Selected Financial Data

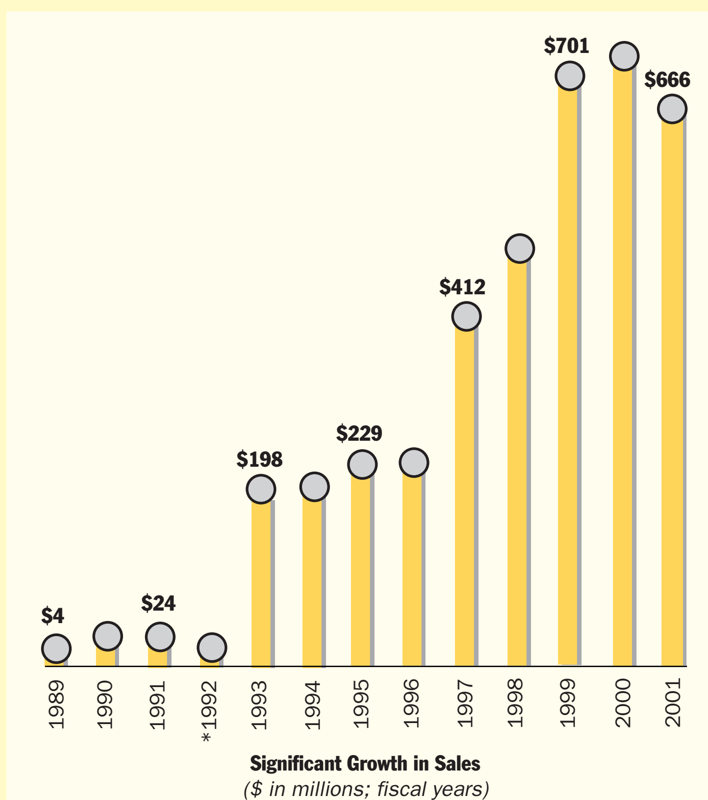
(Dollars in thousands, except per share amounts)

For the Years Ended	Feb. 24, 2001	Feb. 26, 2000	Feb. 27, 1999	Feb. 28, 1998
Consolidated Statement of Operations:				
Net sales	$ 666,444	$ 723,349	$ 701,325	$ 487,999
Cost of sales	416,626	543,682[b]	522,875[c]	309,094
Gross profit	249,818	179,667	178,450	178,905
Operating expenses	173,123[a]	172,971[b]	216,207[d]	120,236[e]
Operating earnings (loss)	76,695	6,696	(37,757)	58,669
Equity in losses of unconsolidated subsidiary	–	1,289	–	–
Interest expense, net	54,170	52,921	41,696	22,765
Earnings (loss) before income taxes, extraordinary item and cumulative effect of accounting change	22,525	(47,514)	(79,453)	35,904
Income taxes	2,253	3,283	3,900	5,386
Earnings (loss) before extraordinary item and cumulative effect of accounting change	20,272	(50,797)	(83,353)	30,518
Extraordinary item	–	–	–	8,956[f]
Cumulative effect of accounting change	–	–	–	–
Net earnings (loss)	**$ 20,272**	**$ (50,797)**	**$ (83,353)**	**$ 21,562**
Net earnings (loss) – cash basis[i]	$ 41,339	$ (30,332)	$ (64,680)	$ 31,137
Per share (diluted):				
Earnings (loss) before extraordinary item and cumulative effect of accounting change	$ 0.78	$ (2.05)	$ (3.36)	$ 1.30
Net earnings (loss)	**0.78**	**(2.05)**	**(3.36)**	**0.92**
Net earnings (loss) – cash basis[i]	1.60	(1.22)	(2.61)	1.33
Weighted average common shares – diluted	25,889	24,764	24,814	23,430
Common stock price: high	$ 23.94	$ 22.25	$ 35.75	$ 41.50
low	5.88	5.75	11.50	19.50
At Year-End:				
Working capital	$ 174,897	$ 129,913	$ 143,423	$ 262,504
Total assets	935,995	881,789	904,299	681,757
Current ratio	2.03:1	1.75:1	1.84:1	3.19:1
Long-term debt	603,812	618,202	583,715	349,557
Total stockholders' equity	135,274	64,497	115,873	196,775
Common shares outstanding	28,460	24,931	24,603	22,892

