BELL & HOWELL CO/
Form 10-K405
March 30, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 30, 2000	Commission file number 1-3246

Bell & Howell Company
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	36-3580106 (I.R.S. Employer Identification No.)
300 North Zeeb Road, Ann Arbor, Michigan (Address of Principal Executive Offices)	48103-1553 (Zip Code)

Registrant's telephone number, including area code (734) 761-4700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
common stock, $.001 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

The aggregate market value of the Registrant's voting stock held by non-affiliates (based upon the per share closing price of $21.45 on March 16, 2001) was approximately $280 million.

The number of shares of the Registrant's common stock, $.001 par value, outstanding as of March 16, 2001 was 23,622,129.

Documents Incorporated By Reference

(1) Portions of the Registrant's Proxy Statement related to the 2001 Annual

Meeting of Stockholders, to be filed subsequent to the date hereof - Part III.

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Bell & Howell Company

Item 1. Business

Bell & Howell Company and its subsidiaries (collectively, the "Company") is a leading global information solutions provider. Within its two business segments, Information and Learning, and Publishing Services, the Company develops and markets information services and systems that are focused on the needs of its customers in select vertical niches, including libraries of all kinds (government, college/university, corporate and public) and transportation

and vehicle dealers. The Company's unique databases, proprietary access tools, value-added services, and software applications are designed to meet customers' increasing information needs, which have evolved well beyond the mere availability of information. Customers' demands for more efficient and effective access to relevant data for specific information requirements are being driven by their needs to reduce search time and cost while performing more focused yet comprehensive searches. The Company's Information and Learning and Publishing Services businesses provide solutions to these customer needs.

In the first quarter of fiscal 2000, the Company adopted a plan to divest its Mail and Messaging Technologies and Imaging businesses and its financing subsidiary. Accordingly, the operating results and net assets of these businesses have been segregated from the Company's continuing operations. Within its Mail and Messaging Technologies business, the Company develops and markets a complete range of high volume mail processing systems and services, which are designed to expand the capabilities and improve the efficiency and effectiveness of customers' mailing operations. Within its Imaging segment, the Company develops and markets imaging systems and components, including providing maintenance and other value-added services, that enable its customers to effectively file and access their documents and records, with a focus on financial institutions, governmental agencies and other paper intensive industries.

Information and Learning. The Company's Information and Learning business is the world's leading value-add aggregator and integrator of information and learning applications from periodicals and newspapers, dissertations, out-of-print books and other scholarly collections. This information can be accessed via the internet, in other electronic media, such as CD-ROM and magnetic tape, or on microfilm and paper. The Company aggregates the works of publishers and authors, adds value through the creation of proprietary abstracts and indices, software, editorial process, as well as by creating thematic collections and learning applications for easy access by its library

customers, students, professors, and life-long learners. The Company's comprehensive database, which was enhanced by the acquisition in the fourth quarter fiscal 1999 of Chadwyck-Healey (a leading provider of humanities and social science reference and research publications for the academic, professional and library markets), consists of over 20,000 periodical titles and 7,000 newspaper titles, as well as its unique content base consisting of 1.5 million dissertations, 390,000 out-of-print books, 550 research collections, and over 15 million proprietary abstracts for on-line/other electronic retrieval. This content is primarily English-language based but also includes content in German and Spanish. The ability to provide its customers with the full image as originally published distinguishes the Company from other information providers which typically store and provide information in a text-only format, omitting essential charts, graphs, pictures and other images. Furthermore, the Company distinguishes itself by providing content that has been enhanced by the Company's rigorous editorial process and made robust by software and learning applications that yield more relevant search results. Until recently the focus of the electronic products has been on current data, but with the "Digital Vault Initiative", the Company is tapping into its microfilm vault to digitize and bring alive important, difficult to find content from the 1980s back to the 1400's. Customers include libraries and information centers, colleges and universities, public, corporate and government libraries as well as a number of well known information providers that resell the Company's electronic content primarily within the corporate desktop user market.

In December 1999, the Company combined its kindergarten through twelfth grade ("K-12") internet business with the K-12 internet business from

Infonautics, Inc. to form bigchalk.com. The Company owns approximately 38% of bigchalk.com. bigchalk.com develops and markets products and services for research, curriculum integration, assessment, professional development, online community, and e-commerce for teachers, students, parents, librarians and school administrators in the K-12 educational community.

Publishing Services. The Company's Publishing Services business is a leading provider of turnkey systems (including database content, information updates, service, software as well as hardware) used to manage the parts area of automotive dealerships and to provide total information systems for powersports (motorcycle and marine) and recreational vehicle dealerships.

The Company's automotive customer base consists principally of franchised dealerships, including General Motors, Chrysler, Ford, Mercedes Benz, Toyota, Lexus, Land Rover, Porsche, Honda, Nissan, Volvo, Isuzu, Subaru, Hyundai, Kia, Suzuki, and Western Star. For its automotive customers, the Company creates and markets turnkey systems in 17 languages consisting primarily of electronic parts catalogs which allow automotive dealerships to electronically access manufacturers' proprietary technical documentation (such as parts catalogs, parts and service bulletins and other reference materials) and to interface with other important information systems (such as inventory management and billing) within the dealership. In addition, the Company provides complete dealer management systems and electronic parts catalogs to powersports and recreational vehicle dealerships. Similar to automotive, the Company provides dealerships access to proprietary technical documentation for most major motorcycle manufacturers, including Harley Davidson, Honda, Suzuki, Yamaha, Kawasaki, Triumph, BMW, KTM and Ducati as well as the major marine manufacturers, including Mercury (Brunswick), Outboard Marine, Yamaha and Volvo-Penta. In the first quarter of fiscal 1999, the Company acquired Alison Associates, Inc. which provides performance database products to automotive and powersports manufacturers/dealers.

Furthermore, the Company develops and markets early-stage e-commerce, advertising, sponsorship, news, e-mail, chat, forums and other community applications for its automotive and powersports customers, including its MotorcycleWorld.com destination.

Financial information for each of the Company's business segments and operations by geographic area is contained in Note 2 to the Consolidated Financial Statements.

Methods of Distribution

The Company utilizes several different methods of distribution. Products are sold primarily through direct sales forces that are supported or supplemented by telemarketing, with agents and distributors utilized in selected geographic markets.

Patents and Licenses

The Company owns a substantial number of patents and patent rights, but it does not consider any one patent or group of patents owned by it, or under which it is licensed, to be material to any of the Company's business segments. Royalty income received from licensees is not material.

Seasonality

Although the Company in general is not affected by seasonal fluctuations, the buying patterns and funding availability for certain of its customers cause sales, profitability and cash flow to be higher in the fourth quarter of the year. Due to this seasonal factor, the Company maintains a revolving credit facility to fund interim cash requirements.

Competition

The markets in which the products of the Company are sold are highly competitive and, in certain instances, include competitors with substantially greater financial and other resources.

Government Regulations

The Company is subject to various federal, state, local and foreign environmental laws and regulations limiting the discharge, storage, handling and disposal of a variety of substances. The Company's operations are also governed by laws and regulations relating to equal employment opportunity, workplace safety and worker health, including the Occupational Safety and Health Act and regulations thereunder. The Company believes that it has complied in all material respects with applicable laws and regulations, and that future compliance will not have a material adverse effect upon the consolidated operations or financial condition of the Company.

Promotional Activities

The Company conducts a comprehensive marketing program, including advertising, promotional materials, direct mail and telemarketing. The Company also participates frequently in industry trade shows that increase customer awareness of Bell & Howell products.

Sources and Availability of Raw Materials

The Company purchases a significant amount of microfilm from two vendors. Other materials, including electronic components, are purchased from a number of suppliers. Management believes that alternate sources of supply are available for substantially all raw materials and components. The Company believes that it currently has an adequate supply of raw materials and component parts to meet its manufacturing requirements, and that the loss of any one of its suppliers would not have a material adverse effect on the Company.

Backlog

The Company fills substantially all customer orders within 30 days.

Major Customers

The Company is not dependent upon any one customer or a few customers, the loss of which would have a material adverse effect on the Company's businesses. In fiscal 2000, no single customer accounted for 5% or more of the consolidated net sales of the Company.

Research and Development Expenses

The amounts charged to the Company's earnings for research and development in fiscal 2000, 1999 and 1998 were $19.0 million, $19.3 million and $20.0 million, respectively. New product offerings resulting from the Company's research and development efforts served to offset declines in certain other

product lines, as the Company continually seeks to take advantage of new product/technology opportunities (with an increased emphasis on internet capabilities and software solutions) in each of its businesses. The Company's research and development expenditures include expenses primarily for database development and information delivery systems.

Employees

At the end of fiscal 2000, the Company had 2,379 employees in its continuing operations

Item 2. Properties.

Bell & Howell's principal administrative office is located in Ann Arbor, Michigan. The following table provides certain summary information in square feet with respect to the production and development facilities that the Company owns or leases in connection with its businesses:

	2000
Owned	284,000
Leased............	328,000
Total.............	612,000

Bell & Howell primarily leases facilities in the United States, Canada and United Kingdom. The termination of any one of the leases, some of which are long-term, would not significantly affect the Company's operations.

