credit agreement (the "Revolving Credit Agreement") with a group of banks which refinanced and replaced its former Bank Credit Agreement and Working Capital Facility which, at the time of refinancing, had provided revolving lines of credit aggregating $1.2 billion. The new agreement provides for an initial aggregate commitment of $1.2 billion which is subject to mandatory reductions in the event certain assets are sold. The sale of Tropicana (Note 2) resulted in a $300 million mandatory reduction. At Beatrice's option, borrowings under the Revolving Credit Agreement bear interest at the prime rate plus ¼%, a certificate of deposit based rate plus 1¼%, a Eurodollar deposit based rate plus 1% or a negotiated rate. Commitment fees of ⅜ of 1% of the unused credit are also required. As of August 31, 1988 there were no borrowings outstanding under this agreement, however, approximately $223 million of standby letters of credit were issued under this agreement, thus temporarily reducing availability for borrowings by a like amount.

5. Contingent Liabilities

Beatrice and its subsidiaries are engaged in various litigation proceedings, including the income tax matter described in Note 6, which occur in the ordinary course of business. In the opinion of management, there are no claims or litigation pending as of the quarter ended August 31, 1988 to which Beatrice is a party which are expected to have a materially adverse effect on its consolidated financial condition.

6. Income Taxes

In the fiscal year ended February 29, 1988, the consolidated statement of earnings reflected credits of $256 million due to a reduction of estimated liabilities for income taxes and related interest, resulting from a favorable U.S. Tax Court decision on February 2, 1988. A deposit of $119 million made in July 1986 by Esmark, Inc. ("Esmark"), an entity acquired by Beatrice in June 1984, to the Internal Revenue Service ("IRS"), which is expected to be refunded to Beatrice upon ultimate disposition of the case, is included in other current assets as of August 31, 1988. The decision related to a transaction in 1980 between Mobil-TransOcean Company ("Mobil") and Esmark, wherein Esmark transferred the outstanding shares of Vickers Energy Corporation ("Vickers"), a wholly-owned subsidiary whose sole asset at the time was its investment in TransOcean Oil, Inc., to Mobil in exchange for Esmark common stock and cash. Mobil had previously acquired the Esmark shares in a cash tender offer. Esmark believed that the exchange of its shares for Vickers shares constituted a nontaxable redemption and, therefore, Esmark was not required to recognize a taxable gain on the exchange. In March 1983, the IRS issued a revenue ruling which indicated that it might challenge Esmark's position. In June 1984, the IRS assessed a deficiency in connection with the exchange of approximately $115 million, exclusive of interest. Esmark and, subsequently, Beatrice believed the position taken by the IRS had no merit and vigorously contested the case. The favorable U.S. Tax Court decision on February 2, 1988 upheld that position and found Esmark to be free of any tax liability on the exchange. The IRS has the right to appeal the decision through October 19, 1988. Although the IRS has not appealed the tax court decision to date, the ultimate liabilities, if any, which may result from such an appeal cannot be predicted with certainty. However, in the opinion of Beatrice's management, which is supported by special legal counsel, the probability of the IRS prevailing in such an appeal is not likely.

The effective tax rate for continuing operations differs from the U.S. federal statutory rate primarily as a result of amortization and depreciation related to the Merger and state income taxes. In connection with the allocation of purchase cost resulting from the Merger, tax benefits in excess of those expected to be realized were not recognized as assets. In the quarter ended May 31, 1988, Beatrice realized $168 million of such previously unrecognized tax benefits attributable to differences between the tax bases of certain assets and liabilities as of the Merger and the amounts allocated to those assets and liabilities under purchase accounting. Certain of these tax benefits, amounting to $143 million, relate to a fiscal 1987 transaction (occurring during the purchase cost allocation period) and have been used to reduce goodwill. The remaining tax benefits, amounting to $25 million, relate to fiscal 1989 transactions and have been used to reduce the income tax expense applicable to the gain on the sale of Tropicana.

7. Extraordinary Items

In connection with the purchases of Senior Notes and other Subordinated Indebtedness during fiscal 1989 (Note 4), Beatrice incurred pre-tax extraordinary charges of $22 million for premiums paid, $7 million for the write-off of unamortized deferred financing fees and a $1 million loss on the early retirement of other debt.

Beatrice also acquired Senior Notes during the second quarter of fiscal 1988 at an aggregate premium of $4 million and wrote-off associated deferred financing fees of $2 million.