(a) Includes $8,276 of costs related to acquisition of four machined aerospace components companies and termination of subsidiary's IPO
(b) Includes $34,299 of consolidation costs and $60,076 of costs related to Seating Products manufacturing problems, $83,673 of which is included in cost of sales
(c) Includes $87,825 charge for restructuring and new product introductions
(d) Includes $79,155 write-off of acquired in-process research and development costs and acquisition-related expenses (all in connection with acquisitions of Puritan-Bennett Aero Systems Company, Aircraft Modular Products and SMR Aerospace, Inc.) and gain of $25,301 on sale of 51% interest in In-Flight Entertainment business
(e) Includes $4,664 charge for settlement of Iran Air dispute
(f) Unamortized debt issue costs, premiums and expenses related to repurchase of notes
(g) Changed method of accounting for precontract engineering costs in fiscal 1996. Costs were previously capitalized, included as a component of inventories and amortized to earnings as products shipped. Effective February 26, 1995, such costs were charged to research, development and engineering and expensed as incurred. As a result, periods prior to fiscal 1996 are not comparable.

Feb. 22, 1997	Feb. 24, 1996	July 28, 1991
$ 412,379	$ 232,582	$ 24,278
270,557	160,031	10,645
141,822	72,551	13,633
99,424	113,996 (g) (h)	6,664
42,398	(41,445)	6,969
–	–	–
27,167	18,636	(211)
15,231	(60,081)	7,180
1,522	–	2,478
13,709	(60,081)	4,702
–	–	–
–	(23,332) (g)	–
$ 13,709	**$ (83,413)**	**$ 4,702**
$ 23,255	$ (73,914)	$ 5,518
$ 0.72	$ (3.71)	$ 0.65
0.72	**(5.15)**	**0.65**
1.22	(4.57)	0.76
19,097	16,185	7,248
$ 25.13	$ 13.63	$ 16.00
9.88	5.25	5.00
$ 122,174	$ 41,824	$ 13,500
491,089	433,586	26,034
2.34:1	1.39:1	5.03:1
225,402	273,192	–
165,761	44,157	22,469
21,893	16,393	7,076

(h) Includes $4,170 charge to integrate and consolidate European seating operations in connection with Burns acquisition
(i) Excludes tax-effected amortization expense



Significant Growth in Sales
($ in millions; fiscal years)

Sales have grown substantially due to successful acquisitions, new product development and expansion of the worldwide aircraft fleet.

*Results for seven months due to adoption of fiscal year ending in February

Building a World Leader

B/E has built leading market shares and expanded profit margins through an effective acquisition and integration strategy. Since 1989, B/E has acquired 20 companies for a total purchase price of about $770 million. Uniting them into an effective organization required a nearly-continuous effort, including:

- rationalizing product lines,
- eliminating 17 facilities,
- reducing headcount by about 3,000,
- installing standard, shared information technology platforms, and
- implementing lean enterprise and continuous improvement initiatives.

Management's Discussion and Analysis of Financial Condition and Results of Operations

We are the world's largest manufacturer of cabin interior products for commercial and general aviation aircraft and for business jets. We serve virtually all major airlines and a wide variety of general aviation customers and airframe manufacturers. We believe that we have achieved leading global market positions in each of our major product categories, which include:

- commercial aircraft seats, including an extensive line of first class, business class, tourist class and commuter aircraft seats;
- a full line of airline food and beverage preparation and storage equipment, including coffeemakers, water boilers, beverage containers, refrigerators, freezers, chillers and ovens;
- both chemical and gaseous commercial aircraft oxygen delivery systems; and
- business jet and general aviation interior products, including an extensive line of executive aircraft seats, indirect overhead lighting systems, oxygen, safety and air valve products.