The Company deems the buildings, machinery and equipment used in its operations (whether owned or leased), generally to be in good condition and adequate for the purposes for which they are used.

Item 3. Legal Proceedings.

The Company is involved in various legal proceedings incidental to its business. Management believes that the outcome of such proceedings will not have a material adverse effect upon the consolidated operations or financial condition of the Company.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Executive Officers and Directors

The following table sets forth the names, ages and positions held by the directors and executive officers of the Company:

Name	Age	Positions at the Company

James P. Roemer	53	Chairman of the Board, President and Chief Executive Officer
Alan Aldworth	45	Chief Financial Officer
Nils A. Johansson	52	Director, Executive Vice President
David Bonderman	58	Director
David G. Brown	44	Director
William E. Oberndorf	47	Director
Gary L. Roubos	64	Director
John H. Scully	56	Director
William J. White	62	Director
Todd W. Buchardt	40	Secretary and General Counsel
Dwight A. Mater	43	Vice President, Business Development and Investor Relations
Joseph P. Reynolds	51	President and Chief Executive Officer of Bell & Howell Information and Learning
Linda Longo-Kazanova	48	Vice President, Human Resources

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The business experience and certain other information relating to each director and executive officer of the Company is set forth below:

James P. Roemer has been Chairman of the Board since January 1998 and has been a Director of the Company since February 1995. In February 1997 he was elected President and Chief Executive Officer of the Company. From February 1995 to February 1997 he served as President and Chief Operating Officer of the Company. Prior to that, he served as President and Chief Executive Officer of Bell & Howell Information and Learning Company from January 1994 to June 1995. Mr. Roemer joined Bell & Howell as Vice President and Bell & Howell Publishing Services Company as President and Chief Operating Officer in October 1991 and was promoted to President and Chief Executive Officer of Publishing Services Company in September 1993. Prior to joining Bell & Howell, Mr. Roemer was President of the Michie Group, Mead Data Central from December 1989 to October 1991. From January 1982 to December 1989 he was Vice President and General Manager of Lexis, an on-line information service. From April 1981 to December 1982 he served as acting President of Mead Data Central.

Alan Aldworth has been Chief Financial Officer of the Company since October 2000. Prior to joining Bell & Howell, he spent 19 years at Tribune Company where he held a variety of senior financial management and general management positions; the most recent of which was as the General Manager of Tribune Education Company.

Nils A. Johansson has been a Director of the Company since April 1990.

Since January 1994, he has held the office of Executive Vice President. Mr. Johansson served as Chief Financial Officer of the Company from January 1992 to October 2000. From May 1989 to December 1991, he was Vice President, Finance, Treasurer and Chief Financial Officer of the Company. From February 1981 to May 1989 he held various executive positions with Bell & Howell, including Corporate Treasurer, and positions in financial planning, analysis and control, as well as business development.

David Bonderman has been a Director of the Company since December 1987. He has been the Managing General Partner of Texas Pacific Group (a private investment company) since December 1992. He is also a Director of Beringer Wine Estates, Inc., Continental Airlines, Inc., Denbury Resources, Inc., Oxford Health Plans, Inc., Ryanair Ltd., Co-Star Realty Information Group, Inc. and Washington Mutual Inc.

David G. Brown has been a Director of the Company since January 1994. He has been the Managing Partner of Oak Hill Venture Partners since August 1999 and a Principal in Arbor Investors LLC since August 1995, Chief Financial Officer of Keystone, Inc. from September 1998 to February 2000, and a Vice President of Keystone, Inc. since August 1993. Prior to joining Keystone, Mr. Brown was a Vice President in the Corporate Finance Department of Salomon Brothers Inc. from August 1985 to July 1993. He is a Director of 2Bridge, AER Energy Resources, FEP Holdings, Lattice Communications, Lightning Finance, MarketTools, MobileForce Technologies, Owners.com, Sitara Networks, and WOW Networks.

William E. Oberndorf has been a Director of the Company since July 1988. He has served as Managing Director of SPO Partners & Co. since March 1991. He is also a Director of Plum Creek Timber Company, Inc.

Gary L. Roubos has been a Director of the Company since February 1994. He was Chairman of the Board of Dover Corporation from August 1989 to May 1998 and was President from May 1977 to May 1993. He is also a Director of Dover Corporation and Omnicom Group, Inc.

John H. Scully has been a Director of the Company since July 1988. He has served as Managing Director of SPO Partners & Co. since March 1991. He is also a Director of Plum Creek Timber Company, Inc.

William J. White has been a Director of the Company since February 1990 and was Chairman of the Board from February 1990 to January 1998. He served as Chief Executive Officer of the Company from February 1990 to February 1997 and was President of the Company from February 1990 to February 1995. Since January 1998 he has been a Professor of Industrial Engineering and Management Science at Northwestern University. He is also a Director of Ivex Packaging Corporation and Readers Digest Association, Inc.

Todd W. Buchardt was appointed General Counsel in April 1998, and in September 1998 was elected to the additional office of Secretary. Prior to joining Bell & Howell, he held various legal positions with First Data Corporation from 1986 to 1998.

Dwight A. Mater has been Vice President, Business Development and Investor Relations since March 1998. From July 1996 to February 1998 he served as Vice President, Business Development and from February 1994 to June 1996, he served as Director of Business Development. Prior to joining Bell & Howell, he held various marketing and business development positions with Baxter Healthcare Corporation from 1988 to 1994.

Joseph P. Reynolds has been President and Chief Executive Officer of Bell & Howell Information and Learning Company since April 1998. Prior to joining Bell & Howell, he was Chief Executive Officer of the School and Career Education Group of Thomson Corporation from June 1997 to April 1998 and was Chief Operating Officer of that Group from June 1995 to June 1997. From 1982 to June 1995 he held various positions in management, sales and marketing at Thomson and its Delmar Publishers subsidiary.

Linda Longo-Kazanova has been Vice President, Human Resources of the Company since May 2000. Prior to joining the Company, she was Senior Vice President, Human Resources-North America, for Information Resources, Inc. from 1995 to 2000. From 1985 to 1995, she held various human resource positions with Kraft Foods, Inc.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The Company's common stock is traded on the New York Stock Exchange under the symbol "BHW".

The Company has not declared or paid any cash dividends on its common stock. The Company's Credit Agreement (as defined herein) contains certain restrictions on the payment of dividends on and repurchases of its common stock. (See Note 8 to the Consolidated Financial Statements.)

The high and low closing prices of the Company's common stock were as follows:

	2000		1999	
Quarter	High	Low	High	Low
First	$ 38.7500	$ 29.6250	$ 38.0000	$ 29.3125
Second	32.1250	19.8750	39.2500	32.5000
Third	26.0625	19.6875	37.9375	32.0625
Fourth	21.9375	15.1250	35.0000	27.3125

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Item 6. Selected Consolidated Financial and Operating Data.

The following historical selected consolidated financial and operating data have been derived from the audited Consolidated Financial Statements as of the end of and for each of the fiscal years in the five-year period ended December 30, 2000. The following financial data should be read in conjunction with the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

Fiscal		
2000	1999	1998

(Dollars in thousands, except

Continuing Operations Data (1)(2):			
Net sales	$ 374,301	$ 359,460	$ 321,047
Cost of sales	189,196	182,300	159,335
Research and development expense	19,034	19,259	19,974
Selling and administrative expense	123,642	115,732	102,302
Gains on sales of assets	(2,726)	(5,152)	--
Restructuring charge	5,196	10,505	--
Earnings before interest, income taxes and equity in earnings (loss) of affiliate	39,959	36,816	39,436
Net interest expense	30,106	10,132	14,165
Income tax expense	3,941	10,674	10,108
Equity in earnings (loss) of affiliate	(20,848)	(950)	--
Earnings (loss)	(14,936)	15,060	15,163
Diluted earnings (loss) per common share	$ (0.63)	$ 0.64	$ 0.64
Other Continuing Operations Data:			
EBITDA (3)	$ 93,797	$ 86,407	$ 79,357
Gross profit as a percent of net sales (4)	49.5%	49.3%	50.4%
Capital expenditures	46,623	35,055	29,874

	At the End of Fi		
	2000	1999	1998
	(Dollars in thousa		
Balance Sheet Data:			
Total assets	765,739	783,812	657,598
Long-term debt	501,821	506,783	445,240

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Footnotes to the Selected Consolidated Financial and Operating Data:

(1) In the first quarter of 2000, the Company adopted a plan to divest its Mail and Messaging Technologies and Imaging businesses and its financing subsidiary. Accordingly the operating results of these businesses have been segregated from the Company's continuing operations, and are separately reported as discontinued operations in the consolidated financial statements. Excludes extraordinary losses of $28.9 million and $2.6 million in fiscal 1997 and 1996, respectively and cumulative effect of a change in accounting principle of $65.3 million in fiscal 2000. The fiscal 1996 to 1999 results have not been retroactively restated to reflect the impact of the change in accounting for revenue recognition.

(2) During fiscal 2000, the Company changed its method of accounting for certain inventory costs for LIFO to FIFO (see Note 1 to the Consolidated Financial Statements). The fiscal 1996 to 1999 operating and balance sheet data have been retroactively restated to reflect this change in accounting. The Company also changed its method of recognizing certain revenues during 2000 and recognized its effect by reporting a cumulative effect adjustment (see Note 7 to the Consolidated Financial Statements).