8. Earnings Per Share

Earnings per share are computed assuming the proceeds from the exercise of common share equivalents are applied to reduce long-term debt, resulting in a reduction of interest expense, net of related income taxes, of $5 million and $10 million for the quarter and six months ended August 31, 1988. The net loss per share for the quarter ended August 31, 1988 is required to reflect the effects of common share equivalents as a result of Beatrice having earnings from continuing operations. The net loss per share excluding the effects of these common share equivalents would have been $.23. The loss per share from continuing operations for the six month period ended August 31, 1988 is also required to reflect the effects of these common share equivalents as a result of Beatrice having net earnings. The loss per share from continuing operations excluding the effects of these common share equivalents would have been $.32. Common share equivalents are excluded from the computation of loss per share for the quarter and six month period ended August 31, 1987 as the effect is antidilutive.

9. Subsequent Events

On September 15, 1988, Playtex Holdings, Inc. ("Playtex") announced that it had agreed to be sold for $9.60 in cash and $1.00 of a new 14% pay-in-kind preferred stock for each common share and that it would redeem its existing preferred stock. Beatrice's investment in Playtex currently consists of 10 million common shares as well as 3 million shares of preferred stock with an aggregate redemption value of $75 million. This transaction is subject to the execution of a definitive agreement and completion of financing arrangements.

10. Reorganization

Subsequent to the Merger, Old Beatrice's Board of Directors approved a Plan of Complete Liquidation and Dissolution ("Plan") for Old Beatrice which was substantially completed on September 30, 1987. The Plan involved Old Beatrice exchanging substantially all of its net assets in return for Old Beatrice common stock and the cancellation of notes receivable from Old Beatrice held by Beatrice and the wholly-owned subsidiaries (collectively, "Second Tier Subsidiaries") of the First Tier Subsidiaries (comprised of Beatrice U.S. Food Corp. ("Beatrice U.S. Food"), BCI Consumer Products Corporation and Beatrice International). Prior to being party to an exchange, the net assets of the Second Tier Subsidiaries generally consisted of investments in Old Beatrice common stock and intercompany notes receivable from Old Beatrice and payable to the First Tier Subsidiaries.

The following condensed consolidating financial statements present the following:

- Condensed consolidated balance sheets and statements of earnings for Norton Simon, Inc. ("NSI"), Swift-Eckrich, Inc. ("Swift-Eckrich") and Beatrice U.S. Food;
- Condensed consolidated balance sheet and statement of earnings for the parent company (Beatrice), and all other direct and indirect subsidiaries, including the elimination of its investments in its wholly-owned subsidiaries; and
- Condensed consolidated balance sheet and statement of earnings for Beatrice.

For purposes of these financial statements, the Plan is assumed to have been completed on March 1, 1986.

CONDENSED CONSOLIDATING BALANCE SHEET
(Unaudited)
(In millions)

	NSI	Swift-Eckrich	Beatrice U.S. Food	Beatrice	Consolidated
As of August 31, 1988:					
Assets:					
Cash and cash equivalents	$ 14	$ 3	$ 8	$1,437	$1,462
Receivables, net	122	92	64	32	310
Inventories	363	121	51	27	562
Other current assets	44	2	7	101	154
Total current assets	543	218	130	1,597	2,488
Net property, plant and equipment	446	199	77	104	826
Intangible assets, principally goodwill	1,102	713	93	21	1,929
Other noncurrent assets	18	2	106	122	248
	$2,109	$1,132	$ 406	$1,844	$5,491
Liabilities and Stockholders' Equity:					
Current maturities of long-term debt	$ 12	$ —	$ 2	$ 51	$ 65
Accounts payable and accrued expenses	276	109	70	332	787
Total current liabilities	288	109	72	383	852
Long-term debt	213	5	13	2,678	2,909
Noncurrent and deferred income taxes	61	—	—	336	397
Other noncurrent liabilities	46	9	6	498	559
Net intercompany investments and advances	1,501	1,009	315	(2,825)	—
Stockholders' equity	—	—	—	774	774
	$2,109	$1,132	$ 406	$1,844	$5,491
As of February 29, 1988:					
Assets:					
Cash and cash equivalents	$ 8	$ 2	$ 8	$ 952	$ 970
Receivables, net	142	56	60	33	291
Inventories	318	111	47	20	496
Net current assets of discontinued operations	—	—	72	—	72
Other current assets	53	1	6	95	155
Total current assets	521	170	193	1,100	1,984
Net property, plant and equipment	439	205	67	107	818
Intangible assets, principally goodwill	1,200	776	102	14	2,092
Net noncurrent assets of discontinued operations	—	—	553	—	553
Other noncurrent assets	16	1	113	134	264
	$2,176	$1,152	$1,028	$1,355	$5,711
Liabilities and Stockholders' Equity:					
Current maturities of long-term debt	$ 12	$ —	$ 2	$ 7	$ 21
Accounts payable and accrued expenses	281	128	82	388	879
Total current liabilities	293	128	84	395	900
Long-term debt	219	5	13	3,135	3,372
Noncurrent and deferred income taxes	71	—	—	299	370
Other noncurrent liabilities	42	5	6	527	580
Net intercompany investments and advances	1,551	1,014	925	(3,490)	—
Stockholders' equity	—	—	—	489	489
	$2,176	$1,152	$1,028	$1,355	$5,711