In addition, we design, develop and manufacture a broad range of cabin interior structures, such as galleys and crew rests, and provide comprehensive aircraft cabin interior reconfiguration and passenger-to-freighter conversion engineering services and related component kits.

Our revenues are generally derived from two primary sources: refurbishment or upgrade programs for the existing worldwide fleets of commercial and general aviation aircraft and new aircraft deliveries. We believe our large installed base of products, estimated to be approximately $6.3 billion as of February 24, 2001 (valued at replacement prices), gives us a significant advantage over our competitors in obtaining orders both for spare parts and for refurbishment programs, principally due to the tendency of the airlines to purchase equipment for such programs from the original supplier.

We have substantially expanded the size, scope and nature of our business as a result of a number of acquisitions. Since 1989, we have completed 20 acquisitions, including four acquisitions during fiscal 2001, for an aggregate purchase price of approximately $770 million in order to position ourselves as the preferred global supplier to our customers.

During the period from 1989 to 1996, we acquired nine commercial aircraft cabin interior products manufacturers for approximately $290 million. Through these acquisitions we built worldwide market leadership positions and became the number one manufacturer for a large number of product offerings. At the same time, we rationalized our businesses and began re-engineering our operations. We integrated the acquisitions by eliminating 11 operating facilities and consolidating personnel at the acquired businesses, resulting in headcount reductions of approximately 1,300 employees through January 1998.

During fiscal 1999 we completed six acquisitions for approximately $387 million. Through these acquisitions we extended our product offerings into oxygen systems and we entered three new markets. These markets include the structural reconfiguration of passenger cabins, the conversion of passenger aircraft to freighters and the business jet cabin interiors market. During the fourth quarter of fiscal 1999, we launched a series of initiatives directed towards expanding our profit margins by consolidating these operations, improving productivity, reducing costs and inventory levels and speeding production of finished products. These actions included eliminating seven principal facilities, reducing our employment base by over 1,000 employees during fiscal 2000 and rationalizing our product offerings. The plan also included initiatives to install companywide information technology and engineering design systems and implement lean manufacturing techniques in our remaining factories. We recognized a charge in the fourth quarter of fiscal 1999 of $87.8 million to provide for the entire amount of the restructuring, along with costs associated with new product introductions, all of which was charged to cost of sales.

During fiscal 2000, we restructured our seating products operations and decided to discontinue certain product and service offerings. This product line rationalization eliminated two additional facilities bringing the total number of facilities down to 14 from 31. It also resulted in a headcount reduction of approximately 700. The total cost of this product and service line rationalization was approximately $34 million.

All of the aforementioned initiatives to integrate, rationalize and restructure the businesses acquired prior to fiscal 2001 had an aggregate cost of approximately $180 million and have already been expensed and paid for. These initiatives enabled us to eliminate 17 facilities and reduce headcount by over 3,000 employees. We believe these initiatives will enable us to substantially expand profit margins, strengthen the global business management focus on our core product categories, achieve a more effective leveraging of our resources and improve our ability to rapidly react to changing business conditions. In conjunction with these efforts, we have also implemented a companywide information technology system, a companywide engineering system and initiated lean manufacturing techniques in our remaining facilities. Common management information and engineering systems and lean manufacturing processes across all operations, coupled with a rationalized product offering, are expected to provide us with the ongoing benefit of a generally lower cost structure, and expanding gross and operating margins.

We accomplished a number of initiatives during fiscal 2001, which, together with the actions taken above and the strategic acquisitions discussed below, should positively impact our future performance and help us achieve, we believe, based on our current expectations, higher sales and operating earnings in fiscal 2002 as compared to fiscal 2001.