(3) EBITDA is defined as earnings from continuing operations before gains on sales of assets, restructuring/special charges ($5.2 million in 2000 and $10.5 million in 1999), interest, income taxes, and equity interest in affiliate, plus depreciation and amortization. EBITDA is generally accepted as providing useful information regarding a company's financial performance but should not be considered an alternative to net income or to the Company's cash flow from operating activities determined under generally accepted accounting principles as a measure of liquidity.

(4) Gross profit is defined as net sales less cost of sales.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This section should be read in conjunction with the Selected Consolidated Financial and Operating Data and the Consolidated Financial Statements of Bell & Howell Company and subsidiaries (collectively the "Company") and the notes thereto set forth elsewhere herein.

Except for the historical information and discussions contained herein, statements contained in this release may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors, including without limitation, the cost and availability of intellectual property from third parties, decreases in the ability to attract and retain employees, obtain capital, including interest rate risks, unexpected merger-related effects, timing and market conditions relating to the sale of the Mail & Messaging Technologies business as well as business execution risk and risk of new competitors, and any necessary regulatory approvals, decreases in funding for Internet access as well as overall acceptance and usage of the Internet in the education and library markets, the availability of free or advertising supported research information on the Internet, decreases or shifts in mail volumes, rate of acceptance of electronic-based mailings, including effects of and rate of acceptance of internet-based solutions, including the automotive business, changes in the business services market, changes in the automotive industry, and general economic conditions, all of which could cause actual results to differ materially, and such other risks as discussed in the Company's filings with the Securities and Exchange Commission.

Results of Operations

Continuing Operations:

	2000	1999	1998
Net Sales:			
Information and Learning	$ 220.0	$ 198.2	$ 187.0
Publishing Services	154.3	161.3	134.0
Total Net Sales	$ 374.3	$ 359.5	$ 321.0
EBIT (1):			
Information and Learning	$ 30.3	$ 23.7	$ 23.2
Publishing Services	28.0	33.3	31.4
Corporate Expenses	(15.9)	(14.8)	(15.2)
Total EBIT	$ 42.4	$ 42.2	$ 39.4

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(1) EBIT is defined as income before gains on asset sales, restructuring charges, equity interest in affiliate, interest and taxes.

Fiscal 2000 Compared to Fiscal 1999

The Company's net sales from continuing operations increased $14.8 million, or 4%, to $374.3 million in 2000, resulting from strong sales growth of the Information and Learning business, partially offset by a decline in sales of lower margin hardware products at Publishing Services.

Net sales of the Information and Learning business increased $21.8 million, or 11%, to $220.0 million due to a growing electronic subscription base. The growth in sales and subscriptions reflects the acquisition of Chadwyck-Healey (a leading provider of humanities and social science reference and research publications for the academic, professional and library markets) in the fourth quarter of 1999. Sales growth increases to 18% if prior year sales were adjusted to reflect treatment consistent with 2000 accounting for both revenue recognition for new on-line subscriptions and for the results of the Company's kindergarten through twelfth grade ("K-12") internet business (which was combined with the K-12 internet business of Infonautics, Inc. in December 1999 to form bigchalk.com). Sales of electronic content (on a comparable basis) increased 33%, with the electronic subscription base continuing to reflect strong sales of ProQuest(TM) (the Company's internet based product offering), which was partially offset by lower CD-ROM/tape subscriptions as customers continued to migrate to on-line delivery of information via the internet. Net sales of the more traditional microfilm and paper products (which represent 46% of Information and Learning 2000 sales) were slightly above the prior year as increased pricing offset the lower unit volumes in subscription products.

Net sales of the Publishing Services business decreased $7.0 million, or 4%, to $154.3 million in 2000 as increased sales of performance database products and increased micropublishing sales to select vertical markets, were more than offset by lower sales of hardware related to electronic parts catalogs. Current year hardware sales were impacted as former proprietary hardware systems, which were non-Y2K compliant, were previously replaced. Sales of parts catalogs and dealer management systems and related service increased slightly and accounted for 68% of Publishing Services 2000 sales. Sales of non-electronic products including hardware decreased 20% from prior year, principally due to the lower hardware sales. Despite the modest sales decline in the current year, the installed base of systems in U.S. dealers subscribing to Bell & Howell's electronic parts catalog increased 7%. The sales decline would have been 3% if the prior year sales were adjusted to reflect consistent revenue recognition.

The Company's cost of sales increased $6.9 million, or 4% to $189.2 million in 2000, with the gross profit (net sales less cost of sales) percentage increasing by .2 percentage points to 49.5% reflecting a more profitable product mix, increased pricing, and improved leveraging of the ProQuest(TM) data center cost infrastructure.

Research and development expense decreased $0.2 million, or 1%, to $19.0 million in 2000 as the prior year reflected additional Y2K and ProQuest(TM) product development costs. The Company continually seeks to take advantage of new product/technology opportunities (with a continued emphasis on internet

capabilities) in each of its businesses. The Company's research and development expenditures include investments in a variety of e-commerce initiatives, and expenses for database development and information delivery systems.

Selling and administrative expense increased $7.9 million, or 7%, to $123.6 million in 2000, reflecting additional sales/marketing resources to capitalize on the sales growth opportunities from internet based products, as well as increased distribution costs associated with the higher sales volumes.

Current year operating expenses include significant investments in new internet initiatives such as Xanedu(TM) (a product line which leverages Information and Learning's content to equip students and professors with electronic learning tools and applications), CollisionLink(TM) (a product which leverages Publishing Services' content to allow automotive dealerships to sell parts to collision/body shops), and MotorcycleWorld.com (the Company's motorcycle web service focused on providing business-to-business and business-to-consumer services to the motorcycle enthusiast market). Such investments totaled $14.3 million in 2000.

Gains on sales of assets of $2.7 million related to:

- the sale of a portion of the Company's investment in its affiliate bigchalk.com resulting from the exercise of stock options granted to employees (gain of $.9 million),

- the sale of the Company's investment in an entity acquired by bigchalk.com in exchange for additional common stock of bigchalk.com (gain of $.5 million), and

- additional proceeds related to the sale in 1999 of vacant land adjacent to one of the Company's manufacturing operations (gain of $1.3 million).

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In connection with the restructuring plan (that commenced in December 1999), additional restructuring charges for the Company's continuing operations of $5.2 million were incurred in 2000 related to severance, obligations under non-cancelable leases for which no economic benefit will be subsequently realized, and business separation costs.

Earnings from continuing operations before interest, income taxes, equity in earnings of affiliate, and cumulative effect of a change in accounting principle increased $3.1 million, or 9%, to $40.0 million in 2000 resulting from the higher sales volumes, and leveraged operating costs and expenses (which were partially offset by the aforementioned investments in e-commerce related initiatives, prior year gains on sales of assets, and restructuring costs). EBITDA (which excludes restructuring costs, gains on sales of assets, and depreciation and amortization - including $8.1 million in acquisition amortization) increased $7.4 million, or 9%, to $93.8 million in 2000.

Information and Learning EBIT increased $6.6 million, or 28%, to $30.3 million in 2000 as the ProQuest(TM) online service became profitable. The online service achieved profitability through continued strong revenue growth as well as several initiatives to improve the cost structure of the technical infrastructure of the online system. Spending on Y2K related activities reduced software development costs in 2000 and helped drive the profit performance as well. Margins continued to improve on the microfilm business as pricing increases more than offset volume erosion. Partially offsetting this positive earnings performance was continued investment in several new internet initiatives. Information and Learning EBITDA increased $13.0 million, or 21% to

$74.5 million in 2000.

Publishing Services EBIT decreased $5.3 million, or 16%, to $28.0 million in 2000. Improved results from the performance database products and powersports business lines were more than offset by increased investment in MotorcycleWorld.com. Publishing Services EBITDA decreased $4.5 million, or 12%, to $34.7 million in 2000.

Corporate expenses increased $1.1 million, or 7%, to $15.9 million in 2000 due to inflationary cost increases.

Net interest expense increased $20.0 million to $30.1 million in 2000, primarily reflecting increased debt levels associated with funding acquisitions in the prior year, the change in revenue recognition methodology at Publishing Services (see Note 7 to the Consolidated Financial Statements), and the

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impact of $4.2 million of interest income accrued in the prior year related to a favorable settlement with the Internal Revenue Service which resulted in an income tax refund with interest.

Income tax expense decreased in 2000 as a result of the lower level of pretax profit, with the effective income tax rate remaining constant with the prior year.

In December 1999, the Company combined its K-12 internet business with the K-12 internet business of Infonautics, Inc., to form bigchalk.com. bigchalk.com develops and markets products and services for research, curriculum integration, assessment, peer collaboration, professional development, online community, and e-commerce for teachers, students, parents, librarians and school administrators in the K-12 educational community. The Company's equity in bigchalk.com's loss equaled $20.8 million in 2000. As a result of both venture capital financing and the exchange of the Company's investment in an entity acquired by bigchalk.com for additional shares in bigchalk.com, the Company owns approximately 38% of bigchalk.com.