CONDENSED CONSOLIDATING STATEMENT OF EARNINGS

(Unaudited)
(In millions)

	NSI	Swift-Eckrich	Beatrice U.S. Food	Beatrice	Consolidated
Six months ended August 31, 1988:					
Net sales	$ 834	$ 655	$ 400	$ 101	$1,990
Operating expenses	760	615	386	119	1,880
Operating earnings (loss)	74	40	14	(18)	110
Intercompany income (expense), net	(19)	(46)	23	42	—
Interest income	1	—	4	61	66
Interest expense	(13)	—	(1)	(197)	(211)
Miscellaneous income (expense), net	—	—	1	11	12
Earnings (loss) from continuing operations before income taxes	43	(6)	41	(101)	(23)
Income tax expense (benefit)	25	3	19	(44)	3
Earnings (loss) from continuing operations	18	(9)	22	(57)	(26)
Discontinued operations	—	—	333	(1)	332
Extraordinary items	—	—	—	(22)	(22)
Net earnings (loss)	$ 18	$ (9)	$ 355	$ (80)	$ 284
Six months ended August 31, 1987:					
Net sales	$ 720	$ 639	$ 409	$ 56	$1,824
Operating expenses	655	598	405	75	1,733
Operating earnings (loss)	65	41	4	(19)	91
Intercompany income (expense), net	(30)	(36)	3	63	—
Interest income	—	—	—	13	13
Interest expense	(13)	—	(1)	(148)	(162)
Miscellaneous income (expense), net	—	—	1	(34)	(33)
Earnings (loss) from continuing operations before income taxes	22	5	7	(125)	(91)
Income tax expense (benefit)	19	10	3	(24)	8
Earnings (loss) from continuing operations	3	(5)	4	(101)	(99)
Discontinued operations	—	—	(9)	(4)	(13)
Extraordinary items	—	—	—	(6)	(6)
Net earnings (loss)	$ 3	$ (5)	$ (5)	$ (111)	$ (118)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATIONS

Beatrice's continuing operations conduct business primarily in the processed food industry through the production and distribution of branded food products. These operations manufacture and distribute grocery, meat and cheese products throughout the U.S. and certain Canadian provinces. The following discussion addresses the results of continuing operations for the quarters and six-month periods ended August 31, 1988 and 1987.

Quarters Ended August 31, 1988 and 1987

Net sales for the quarter increased $90 million, or 10%, over the prior year's quarter. Volume gains were experienced in grocery, primarily in microwave popcorn, ketchup and puddings. Meat products also experienced volume gains, primarily in deli meats, while cheese product volume was equal to last year.

Operating earnings increased $11 million, or 23%, over the prior year's quarter due primarily to the increase in net sales, favorable raw material costs in deli meats and peanut butter and lower corporate administrative expenses. Partially offsetting these favorable variances were higher raw material costs for milk, cheese, sugar and vegetable oil and higher grocery product packaging, advertising, selling and transportation costs.

Earnings of $3 million from continuing operations were realized versus a loss of $62 million in the prior year's quarter. The improvement was primarily the result of a $25 million increase in interest income, favorable foreign currency translations, the increase in operating earnings and the absence of $25 million of expenses incurred in fiscal 1988 in connection with obtaining consents to modify certain debt agreements ("Consent Expenses") offset in part by an $18 million increase in interest expense. The increase in interest income was a result of the investment of net proceeds from the sale of discontinued operations. The increase in interest expense was due to a reduction in the amount of interest allocated to discontinued operations, partially offset by lower interest expense as a result of debt reductions of approximately $1.5 billion since May 1987.

In the current quarter an extraordinary charge of $22 million, net of $8 million tax benefit, resulted from the acquisition of Senior Notes and other Subordinated Indebtedness (Note 4).

A net loss of $19 million was realized versus a loss of $64 million in the prior year's quarter. The improvement was a result of significantly reduced losses from continuing operations, which were partially offset by the absence of $4 million of earnings from discontinued operations and the increase in extraordinary charges in the current quarter incurred as a result of debt repurchases.