Effective February 24, 2001 we completed the acquisition of four companies that specialize in manufacturing precision-machined components and assemblies for the aerospace industry. We acquired these businesses, Alson Industries, Inc., T.L. Windust Machine, Inc., DMGI, Inc. and Maynard Precision, Inc., by issuing to the former stockholders a total of approximately 2.9 million shares of our common stock, paying them a total of $5.3 million in cash and assuming or repaying indebtedness of the acquired companies totaling approximately $11.8 million. This consideration represents an aggregate purchase price of approximately $70.1 million. The aggregate purchase price includes approximately $3.5 million of consideration, for which 187,500 shares of our common stock were funded into an escrow account. The payment of the approximately $3.5 million is contingent upon the business of one of the companies achieving specified operating targets during the year ending February 2002. Any proceeds from the sale of these shares in excess of the earned incentive will be paid to us. Each of these transactions has been accounted for using the purchase method of accounting.

During fiscal 2002, through May 16, 2001, we completed the acquisition of one additional company, Nelson Aero Space, Inc., which is involved in the manufacture and distribution of fittings for the aerospace industry, for approximately $20 million in cash.

Beginning in 1994, the airlines experienced a turnaround in operating results, leading the domestic airline industry to a period of strong aggregate operating earnings. Airline company balance sheets were substantially strengthened and their liquidity enhanced as a result of this profitability, debt and equity financings and closely managed fleet expansion. Since 2000, however, increases in fuel prices, the softening of the global economy and labor unrest have negatively impacted airline profitability.

During the latter part of fiscal 1999 and throughout fiscal 2000, our seating operations negatively impacted our operating results. The operating inefficiencies resulted in delayed deliveries to customers, increased rework of seating products, claims for warranty, penalties, out of sequence charges, substantial increases in air freight and other expedite-related costs. Penalties and out of sequence charges were imposed by our customers and the airframe manufacturers as a result of our late deliveries as provided for under the terms of our various contracts with these parties. These problems also resulted in certain airlines diverting seating programs to other manufacturers and the deferrals of other seating programs. We believe we have now resolved the problems we encountered in our seating operations.

New product development is a strategic tool for our company. Our customers regularly request that we engage in new product development and enhancement activities. We believe that these activities, if properly focused and managed, will protect and enhance our leadership position. Engineering, research and development spending as a percentage of sales has been approximately 7% for the past several years, and is expected to remain at that level for the foreseeable future.

We also believe in providing our businesses with the tools required to remain competitive. In that regard, we have, and will continue to invest in, property and equipment that enhance our productivity. Over the past several years, annual capital expenditures, exclusive of our new information technology system, were approximately $19 million. Going forward and taking into consideration the recent acquisitions, we expect that annual capital expenditures will be approximately $24 million.

All dollar amounts in the following discussion and analysis are presented in thousands of dollars, except per share amounts.

Year Ended February 24, 2001 Compared with Year Ended February 26, 2000

Net sales for fiscal 2001 were $666,444, a decrease of $56,905, or 7.9% as compared to the prior year. The year over year decrease in sales is primarily attributable to lower shipments of seating products and galley structures, as well as decisions made in the prior year to discontinue certain low-margin products and services. The decreased sales of seating and galley structures are consistent with the 11% reduction in new aircraft deliveries in calendar 2000 as compared to calendar 1999, and also reflect last year's problems in our seating business, which have since been resolved.

Our backlog was approximately $600,000 as of February 24, 2001. Our backlog at the end of the prior year was approximately $470,000. Backlog increased substantially in the last six months of fiscal 2001, from a fiscal 2001 low of about $450 million as of August 2000. The higher backlog since August 2000 reflects organic growth of 17% and overall growth of 33% over the six-month period. Approximately $398,000, or 66%, of our backlog at February 2001 is deliverable by the end of fiscal 2002.

Improved gross and operating profit margins were key contributors to B/E's improved financial performance for fiscal 2001 compared to fiscal 2000. Gross profit was $249,818 (37.5% of net sales) for fiscal 2001. Gross profit was $70,151 higher than fiscal 2000 gross profit of $179,667 (24.8% of net sales), reflecting a gross margin improvement of 1,270 basis points compared to fiscal 2000. The previous year's gross margin was adversely impacted by manufacturing problems in the seating operations. The current year's gross margin improvement was due to two principal factors: the turnaround in our seating business and the success of our continuous improvement initiatives. Aided by our information technology investments, these initiatives are enabling us to substantially improve both quality and productivity and reduce costs, particularly in our manufacturing operations.