Staff Accounting Bulletin No.101 Implementation

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements". As a result of this pronouncement, the Company has modified its accounting for new on-line subscriptions in the Information and Learning business , and from electronic parts catalog agreements in the Publishing Services business.

Consistent with the SEC guidelines contained in SAB 101, beginning in fiscal, revenue for new on-line subscriptions at Information and Learning is recognized equally throughout the initial subscription period, with appropriate cost deferral. Previously, such revenue was recognized during the initial subscription period in proportion to costs incurred, in order to yield a constant gross profit percentage throughout the subscription period.

Under the new method of revenue recognition at Publishing Services, all electronic parts catalog content revenue is recognized over the term of the agreement using the straight-line method. Previously, the Company recognized revenue related to the content element of these agreements primarily uopn delivery of the product to the customer, with a portion deferred and recognized on the straight-line basis over the initial agreement period. A liability of approximately $88.6 million has been recorded which represents revenue that had been monetized by the Company's finance subsidiary prior to the revenue

recognition change. Related to this liability, the Company has recorded interest expense of $10.0 million in fiscal 2000.

The cumulative effect of adopting these changes in accounting for revenue are reported as a cumulative effect of a change in accounting principle of $65.3 million (net of a tax benefit of $38.5 million) as of the beginning of fiscal 2000. The effect of the changes in fiscal 2000 was to reduce earnings from continuing operations by approximately $8.0 million (or $0.34 per diluted share). The pro-forma amounts shown below have been adjusted for the effect of retroactive application of the new revenue recognition methods and the related income taxes:

	1999	1998
Earnings (loss) from continuing operations.......	$6,388	$ 1,274
Net earnings (loss)............................	$9,119	$22,671
Net earnings (loss) per common share:		
Basic:		
Earnings (loss) from continuing operations.......	$ 0.27	$ 0.05
Net earnings (loss) per common share............	$ 0.39	$ 0.97
Diluted:		
Earnings (loss) from continuing operations.......	$ 0.27	$ 0.05
Net earnings (loss) per common share............	$ 0.38	$ 0.96

As a result of the changes in the methods of accounting for revenue, approximately $114.8 million in revenue recognized in fiscal 1999 and prior years was reversed and included in the cumulative effect adjustment determined as of the beginning of fiscal 2000. Of this amount, $46.2 million was recognized in 2000 and $68.6 million will be recognized in 2001 and future years.

Fiscal 1999 Compared to Fiscal 1998

The Company's net sales from continuing operations increased $38.5 million, or 12%, to $359.5 million in 1999. The increase primarily resulted from strong sales growth in both the Information and Learning and Publishing Services businesses.

Net sales of the Information and Learning business increased $11.2 million, or 6%, to $198.2 million due to a growing electronic subscription base. The acquisition of Chadwyck-Healey (a leading provider of humanities and social science reference and research publications for the academic, professional and library markets) in the fourth quarter of 1999 contributed to the growth in both sales and subscribers. Sales of electronic content increased 13%, with the electronic subscription base continuing to reflect strong sales of ProQuest Direct(TM) (the Company's internet based product offering), which was partially offset by lower CD-ROM/tape subscriptions, as customers migrate to on-line delivery of information via the internet. Net sales of the more traditional microfilm and paper products decreased slightly versus the prior year as lower unit volumes more than offset increased pricing.

Net sales of the Publishing Services business increased $27.3 million, or 20%, to $161.3 million due to the acquisition of Alison Associates, Inc. (which provides performance database products to automotive and powersports manufacturers/dealers) and increased sales of dealer management systems and system upgrades associated with Y2K activities, to powersports dealerships. In addition to new system placements, the Company continued to experience high renewal rates of electronic parts catalog agreements related to previously placed systems.

The Company's cost of sales increased $23.0 million, or 14% to $182.3 million in 1999, with the gross profit (net sales less cost of sales) percentage decreasing by 1.1 percentage points to 49.3% reflecting a less profitable product mix and increased investment in the ProQuest(TM) data center cost infrastructure.

Research and development expense decreased $0.7 million, or 4%, to $19.3 million in 1999 as the prior year reflected additional ProQuest(TM) product development costs. The Company's research and development expenditures include investments in a variety of e-commerce initiatives, and expenses for database development and information delivery systems.

Selling and administrative expense increased $13.4 million, or 13%, to $115.7 million in 1999, reflecting additional sales/marketing resources to capitalize on the sales growth opportunities from internet based products, as well as increased distribution costs associated with the higher sales volumes.

Gains on sales of assets of $5.2 million in 1999 included the sale of:

- A portion of the Company's investment in its affiliate bigchalk.com (which facilitated the ability to raise further venture capital financing), resulting in a gain of $2.6 million.

- Vacant land adjacent to one of the Company's manufacturing facilities, resulting in a gain of $2.6 million.

In an effort to enhance the future profitability of each of the Company's business segments, in the fourth quarter of 1999, the Company recorded a restructuring charge of $36.8 million ($10.5 million for continuing operations and $26.3 million for discontinued operations), resulting in an after-tax charge of $28.3 million ($6.3 million for continuing operations and $22.0 million for discontinued operations). Approximately one-half of the restructuring charge was non-cash in nature, relating to goodwill write-offs in the Imaging business

segment from two small acquisitions that will no longer be a part of the Company's strategic focus. Additionally, certain operations are being consolidated, and consequently future lease obligations for facilities to be vacated are included in the charge. Finally, in order to reduce the Company's cost infrastructure, personnel will be reduced by 6%, with the associated severance costs also part of the restructuring charge.

Earnings from continuing operations before interest, income taxes and equity in affiliate decreased $2.6 million, or 7%, to $36.8 million. EBITDA (which excludes restructuring costs, gains on sales of assets, and depreciation and amortization - including $7.0 million in acquisition amortization) increased $7.1 million, or 9%, to $86.4 million in 1999.

Information and Learning EBIT increased $0.5 million, or 2%, to $23.7 million in 1999, as the benefit of the higher sales volume was largely offset by the impact of significant investments related to ProQuest Direct(TM) (for

both new product development costs and to provide additional data center capacity to accommodate future sales growth opportunities), and other investments related to numerous internet based start-up opportunities, which are expected to provide significant value to the Company in the future. Information and Learning EBITDA increased $5.5 million, or 9%, to $64.1 million in 1999.

Publishing Services EBIT increased $1.9 million, or 6%, to $33.3 million in 1999, as a result of increased sales of upgrades to dealer management systems to powersports dealerships and lower expenses in this business line, partially offset by higher selling expenses associated with electronic parts catalogs and the initial loss from Alison. Publishing Services EBITDA increased $3.7 million, or 11%, to $39.2 million in 1999.

Corporate expenses decreased $.4 million, or 3%, to $14.8 million in 1999 as productivity improvements more than offset inflationary cost increases.

Net interest expense decreased $4.0 million, or 28%, to $10.1 million in 1999, primarily reflecting interest income associated with a favorable settlement with the Internal Revenue Service on a variety of issues, which will result in an income tax refund with interest.

Income tax expense increased in 1999 as a result of the higher level of pretax profit, with the effective income tax rate remaining constant with the prior year.

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In December 1999, the Company combined its kindergarten through twelfth grade ("K-12") internet business with the K-12 internet business from Infonautics, Inc., to form bigchalk.com, with the equity in bigchalk.com's loss equaling $1.0 million in 1999. Subsequent to venture capital financing in January 2000, the Company owned approximately 45% of bigchalk.com. bigchalk.com develops and markets products and services for research, curriculum integration, assessment, peer collaboration, professional development, online community, and e-commerce for teachers, students, parents, librarians and school administrators in the K-12 educational community.

Discontinued Operations

In the first quarter of 2000, the Company adopted a plan to divest its Mail and Messaging Technologies and Imaging businesses and its financing subsidiary. Accordingly, the operating results of these businesses have been segregated from the Company's continuing operations, and are separately reported as a discontinued operation in the consolidated financial statements. Net sales for these businesses decreased $53.8 million, or 9%, to $576.1 million in 2000. Although service revenues increased $5.6 million, or 2%, to $276.5 million (and represent 48% of 2000 sales), such increase was more than offset by lower equipment sales in the current year. Earnings before restructuring charges, interest and income taxes decreased $14.4 million to $37.3 million, resulting from the lower sales volumes and reflects certain non-recurring expense items. A further restructuring charge of $7.4 million was recorded in 2000 primarily related to further personnel reductions/space consolidation in Europe. In October 2000, the Company announced an agreement to sell its Imaging business to Eastman Kodak, the transaction was completed in February 2001 for $135 million with the scanner equipment business excluded due to regulatory issues.

Net sales for discontinued businesses increased $5.8 million, to $629.9 million in 1999. Although service revenues increased $35.0 million, or 15%, to $271.2 million (and represent 43% of 1999 sales) due to both an expanded customer base and increased pricing as well as the acquisition of the service business of TAB Products Company in the second quarter of 1999, such increase

was partially offset by lower equipment sales in the current year. Earnings before restructuring charges, interest and income taxes increased $4.3 million to $51.8 million, resulting from the higher sales volumes.