Six Months Ended August 31, 1988 and 1987

Net sales for the six months increased $166 million or 9% over the prior year. Volume gains were experienced in most grocery and meat product categories, however, cheese volume was equal to last year.

Operating earnings increased $19 million or 21% over last year due primarily to a continued increase in sales and lower administrative costs. Higher milk, sugar, cheese and vegetable oil costs combined with higher advertising, selling and transportation costs partially offset these favorable variances.

A loss of $26 million from continuing operations was realized versus a loss of $99 million in the prior year. This improvement was primarily the result of an increase in interest income of $53 million, favorable operating earnings, favorable foreign currency translations and the absence of the $25 million of Consent Expenses. These favorable variances were partially offset by an increase in interest expense of $49 million resulting from a decreased allocation of interest to discontinued operations offset by lower interest expense as a result of reduced debt.

Net earnings of $284 million were realized versus a loss of $118 million in the prior year. The favorable variance was a result of reduced losses from both continuing and discontinued operations, a gain on the sale of Tropicana of $333 million; partially offset by the increase in extraordinary charges.

Financial Condition

The financial condition of Beatrice was significantly strengthened in fiscal 1989 as a result of the successful completion of the sale of Tropicana in the first quarter. This disposal resulted in net cash proceeds of approximately $1.1 billion after taxes currently payable.

Beatrice further strengthened its financial condition by repurchasing $440 million principal amount of Senior Notes and other Subordinated Indebtedness between June 30, 1988 and September 27, 1988 for a total cost, including premiums and accrued interest, of $478 million.

Beatrice may utilize excess cash balances to purchase certain debt issues in the open market from time to time. Any decision to purchase such indebtedness will depend on, among other things, the prices at which the debt issues are available for purchase, the amount of cash available to Beatrice, alternative investments available to Beatrice, Beatrice's debt covenants and future developments, if any, relating to the possible restructuring of Beatrice.

Net capital expenditures in the first six months of fiscal 1989 aggregated $56 million.

Although Beatrice's financial condition remains highly leveraged, management believes that, through existing cash balances, cash flow from operations and existing credit lines, Beatrice will continue to be able to adequately fund operating capital requirements as well as service debt requirements.

PART II. OTHER INFORMATION

Item 6—Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit Number	Description of Exhibits
11.	Statement re computation of earnings per share. Historical Computation of Earnings (Loss) Per Share.

(b) Reports on Form 8-K.

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

BEATRICE COMPANY

By /s/ WILLIAM P. CARMICHAEL

William P. Carmichael
Senior Vice President and Chief Financial Officer

By /s/ MICHAEL L. GOLDBERG

Michael L. Goldberg
Vice President and Controller

October 14, 1988

EXHIBIT INDEX

Exhibit Number	Description of Document	Sequential Page No.
11.	Statement re computation of earnings per share. Historical Computation of Earnings (Loss) Per Share.	

HISTORICAL
COMPUTATION OF EARNINGS (LOSS) PER SHARE
(Unaudited)

(In millions, except per share data)

	Periods ended August 31,			
	Quarter		Six Months	
	1988	1987	1988	1987
Earnings (loss) from continuing operations	$ 3	$ (62)	$ (26)	$ (99)
Reduction of interest expense resulting from application of proceeds from exercise of common share equivalents	5	—	10	—
Earnings (loss) from continuing operations applicable to common shares and common share equivalents	8	(62)	(16)	(99)
Earnings (loss) from discontinued operations	—	4	332	(13)
Extraordinary items	(22)	(6)	(22)	(6)
Net earnings (loss) applicable to common shares and common share equivalents	$ (14)	$ (64)	$ 294	$ (118)
Average common shares outstanding during the period	82	82	82	82
Common share equivalents	57	—	57	—
Total average common shares and common share equivalents	139	82	139	82
Earnings (loss) per share:				
Continuing operations (A)	$ .06	$(.76)	$(.11)	$(1.21)
Discontinued operations	—	.05	2.39	(.16)
Extraordinary items	(.16)	(.07)	(.16)	(.07)
Net earnings (loss) (B)	$(.10)	$(.78)	$2.12	$(1.44)

(A) The loss per share from continuing operations for the six months ended August 31, 1988 is required to reflect the effects of common share equivalents as a result of Beatrice having net earnings. The loss per share from continuing operations excluding the effects of these common share equivalents would have been $.32.

(B) The net loss per share for the quarter ended August 31, 1988 is required to reflect the effects of common share equivalents as a result of Beatrice having earnings from continuing operations. The net loss per share excluding the effects of these common share equivalents would have been $.23.