Selling, general and administrative expenses were $92,541 (13.9% of net sales) for fiscal 2001, which was $2,350 less than the prior-year amount of $94,891 (13.1% of net sales).

Research, development and engineering expenses were $48,898 (7.3% of net sales) for fiscal 2001, a decrease of $5,106 compared to $54,004 (7.5% of net sales) for the previous year. The decrease is primarily due to substantially lower spending in our seating and galley operations.

Amortization expense for fiscal 2001 was $23,408 (3.5% of net sales) as compared to $24,076 (3.3% of net sales) in the prior year.

Operating earnings were $84,971 (12.7% of net sales) for fiscal 2001, excluding $8,276 of costs related to the four recent acquisitions and the termination of Advanced Thermal Sciences' (a wholly-owned subsidiary) initial public offering. Including such costs, operating earnings were $76,695 (11.5% of net sales) during fiscal 2001, as compared to $6,696 (0.9% of net sales) in the prior year.

Interest expense, net was $54,170 during fiscal 2001, or $1,249 greater than interest expense of $52,921 for the prior year. The increase is primarily due to higher interest rates on the Company's bank borrowings.

Earnings before income taxes in the current year were $30,801 excluding the acquisition-related and IPO costs. Including such costs, earnings before income taxes were $22,525 for fiscal 2001 compared to a loss of $(47,514) in the previous year.

Income tax expense for fiscal 2001 was $2,253 as compared to $3,283 in the prior year.

B/E's net earnings for fiscal 2001 were $27,720, excluding the acquisition-related and IPO costs. Including such costs, net earnings were $20,272, or $0.80 per share (basic) and $0.78 (diluted), as compared to a net loss of $(50,797) or $(2.05) per share (basic and diluted) in the previous year.

Year Ended February 26, 2000 Compared to Year Ended February 27, 1999

Net sales for fiscal 2000 were $723,349, an increase of approximately $22,024, or 3.1% over the prior year. Organic revenue growth, exclusive of revenues from our in-flight entertainment business, in fiscal 2000 and fiscal 1999 was approximately 7.4% and 13.5%, respectively, whereas revenue growth on a pro forma basis for fiscal 2000 and 1999, giving effect to our acquisitions in fiscal 1999 and excluding revenues from our in-flight entertainment business for both periods, was approximately 4.1% in 2000 and 14.1% in 1999. Our backlog was approximately $470,000 as of February 26, 2000 and approximately $640,000 as of February 27, 1999.

During the latter part of fiscal 1999 and throughout fiscal 2000, our operating results were negatively impacted by our seating operations. These operating problems resulted in delayed deliveries to customers, increased rework of seating products, claims for warranty, penalties, out of sequence charges, substantial increases in air freight and other expedite-related costs. Late customer deliveries resulted in certain airlines diverting seating programs to other manufacturers and the deferral of other seating programs. We have now resolved the operating problems in our seating business.

Gross profit for fiscal 2000 was $179,667. Gross profit for fiscal 2000 before the special costs and charges described below was $263,340 (36.4% of net sales). This was 1% less than the prior year of $266,275 (calculated on a comparable basis), which represented 38% of net sales. The decrease in gross profit before special costs and charges is primarily attributable to the mix of products sold during the year.

During fiscal 2000, we incurred $36,076 of costs in our seating operations associated with claims for penalties, out of sequence charges, warranties and substantial increases in air freight and other expedite-related costs. In addition, we incurred approximately $24,000 of manufacturing and engineering inefficiencies, of which $16,300 has been included as a component of cost of sales, $3,700 has been included as a component of selling, general and administrative expenses and $4,000 has been included as a component of research, development and engineering expenses. Also, during fiscal 2000, we completed a review of our businesses and decided to discontinue certain product and service offerings. This product line rationalization will reduce the number of facilities by two and is expected to result in a headcount reduction of approximately 700. The total cost of this product and service line rationalization was $34,299. Approximately $31,297 of the rationalization costs are included in cost of sales, with the balance of $3,002 charged to operating expenses.