The Company's financing subsidiary, BHFS, funds its operations by selling its lease receivables on a non-recourse basis under a $200 million Receivables Purchase Agreement. The agreement is renewable annually and includes the buyers' commitment to purchase new lease receivables. During fiscal 2000

and 1999, BHFS sold net new lease receivables of $9.0 million and $27.0 million respectively.

International Operations

In fiscal 2000, 1999 and 1998, the Company had domestic net sales of $293.7 million, $290.0 million, and $265.8 million, respectively. Foreign net sales in fiscal 2000, 1999 and 1998 were $80.6 million, $69.5 million, and $55.2 million, respectively. The Company's foreign currency hedging activities have not and are not anticipated to have a material impact on operations.

Liquidity and Capital Resources

The Company primarily finances its operations via a revolving credit agreement ("Credit Agreement") which matures in December 2003. Subsequent to the sale of the Company's Imaging business in February 2001, the maximum amount of the credit facility was reduced from $600.0 million to $550.0 million. There are no principal payments due until December 2002 (at which time the maximum amount of the credit facility is reduced by $100.0 million). At the end of fiscal 2000, the Company had $99.7 million of additional credit available under the Credit Agreement. The Credit Agreement requires maintenance of a minimum fixed charge coverage ratio, a minimum net worth level, and a maximum leverage ratio. The Company is currently in compliance with all debt covenants.

For the five years subsequent to fiscal 2000, annual maturities of long-term debt are: 2001 - $.5 million; 2002 - $.3 million; 2003 - $501.5 million; 2004 - $0; and 2005 - $0.

Cash provided by continuing operations increased $13.0 million to $42.1 million in 2000 resulting from an increase in EBITDA, and timing issues associated with receivable collections and vendor disbursements. Primarily as a result of cash provided by operations, total debt (net of cash and cash equivalents) decreased by $22.3 million to $507.2 million in 2000.

Cash provided by continuing operations decreased $63.0 million to $29.0 million in 1999. Although EBITDA increased by $7.1 million over the prior year, such increase was more than offset by increased working capital requirements, and increased income tax payments. As a result of significant investments in acquisitions/capital expenditures in 1999 which more than offset cash provided by operations/proceeds from asset sales, total debt (net of cash and cash equivalents) increased by $95.3 million to $529.6 million in 1999.

In February 2001, bigchalk.com raised additional venture capital financing in which the Company invested $10 million. This maintained the Company's ownership interest at approximately 38%.

Capital Expenditures

In fiscal 2000, 1999 and 1998, capital expenditures for the Company's continuing operations were $42.6 million, $35.1 million, and $29.9 million, respectively, a significant portion of which consisted of expenditures for product masters and creation of databases for the Information and Learning business.

Seasonality

Although the Company in general is not affected by seasonal fluctuations, the buying patterns and funding availability for certain of its customers cause sales, profitability and cash flow to be higher in the fourth quarter of the year. Due to this seasonal factor, the Company maintains a revolving credit facility to fund interim cash requirements.

Recently Issued Financial Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities (which has been amended by SFAS No. 137 and 138), the effective date of which was postponed until 2001. This statement, which provides a comprehensive standard for the recognition and measurement of derivatives and hedging activities will not have a material impact on the Company's financial results.

Item 7a. Quantitative and Qualitative Disclosures About Market Risk

The Company, as a result of its global operating and financing activities, is exposed to changes in foreign currency and interest rates which may adversely affect its results of operations and financial position. In seeking to minimize such risks, the Company uses derivative financial instruments. The Company periodically utilizes interest rate swaps, caps and collars in order to hedge its exposure to interest rate risk on debt outstanding. The Company also periodically utilizes foreign currency forward or option contracts in order to hedge its exposure to changes in foreign currency rates. The Company does not utilize financial derivatives for trading or other speculative purposes. The Company has entered into various contracts to buy or sell foreign currencies. The contracts have maturity dates extending through February 2001, and are for an aggregate amount of $71.6 million (which approximates the fair value based on quoted market prices). The Company is exposed to market risk in the event of nonperformance by the other parties (major international banks) to these contracts, however, such nonperformance is not anticipated.

Item 8. Financial Statements and Supplementary Data

Independent Auditors' Report

The Board of Directors
Bell & Howell Company:

We have audited the accompanying consolidated balance sheets of Bell & Howell Company and subsidiaries (the "Company") as of the end of fiscal years 2000 and 1999, and the related consolidated statements of operations, shareholders' equity, and cash flows for the fiscal years 2000, 1999 and 1998. These

consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bell & Howell Company and subsidiaries as of the end of fiscal years 2000 and 1999, and the results of their operations and their cash flows for the fiscal years 2000, 1999 and 1998 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 7 to the Consolidated Financial Statements, the Company changed its methods of accounting for certain inventory costs and revenue recognition during fiscal 2000.

KPMG LLP

Chicago, Illinois
February 20, 2001

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Bell & Howell Company and Subsidiaries

Consolidated Statements of Operations

Fiscal Years 2000, 1999 and 1998

(Dollars and shares in thousands, except per share data)

	2000	199
Net sales	$ 374,301	$ 359
Cost of sales	189,196	182
Research and development expense	19,034	19
Selling and administrative expense	123,642	115
Gains on sales of assets	(2,726)	(5
Restructuring charge	5,196	10
Earnings from continuing operations before interest, income taxes, equity in earnings (loss) of affiliate and cumulative effect of a change in accounting principle	39,959	36
Net interest expense:		
Interest income	(2,404)	(5

Interest expense	32,510	15
Net interest expense	30,106	10
Earnings from continuing operations before income taxes, equity in earnings (loss) of affiliate and cumulative effect of a change in accounting principle	9,853	26
Income tax expense	3,941	10
Equity in earnings (loss) of affiliate	(20,848)	
Earnings (loss) from continuing operations before cumulative effect of a change in accounting principle	(14,936)	15
Earnings from discontinued operations	11,516	2
Cumulative effect of a change in accounting principle	(65,302)	
Net earnings (loss)	$ (68,722)	$ 17
Net earnings (loss) per common share:		
Basic:		
Earnings (loss) from continuing operations before cumulative effect of a change in accounting principle	$ (0.63)	$
Earnings from discontinued operations	0.49	
Cumulative effect of a change in accounting principle	(2.76)	
Net earnings (loss) per common share	$ (2.90)	$
Diluted:		
Earnings (loss) from continuing operations before cumulative effect of a change in accounting principle	$ (0.63)	$
Earnings from discontinued operations	0.49	
Cumulative effect of a change in accounting principle	(2.76)	
Net earnings (loss) per common share	$ (2.90)	$
Average number of common shares and equivalents outstanding:		
Basic	23,657	23
Diluted	23,657	23

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

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Bell & Howell Company and Subsidiaries

Consolidated Balance Sheets

At the End of Fiscal Years 2000 and 1999

(Dollars in thousands)

Assets

	2000	1999
Current assets:		
Cash and cash equivalents	$ 10,610	$ 4,773
Accounts receivable	76,302	72,118
Inventory:		
Finished products	1,932	3,442
Products in process and materials	2,672	3,053
Total inventory	4,604	6,495
Other current assets	13,072	8,898
Total current assets	104,588	92,284
Property, plant and equipment:		
Land	891	878
Buildings	26,859	24,984
Machinery and equipment	108,831	104,160
Product masters	263,589	233,358
Total property, plant and equipment, at cost	400,170	363,380
Accumulated depreciation	(267,054)	(237,061)
Net property, plant and equipment	133,116	126,319
Long-term receivables	1,450	15,371
Goodwill, net of accumulated amortization	222,271	224,809
Net assets of discontinued operations	261,155	278,524
Other assets	43,159	46,505
Total assets	$ 765,739	$ 783,812

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Bell & Howell Company and Subsidiaries

Consolidated Balance Sheets

At the End of Fiscal Years 2000 and 1999

(Dollars and shares in thousands)

Liabilities and Shareholders' Equity

	2000	1999
Current liabilities:		

Notes payable	$ 15,568	$ 25,646
Current maturities of long-term debt	466	1,916
Accounts payable	43,134	37,632
Accrued expenses	35,594	34,295
Deferred income	112,881	107,638
Total current liabilities	207,643	207,127
Long-term liabilities:		
Long-term debt	501,821	506,783
Long-term deferred income	88,648	--
Other liabilities	37,286	71,867
Total long-term liabilities	627,755	578,650
Shareholders' equity:		
Common stock, $0.001 par value, 24,078 shares issued and 23,622 shares outstanding at the end of fiscal 2000, and 23,969 shares issued and 23,632 shares outstanding at the end of fiscal 1999	24	24
Capital surplus	156,708	153,654
Notes receivable from executives	(1,180)	(1,544)
Retained earnings (deficit)	(213,615)	(144,893)
Accumulated other comprehensive loss	(103)	(414)
Treasury stock	(11,493)	(8,792)
Total shareholders' equity (deficit)	(69,659)	(1,965)
Total liabilities and shareholders' equity	$ 765,739	$ 783,812

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

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Bell & Howell Company and Subsidiaries

Consolidated Statements of Cash Flows

Fiscal Years 2000, 1999 and 1998

(Dollars in thousands)