The aggregate impact of these operating inefficiencies, penalties, and product line rationalization costs was to increase cost of sales and operating expenses by $94,375 during fiscal 2000.

Selling, general and administrative expenses were $94,891 (13.1% of net sales) for fiscal 2000, which was $11,243, or 13.4%, greater than the comparable period in the prior year of $83,648 (11.9% of net sales). Severance and other facility consolidation costs associated with the charges described above, together with increased operating expenses at our seating products operations and increased management information system training costs and related expenses were the principal reasons for the increase.

Research, development and engineering expenses were $54,004 (7.5% of net sales) during fiscal 2000, a decrease of $2,203 over the prior year.

Amortization expense for fiscal 2000 of $24,076 was $1,578 greater than the amount recorded in the prior year, and is due to our acquisitions in 1999.

A portion of the purchase price for our acquisitions in 1999 was allocated to purchased in-process research and development that had not reached technological feasibility and had no future alternative use. During fiscal 1999, we recorded a charge of $79,155 for the write-off of acquired in-process research and development and other acquisition-related expenses.

We generated operating earnings of $6,696 (0.9% of net sales) during fiscal 2000, as compared to an operating loss of $37,757 in the prior year.

Equity in losses of unconsolidated subsidiary of $1,289 represents our share of the losses generated by Sextant In-Flight Systems through October 5, 1999, at which time we sold our remaining 49% interest.

Interest expense, net was $52,921 during fiscal 2000, or $11,225 greater than interest expense of $41,696 for the prior year, and is due to the increase in our long-term debt used, in part, to finance our acquisitions in 1999.

The loss before income taxes in the current year was $47,514 (which includes $94,375 of costs and charges primarily related to our seating products operations) as compared to the loss before income taxes in the prior year of $79,453 (which includes restructuring and new product introduction costs of $87,825, acquisition-related expenses of $79,155 and the transaction gain of $25,301). Earnings before income taxes excluding the above-mentioned costs and expenses were $46,861 for fiscal 2000 compared to $62,226 in the prior year. Income tax expense for fiscal 2000 was $3,283 as compared to $3,900 in the prior year.

The net loss for fiscal 2000 was $50,797, or $2.05 per share (basic and diluted), as compared to a net loss of $83,353, or $3.36 per share (basic and diluted), in fiscal 1999.

Liquidity and Capital Resources

Our liquidity requirements consist of working capital needs, ongoing capital expenditures and payments of interest and principal on our indebtedness. Our primary requirements for working capital have been related to the reduction of accrued liabilities, including interest, accrued penalties incurred in connection with the fiscal 2000 seating manufacturing problems, incentive compensation, warranty obligations and accrued severance. Our working capital was $174,897 as of February 24, 2001, as compared to $129,913 as of February 26, 2000 and $143,423 as of February 27, 1999.

At February 24, 2001, our cash and cash equivalents were $60,271, as compared to $37,363 at February 26, 2000. Cash provided from operating activities was $57,860 for fiscal 2001 and was $16,886 for fiscal 2000. For the fiscal year ended February 26, 2000, accounts receivable decreased over the prior fiscal year balance, while sales increased over the prior fiscal year level. During fiscal 2001 and 2000, we completed significant corporate-wide improvements in our billing and collection processes. We believe these are the primary reasons for the reduction in accounts receivable at the end of fiscal 2001 and 2000. Based on these factors and the current economic conditions in our industry, we currently do not expect to significantly adjust our bad debt reserves, although this could change in the future should conditions change. The primary source of cash during fiscal 2001 was net earnings, depreciation and amortization of $63,027, other non-cash expenses of $2,559, a decrease in accounts receivable of $6,043, a decrease in other current assets of $1,789 offset by a use of cash for inventories of $6,427 and payables and accruals of $9,131. During fiscal 2001, the provision for excess and obsolete inventories increased by an incremental $7,000, which was partially offset by a $6,500 decrease in accrued warranties related to a favorable resolution of a customer's claim.