	2000	1999	
Operating activities:			
Earnings from continuing operations before cumulative effect of a change in accounting principle	$ (14,936)	$ 15,060	$
Adjustments to reconcile to cash provided by operating items:			
Depreciation and amortization	51,737	44,653	
Equity in (earnings) loss of affiliate	20,848	950	
Gains on sales of assets	(2,726)	(5,152)	
Changes in operating assets and liabilities:			
Accounts receivable	(10,066)	(12,016)	

Inventory	1,802	(1,647)
Other current assets	(2,346)	210
Long-term receivables	2,881	(4,523)
Income taxes	8,440	1,729
Accounts payable	5,432	(3,766)
Accrued expenses	2,328	627
Deferred income and other long-term liabilities	(6,897)	(59)
Other, net	(14,441)	(7,043)
Cash provided by operating activities	42,056	29,023
Investing activities:		
Expenditures for property, plant and equipment	(42,623)	(35,055)
Acquisitions	(9,650)	(102,154)
Proceeds from asset sales	2,556	12,955
Cash used by investing activities	(49,717)	(124,254)
Financing activities:		
Proceeds from short-term debt	14,629	34,200
Repayment of short-term debt	(23,141)	(11,369)
Proceeds from long-term debt	37,335	108,982
Repayment of long-term debt	(43,747)	(48,888)
Proceeds from (purchases of) common stock, net	688	7,602
Cash provided (used) by financing activities	(14,236)	90,527
Effect of exchange rate changes on cash	(1,151)	(570)
Cash provided (used) by discontinued operations	28,885	(8,027)
Increase (decrease) in cash and cash equivalents	5,837	(13,301)
Cash and cash equivalents, beginning of period	4,773	18,074
Cash and cash equivalents, end of period	$ 10,610	$ 4,773

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

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Bell & Howell Company and Subsidiaries

Consolidated Statements of Shareholders' Equity

Fiscal Years 2000, 1999 and 1998

(Dollars and shares in thousands)

	Common Stock		Capital Surplus	Notes Receivable from Executives	Retained Earnings (Deficit)	Acc Com Inc
	Issued	Treasury				
Balance, at the end of fiscal 1997						

(Common stock, 23,425 shares; treasury stock, 10 shares)	$ 23	$ (291)	$138,660	$ (1,707)	$(199,244)	$
Comprehensive income:						
Net earnings					36,560	
Foreign exchange translation adjustments						
Total comprehensive income						
Common stock, 91 shares	1		2,159			
Notes receivable from executives				(816)		
Treasury stock, net 229 shares		(5,554)				
Balance, at the end of fiscal 1998 (Common stock, 23,516 shares; treasury stock, 239 shares)	24	(5,845)	140,819	(2,523)	(162,684)	
Comprehensive income:						
Net earnings					17,791	
Foreign exchange translation adjustments						
Total comprehensive income						
Common stock, net 453 shares			9,701			
Tax benefit from stock options exercised			3,074			
Notes receivable from executives				979		
Treasury stock, net 98 shares		(2,947)	60			
Balance, at the end of fiscal 1999 (Common stock, 23,969 shares; treasury stock, 337 shares)	24	(8,792)	153,654	(1,544)	(144,893)	
Comprehensive income:						
Net earnings					(68,722)	
Foreign exchange translation adjustments						
Total comprehensive income						
Common stock, net 109 shares			2,941			
Tax benefit from stock options exercised			113			
Notes receivable from executives				364		
Treasury stock, net 119 shares		(2,701)				
Balance, at the end of fiscal 2000 (Common stock, 24,078 shares; treasury stock, 456 shares)	$ 24	$(11,493)	$156,708	$ (1,180)	$(213,615)	$

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

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Bell & Howell Company and Subsidiaries

Notes to the Consolidated Financial Statements

(Dollars and shares in thousands, except per share data)

Note 1 - Significant Accounting Policies

Nature of Operations. Bell & Howell Company and its subsidiaries (collectively, the "Company") is a leading global information solutions provider. The Company consists of two business segments, Information and Learning, and Publishing Services. Within its Information and Learning segment, Bell & Howell develops and markets information services and systems that are focused on the needs of its customers in select vertical niches, including libraries of all kinds (government, college/university, corporate and public). Publishing Services provides systems and information products used by automotive, powersports and recreational vehicle dealers.

Basis of Presentation. Certain amounts in the prior years' financial statements have been reclassified to conform to the current year presentation.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Subsequent actual results may differ from those estimates.

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and its majority owned subsidiaries except where control is temporary.

In December 1999, the Company combined its kindergarten through twelfth grade ("K-12") internet business with the K-12 internet business from Infonautics, Inc. to form bigchalk.com. At the end of fiscal 1999, the Company owned 69% of the common equity of bigchalk.com (such control was temporary, as in January 2000, venture capital financing was raised which lowered the Company's ownership interest to approximately 45%). Further venture capital financing was raised in December 2000 which lowered the Company's ownership interest to approximately 38%. Accordingly, the Company accounts for its ownership interest in bigchalk.com using the equity method.

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In the first quarter of 2000, the Company adopted a plan to divest its Mail and Messaging Technologies and Imaging businesses and its financing subsidiary. Accordingly, the operating results of these businesses have been segregated from the Company's continuing operations, and are separately reported as a discontinued operation in the consolidated financial statements. (See Note 6 to the Consolidated Financial Statements.)

Fiscal Year. The Company's fiscal year ends on the Saturday nearest to December 31. References to fiscal 2000 are for the 52 weeks ended December 30, 2000, references to fiscal 1999 are for the 52 weeks ended January 1, 2000, and references to fiscal 1998 are for the 52 weeks ended January 2, 1999.

Revenue Recognition. Product sales include sales of equipment, software, licenses of database content, service, and subscriptions. Equipment sales are recognized upon shipment, when all significant contractual obligations are satisfied and collection of the resulting receivable is reasonably assured. Software sales are recorded upon delivery and acceptance by the customer. Revenues from licensing database content are recognized on a straight-line basis over the license period. Service revenues are recognized as earned over the term of the agreement. Revenues from subscriptions are recognized in the periods the

subscriptions are fulfilled; subscription revenues collected in advance are recorded as deferred income in the consolidated balance sheets.

The Company periodically reviews its accounts receivable balances and estimates required allowances for doubtful accounts. Allowances for doubtful accounts at the end of fiscal 2000 and 1999 were $1,693 and $940, respectively.

The Company accounts for the sales of receivables in accordance with the requirements of Statement of Financial Accounting Standards No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities". The proceeds of sales of future revenues are deferred and recognized in revenue over the term of the related customer agreement.

Foreign Currency Translation. The financial position and results of operations of each of the Company's foreign subsidiaries are measured using the local currency as the functional currency. Revenues and expenses are translated at average exchange rates prevailing during the respective fiscal periods. Assets and liabilities are translated into U.S. dollars using the exchange rates at the end of the respective fiscal periods. Balance sheet translation adjustments arising from differences in exchange rates from period to period are reflected as a separate component of shareholders' equity, and are included in the determination of the Company's comprehensive income.

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Net Earnings (Loss) per Common Share. Basic net earnings (loss) per common share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted net earnings (loss) per common share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period, and assumes the issuance of additional common shares for all dilutive stock options outstanding during the period. A reconciliation of the weighted average number of common shares and equivalents outstanding used in the calculation of basic and diluted net earnings (loss) per common share is shown in the table below for the periods indicated:

	2000	1999	1998
Basic	23,657	23,569	23,388
Dilutive effect of stock options	-	284	181
Diluted	23,657	23,853	23,569

Cash and Cash Equivalents. The Company considers all highly liquid investments with maturities of three months or less (when purchased) to be cash equivalents. The carrying amount reported in the consolidated balance sheets approximates fair value.

Inventory. Inventory costs include material, labor and overhead. Inventories are stated at the lower of cost (determined using the first-in, first-out ("FIFO") method) or market. During the fourth quarter of 2000, the Company changed its method of inventory valuation for the Publishing Service business from the last-in, first-out ("LIFO") method to the FIFO method as the majority of the inventory items for this business have been continuing to decrease in price. Accordingly, the Company believes that the FIFO method will result in a better measurement of operating results. All previously reported

results have been restated to reflect the retroactive application of this accounting change as required by generally accepted accounting principles. The cumulative effect of the change (reported as an adjustment to retained earnings as of the end of 1997) of $933 represents the reversal of the LIFO reserve at that date. The accounting change lowered net earnings by $105, $197 and $554 for 2000, 1999, and 1998, respectively.

Property, Plant and Equipment. Property, plant and equipment are recorded at cost. The straight-line method of depreciation is primarily used, except for Information Access product masters (which represent the cost to create electronic and microform master document copies which are subsequently used in the production process to fulfill customers' information requirements), which are depreciated on the double declining

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balance method. Estimated lives range from 10 to 40 years for buildings and building improvements, 3 to 15 years for machinery and equipment and 10 years for product masters.

Goodwill. Goodwill, which represents the excess of purchase price over the fair value of net assets of acquired businesses, is amortized on a straight-line basis over the expected future periods to be benefitted, which range from 15 to 40 years. Accumulated amortization at the end of fiscal 2000 and 1999 was $49,037 and $56,853, respectively.

Impairment of Long-Lived Assets. The Company periodically assesses the carrying value of its long-lived assets. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is measured by the amount by which the carrying amount of the assets exceeds the fair value as estimated by discounted cash flows. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost of disposal.