We hold a promissory note from Thomson – CSF Holding Corporation, a subsidiary of The Thales Group (a publicly traded French company with over $9,000,000 in sales). We are currently involved in a dispute with Thales over certain terms of the purchase and sale agreement. Thomson – CSF Holding Corporation failed to make a $15,700 payment when due in October 2000. These obligations to us are guaranteed by Thomson – CSF Sextant, Inc. We have initiated arbitration against Thales and Thomson and expect that this matter will be resolved during fiscal 2002.

Our capital expenditures were $17,133 and $33,169 during fiscal 2001 and fiscal 2000, respectively. The year over year decrease in capital expenditures is primarily attributable to significant expenditures in the prior year for management information system enhancements, expenditures for plant modernization and for acquisitions completed during fiscal 1999. We anticipate ongoing annual capital expenditures of approximately $24,000 for the next several years. We have no material commitments for capital expenditures. We have, in the past, generally funded our capital expenditures from cash from operations and funds available to us under our bank credit facility. We expect to fund future capital expenditures from cash on hand and from operations and, if we are able to refinance our bank credit facility, funds available to us under such new facility. In addition, since 1989, we have completed 20 acquisitions for an aggregate purchase price of $770,000. We have financed these acquisitions primarily through issuances of debt and equity securities, including our 9 7/8% notes, our 8% notes and our 9 1/2% notes.

Included in these acquisitions were the four businesses recently acquired and effective as of February 24, 2001. We acquired Alson Industries, Inc., T.L. Windust Machine, Inc., DMGI, Inc. and Maynard Precision, Inc. by issuing to the former stockholders a total of approximately 2.9 million shares of our common stock, paying them a total of approximately $5,260 in cash and assuming or repaying indebtedness of the acquired companies totaling approximately $11,793. Of these funds, $10,000 were obtained from our bank credit facility, which has since been repaid and terminated as described below, and the balance came from our cash on hand. This consideration represents an aggregate purchase price of approximately $70,126. The aggregate purchase price includes $3,500 of consideration, represented by 187,500 shares of our common stock, that were funded into an escrow account. The payment of this consideration is contingent upon the business of one of the companies, T.L. Windust, achieving specified operating targets during the year ending February 2002. The sellers of T.L. Windust have the opportunity to receive additional purchase price considerations up to a limit of $3,500. The additional funds are due based upon a calculation of T.L. Windust's sales and earnings before interest, taxes, depreciation and amortization, or EBITDA, for fiscal year 2002 exceeding a minimum threshold. If T.L. Windust's EBITDA exceeds $1,183, the full $3,500 is due

and payable. If a lower amount is earned, only a portion of the $3,500 is due and payable. Any proceeds from the sale of these escrow shares in excess of the earnings incentive of approximately $3,500 will be paid to us.

Each of these transactions has been accounted for using the purchase method of accounting. The terms of the acquisition agreements provide that the former stockholders of the companies we acquired will receive net proceeds from the resale of their 2.9 million shares equal to a total of approximately $53,073.

On May 16, 2001 we completed a 5,750,000 share offering of our common stock at $19.50 per share. The estimated net proceeds from this offering were approximately $106,200. Approximately $53,100 were paid to the former owners of the 2001 Acquisitions. We received approximately $50,300, net of estimated offering costs, from the sale of the 2,847,000 shares of stock issued in connection with this offering. Following this offering we had 32,063,231 shares outstanding.