Income Taxes. The Company and its U.S. subsidiaries file a consolidated tax return. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to be in effect for the year in which those temporary differences are expected to be recovered or settled.

Stock Option Plan. As permitted by Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock Based Compensation", the Company accounts for its stock option plan in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. Pro forma net income and earnings per share disclosures for employee stock option grants based on the fair value-based method (defined in SFAS No. 123), whereby the fair value of stock-based awards at the date of grant would be subsequently expensed over the related vesting periods, are included in Note 12 to the Consolidated Financial Statements.

Derivative Financial Instruments. The Company does not invest in any derivatives for trading purposes. The Company periodically utilizes interest rate swaps, caps and collars in order to hedge its exposure to interest rate risk on debt

outstanding. The Company also periodically utilizes foreign currency forward or option contracts in order to hedge its exposure to changes in foreign currency rates and periodically utilizes equity swaps to hedge its exposure under certain retirement plans. Amounts related to derivative contracts are recorded using the hedge accounting approach, and gains and losses on derivative instruments are included in the basis of the underlying hedged transaction. The Company currently does not recognize the fair values of these derivative financial investments or their changes in fair value in its consolidated financial statements.

Note 2 - Business Segments

The Company has two reportable business segments, Information and Learning, and Publishing Services. (Refer to Note 1 to the Consolidated Financial Statements for a description of segment operations.) The Company evaluates the performance of and allocates resources to each of the segments based on their operating results excluding interest and taxes. The accounting policies for each of the segments are described in the summary of significant accounting policies in Note 1 to the Consolidated Financial Statements.

Information concerning the Company's reportable business segments and operations by geographic area for fiscal 2000, 1999 and 1998 for its continuing operations is as follows (dollars in millions):

	Net Sales			EBIT (1)		
Business Segments	2000	1999	1998	2000	1999	1
Information and Learning	$220.0	$198.2	$187.0	$ 30.3	$ 23.7	$
Publishing Services	154.3	161.3	134.0	28.0	33.3	
Total	374.3	359.5	321.0	58.3	57.0	
Corporate expenses				(15.9)	(14.8)	(
Consolidated	$374.3	$359.5	$321.0	$ 42.4	$ 42.2	$

	Capital Expenditures			Depreciation and Amortizati	
	2000	1999	1998	2000	1999
Information and Learning	$ 39.3	$ 32.4	$ 26.8	$ 44.2	$ 37.7
Publishing Services	3.2	2.3	2.8	6.6	5.9
Total	42.5	34.7	29.6	50.8	43.6
Corporate	.1	.4	.3	.6	.6
Consolidated	$ 42.6	$ 35.1	$ 29.9	$ 51.4	$ 44.2

	Identifiable Assets		
	2000	1999	1998
Information and Learning	$381.8	$374.5	$272.7
Publishing Services	101.8	108.4	79.0
Corporate	20.9	22.4	31.5
Total	504.5	505.3	383.2
Discontinued operations	261.2	278.5	274.4
Consolidated	$765.7	$783.8	$657.6

(1) Earnings before interest and taxes (EBIT) excludes gains on sales of assets and restructuring charges.
(2) Excludes amortization/write-off of deferred financing costs.

	2000	1999	1998
Geographic Area Data			
Net Sales (3):			
United States	$ 293.7	$ 290.0	$ 265.8
Europe	56.9	48.5	25.8
Other	23.7	21.0	29.4
Total	$ 374.3	$ 359.5	$ 321.0
Identifiable Assets:			
United States	$ 425.0	$ 423.9	$ 378.3
Europe	77.4	77.9	1.3
Other	2.1	3.5	3.6
Total	504.5	505.3	383.2
Discontinued operations	261.2	278.5	274.4
Consolidated	$ 765.7	$ 783.8	$ 657.6

(3) Revenue is classified according to its country of destination (including exports to such areas).

Note 3 - Sales of Assets

The fiscal 2000 sales of assets included:

	Proceeds	Gain on Sale
The sale of a portion of the Company's investment in		

its affiliate (bigchalk.com)	1,156	867
The sale of the Company's investment in an entity acquired by bigchalk.com in exchange for additional common stock of bigchalk.com	--	489
Additional proceeds related to the sale in 1999 of vacant land adjacent to one of the Company's manufacturing operations	1,400	1,370
	$ 2,556	$ 2,726

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The fiscal 1999 sales of assets included:

	Proceeds	Gain on Sale
A sale of a portion of the Company's investment in its affiliate (bigchalk.com)	3,500	2,626
The sale of vacant land adjacent to one of the Company's manufacturing operations	9,455	2,526
	$12,955	$ 5,152

Note 4 - Restructuring

In December 1999, the Company announced a plan to restructure and consolidate certain of its operations, which resulted in recording a charge of $36,765 ($28,277 after-tax). In fiscal 2000, further restructuring charges of $12,589 ($7,553 after-tax) were recorded primarily for severance cost and future lease obligations. The fiscal 2000 severance provided for a reduction of approximately 36 employees in continuing operations and 64 employees in discontinued operations. The fiscal 1999 severance provided for a reduction of approximately 122 employees in continuing operations and 178 employees in discontinued operations. The restructuring plan will be substantially completed over the next twelve months, with the details of the restructuring charges as follows:

		2000 Activity		
	Balance End of 1999	Restruct. Charge	Utilized Cash	Utilized Noncash
Continuing Operations				
Severance	$ 5,905	$ 1,319	$ 5,244	$ --
Asset impairment costs		902	--	902
Obligations under various noncancellable leases	4,600	1,485	1,792	--

Business separation costs................	--	1,490	1,490	--
Continuing Operations	10,505	5,196	8,526	902
Discontinued Operations				
Severance	4,411	5,055	9,139	--
Asset impairment costs	18,742	274	274	18,742
Obligations under various noncancellable leases	3,107	2,064	2,428	--
Discontinued Operations	26,260	7,393	11,841	18,742
Total Company	$36,765	$12,589	$20,367	$19,644

The restructuring plan has been approved by the Company's Board of Directors, with the related severance costs based on preexisting severance agreements and the number, job

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classification and location of affected employees to be terminated. Accrued costs for obligations under various noncancellable leases relate to contractual payments that were committed to prior to approving the restructuring plan, for which no economic benefit to the Company will be subsequently realized. The restructuring plan identifies all significant actions to be taken and significant changes to such plan are not likely.

Note 5 - Income Taxes

The earnings from continuing operations, before income taxes, equity in earnings (loss) of affiliate and cumulative effect of a change in accounting principle, on which income taxes were provided in fiscal 2000, 1999 and 1998 were:

	2000	1999	1998
United States	$ 11,213	$ 27,498	$ 24,671
Foreign	(1,360)	(814)	600
Earnings from continuing operations before income taxes, equity in earnings (loss) of affiliate and cumulative effect of change in accounting principle..................	$ 9,853	$ 26,684	$ 25,271

The provision for income taxes in fiscal 2000, 1999 and 1998 included the following:

	2000	1999	1998
Current income tax expense (benefit):			
United States	$ 2,898	$ 6,912	$ 425
State and local	562	1,858	665
Foreign	22	217	226
Current income tax expense	3,482	8,987	1,316

Deferred income tax expense (benefit):			
United States	(83)	2,431	7,761
State and local	301	(455)	1,044
Foreign	241	(289)	(13)
Deferred income tax expense	459	1,687	8,792
Income tax expense	$ 3,941	$ 10,674	$ 10,108

The significant components of deferred income tax expense in fiscal 2000, 1999 and 1998 were as follows:

	2000	1999	1998
Deferred income tax expense (benefit), exclusive of components listed below	$ (1,626)	$ (1,220)	$ 3,363
Operating loss carryforwards	3,683	10,523	6,906
Tax credits	(1,598)	(7,616)	(1,477)
Deferred income tax expense	$ 459	$ 1,687	$ 8,792

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Deferred income taxes are primarily provided for temporary differences between the financial reporting bases and the tax bases of the Company's assets and liabilities. The tax effects of the major temporary differences (for both continuing and discontinued operations) that gave rise to the deferred tax asset (liability) at the end of fiscal 2000 and 1999 were as follows:

	2000	1999
Deferred tax assets are attributable to:		
Accrued expenses	$ 5,417	$ 12,105
Deferred compensation	15,108	13,939
Postretirement benefits	4,016	3,834
Accounts receivable	4,319	3,169
Operating loss carryforwards	8,300	5,492
Tax credits	16,420	15,510
Other	7,226	--
Total gross deferred tax assets	60,806	54,049
Valuation allowance	(13,522)	(4,935)
Net deferred tax assets	47,284	49,114
Deferred tax liabilities are attributable to:		
Property, plant and equipment	(11,942)	(11,845)
Intangibles	(22,009)	(20,677)
Deferred income	--	(33,597)
Undistributed foreign earnings	(3,104)	(3,035)
Other	--	(2,165)
Total gross deferred tax liabilities	(37,055)	(71,319)

Net deferred tax asset/(liabilities)....................	$ 10,229	$(22,205)

Net deferred tax assets (liabilities) are classified as other long-term liabilities in the balance sheet. Valuation allowances are established for the Company's equity loss of affiliate and certain foreign jurisdictions where the future realization of deferred tax assets have not been assumed.

The differences between the Company's effective rate for income taxes and the statutory federal income tax rate in fiscal 2000, 1999 and 1998 were as follows:

	2000	1999	1998
Statutory federal income tax rate	35.0%	35.0%	35.0%
Increase (reduction) in taxes resulting from:			
State income taxes, net of federal benefit	6.9	5.3	5.4
Foreign earnings	7.5	.8	--
Amortization/write-off of intangibles	8.5	15.2	1.5
Benefit from foreign sales corporation..............	(8.1)	(10.8)	--
Other	(9.8)	6.8	(3.3)
Effective income tax rate	40.0%	40%	40.0%

At the end of fiscal 2000, the foreign net operating loss carryforwards were $19,676 and expire as follows: $39 in 2001, $3,969 in 2002, $4,110 in 2003, $160 in 2004, $286 in 2005, $88 in 2006, $291 in 2007 and $10,733 in 2008.

In the United States, the Company's current tax liability is the greater of its regular tax or alternative minimum tax ("AMT"). To the extent that AMT exceeds regular tax, the Company is entitled to an AMT credit. At the end of fiscal 2000, the Company has AMT credits of $16,292 that may be carried forward indefinitely and used as credits in future tax returns against regular tax in the event that the regular tax exceeds the AMT.

Income taxes paid, net of refunds, for fiscal 2000, 1999 and 1998 were $4,708, $20,629 and $2,571, respectively.

Note 6 - Discontinued Operations

In the first quarter of fiscal 2000, the Company adopted a plan to divest its Mail and Messaging Technologies and Imaging businesses and its financing subsidiary. Accordingly, the operating results and net assets of these businesses have been segregated from the Company's continuing operations. The Consolidated Statements of Operations separately reflect the earnings of these businesses, which includes an allocation of the Company's interest expense. The Consolidated Balance Sheets separately reflect the net assets of these businesses as a non-current asset.

Results from discontinued operations are shown in the table below for the fiscal years indicated:

	2000	1999	1998

Net sales	$576,118	$629,894	$624,099
Earnings before restructuring charges, interest and income taxes	37,321	51,756	47,497
Restructuring charges	7,394	26,260	--
Interest expense, net	10,734	10,581	11,835
Earnings before income taxes	19,193	14,915	35,662
Income tax expense	7,677	12,184	14,265
Earnings from discontinued operations	$ 11,516	$ 2,731	$ 21,397

In October 2000, the Company announced an agreement to sell its Imaging business to Eastman Kodak, the transaction was completed in February 2001 for $135,000 with the scanner equipment business excluded due to regulatory issues.

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Note 7 - Cumulative Effect of a Change in Accounting Principle

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). As a result of this pronouncement, the Company has modified its accounting for revenue from new on-line subscriptions in the Information and Learning business, and from electronic parts catalog agreements in the Publishing Services business.

Consistent with the SEC guidelines contained in SAB 101, beginning in fiscal 2000, revenue for new on-line subscriptions at Information and Learning is recognized equally throughout the initial subscription period, with appropriate cost deferral. Previously, such revenue was recognized during the initial subscription period in proportion to costs incurred, in order to yield a constant gross profit percentage throughout the subscription period.

Under the new method of revenue recognition at Publishing Services, all electronic parts catalog content revenue is recognized over the term of the agreement using the straight-line method. Previously, the Company recognized revenue related to the content element of these agreements primarily upon delivery of the product to the customer, with a portion deferred and recognized on the straight-line basis over the initial agreement period. A liability of approximately $88.6 million has been recorded which represents amounts due from customers in the future that had been monetized by the Company's finance subsidiary prior to the revenue recognition change. Related to this liability, the Company has recorded interest expense of $10.0 million in fiscal 2000.

The cumulative effect of adopting these changes in accounting for revenue are reported as a cumulative effect of a change in accounting principle of $65.3 million (net of a tax benefit of $38.5 million) as of the beginning of fiscal 2000. The effect of the changes in fiscal 2000 was to reduce earnings from continuing operations by approximately $8.0 million (or $0.34 per diluted share). The pro-forma amounts shown below have been adjusted for the effect of retroactive application of the new revenue recognition methods and the related income taxes:

	1999	1998
Earnings (loss) from continuing operations	$ 6,388	$ 1,274
Net earnings (loss)	$ 9,119	$ 22,671

Net earnings (loss) per common share:		
Basic:		
Earnings (loss) from continuing operations	$ 0.27	$ 0.05
Net earnings (loss) per common share	$ 0.39	$ 0.97
Diluted:		
Earnings (loss) from continuing operations	$ 0.27	$ 0.05
Net earnings (loss) per common share	$ 0.38	$ 0.96

As a result of the changes in the methods of accounting for revenue, approximately $114.8 million in revenue recognized in fiscal 1999 and prior years was reversed and included in the cumulative effect adjustment determined as of the beginning of fiscal 2000. Of this amount, $46.2 million was recognized in 2000 and $68.6 million will be recognized in 2001 and future years.

Note 8 - Debt and Lines of Credit

Debt at the end of fiscal 2000 and 1999 consisted of the following:

	2000	1999
Notes payable	$ 15,568	$ 25,646
Long-term debt:		
Revolving credit agreement	$497,600	$501,700
Other long-term debt	4,687	6,999
Long-term debt, including current maturities	502,287	508,699
Less: current maturities	466	1,916
Long-term debt	$501,821	$506,783

The weighted average interest rate on short-term borrowings at the end of fiscal 2000 and 1999 was 7.76% and 7.07%, respectively.

At the end of fiscal 2000, the Company had foreign short-term lines of credit totaling $32,363, of which $16,795 was unused. These short-term credit lines are denominated in foreign currencies and generally require no compensating balances or commitment fees.

In fiscal 1997, the Company entered into a $600,000 revolving credit agreement ("Credit Agreement"). The final maturity date of the Credit Agreement is December 31, 2003, with no principal payments due until December 31, 2002, at which time the maximum amount of the credit facility is reduced by $100,000. The interest rate on borrowings under the Credit Agreement is determined at the time of borrowing, and is based upon the Company's leverage ratio. The interest rate currently in effect is (at the Company's option), either LIBOR + 1.75%, or the prime rate + .75%. The Credit Agreement requires compliance with leverage, fixed charge and net worth covenants. The Company and its domestic operating subsidiaries, excluding Bell & Howell Financial Services Company, along with its special purpose subsidiary (collectively, "BHFS"), are jointly and severally

liable as guarantors under the Credit Agreement. The Credit Agreement contains certain restrictions on the payment of

dividends on and repurchases of the Company's common stock. At the end of fiscal 2000, the Company had $99,682 of additional credit available under the Credit Agreement.

Subsequent to the closing of the sale of the Company's Imaging business in February 2001, the maximum amount of the Credit Agreement was reduced by $50,000 and foreign short-term credit lines were reduced by $12,476.

For the five years subsequent to 2000, annual maturities of long-term debt are: 2001 - $466; 2002 - $298; 2003 - $501,522; 2004 - $1; and 2005 - $0.

Interest paid for continuing and discontinued operations in fiscal 2000, 1999 and 1998 was $54,074, $48,007 and $48,426, respectively.

Note 9 - Leases

Lessee. The Company leases certain facilities and equipment for productionm selling and administrative purposes. Future minimum rental payments required under long-term noncancelable operating leases at the end of fiscal 2000 were as follows:

2001	$ 16,173
2002	8,389
2003	4,673
2004	3,010
2005	2,912
Subsequent to 2005	7,544
	$ 42,701

Total rental expenses for fiscal 2000, 1999 and 1998 were $21,798, $17,887 and $8,868, respectively.

Note 10 - Profit-Sharing, Pension, and Other Postretirement Benefit Plans

Eligible employees of the Company's domestic and Canadian operations who elect to do so participate in defined contribution profit-sharing retirement plans. The amounts charged to earnings for fiscal 2000, 1999 and 1998 were $8,114, $8,076 and $7,307, respectively.

The Company also has defined benefit pension plans covering certain domestic and most foreign employees. The benefits are primarily based on years of service and/or compensation during the years immediately preceding retirement. The Company funds

its foreign plans based on local statutes and funds its domestic plans in amounts that fulfill the funding requirements of the Employee Retirement Income Security Act of 1974. Plan assets consist principally of common stocks, fixed income securities and cash equivalents.

In addition, the Company has contributory and non-contributory postretirement medical benefit plans and a non-contributory postretirement life

insurance benefit plan covering certain domestic employees. Each of these other postretirement benefit plans are unfunded.

The net cost (income) of pension and other postretirement benefit plans for fiscal 2000, 1999 and 1998 were as follows:

	Pension Benefits			Other Postretirement Benefits		
	2000	1999	1998	2000	1999	19
Service cost	$ 3,217	$ 3,200	$ 2,552	$ 243	$ 262	$
Interest cost	6,009	5,738	5,286	1,301	1,148	1,
Expected return on plan assets	(8,829)	(8,000)	(6,502)	--	--	
Amortization of prior service cost	222	299	375	--	--	
Recognized net actuarial (gain)/loss ...	(1,196)	(118)	(538)	392	461	