On April 17, 2001 we sold $250,000 of 8 7/8% senior subordinated notes due 2011 in a private offering. The net proceeds less estimated debt issue costs received by us from the sale of the notes were approximately $242,800. Approximately $105,000 of proceeds were or will be used to redeem our 9 7/8% senior subordinated notes due 2006 and approximately $66,700 of proceeds were used to repay balances outstanding under our bank credit facility, which was then terminated. The remainder of the net proceeds from both the notes offering and the equity offering described above will be used for general corporate purposes, including potential future acquisitions.

We repaid and cancelled our bank facility on April 17, 2001 upon the settlement of the sale of the $250,000 of 8 7/8% senior subordinated notes in our recent debt offering. We intend to replace our existing bank credit facility with a new credit facility as soon as reasonably practicable. We are currently in the process of arranging a new bank credit facility. When the credit agreement becomes effective, we do not expect to immediately incur any additional debt.

On April 17, 2001 we called for redemption of all our 9 7/8% senior subordinated notes on May 17, 2001. We will redeem the notes at a redemption price equal to 104.97 percent of the principal amount, together with the accrued interest to the redemption date. We deposited with the trustee on April 17, 2001 funds in an amount sufficient to redeem the 9 7/8% senior subordinated notes on the redemption date. Upon deposit of these funds, the indenture governing the 9 7/8% senior subordinated notes was discharged.

Long-term debt consists principally of our newly issued 8 7/8% senior subordinated notes, our 8% senior subordinated notes and 9 1/2% senior subordinated notes. The $250,000 of 8 7/8% notes mature on May 1, 2011, the $250,000 of 8% notes mature on March 1, 2008 and the $200,000 of 9 1/2% notes mature on November 1, 2008. The notes are unsecured senior subordinated obligations and are subordinated to all of our senior indebtedness. Each of the 8 7/8% notes, 8% notes and 9 1/2% notes contain restrictive covenants, including limitations on future indebtedness, restricted payments, transactions with affiliates, liens, dividends, mergers and transfers of assets, all of which were met by us as of February 24, 2001. The maturities of our long term debt, on a pro forma basis showing the effect of our recent debt offering, are as follows:

Year ending February,	
2002	$ 626
2003	850
2004	733
2005	623
2006	188
Thereafter	699,938
Total	$ 702,958

B/E Aerospace (UK) Limited, one of our subsidiaries, has a revolving line of credit agreement aggregating approximately $7,300. This credit agreement is collateralized by accounts receivable and inventory of B/E Aerospace (UK) Limited and guaranteed by us. There were no borrowings outstanding under the credit agreement as of February 24, 2001.

Inventum, another of our subsidiaries, has a revolving line of credit agreement for approximately $1,000. This credit agreement is collateralized by substantially all of the assets of Inventum. There were no borrowings outstanding under the credit agreement as of February 24, 2001.

We believe that the cash flow from operations and the net proceeds of our recent debt and equity offerings will provide adequate funds for our working capital needs, planned capital expenditures and debt service requirements for the foreseeable future. We believe that we will be able to replace our bank credit facility, which was recently terminated, although there can be no assurance that we will be able to do so. Our ability to fund our operations, make planned capital expenditures, make scheduled payments and refinance our indebtedness depends on our future operating performance and cash flow, which, in turn, are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond our control.

Deferred Tax Assets

We established a valuation allowance related to the utilization of our deferred tax assets because of uncertainties that preclude us from determining that it is more likely than not that we will be able to generate taxable income to realize such assets during the Federal operating loss carryforward period, which begins to expire in 2012. These uncertainties include recent cumulative losses incurred by us, the highly cyclical nature of the industry in which we operate, economic conditions in Asia which has impacted the airframe manufacturers and the airlines, the impact of rising fuel prices on our airline customers, the impact of labor

disputes involving our airline customers, our high degree of financial leverage, risks associated with the implementation of our integrated management information system, risks associated with our seat manufacturing operations and risks associated with the integration of acquisitions. We monitor these uncertainties, as well as other positive and negative factors that may arise in the future, as we assess the necessity for a valuation allowance for our deferred tax assets.

New Accounting Pronouncements

In March 2000, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation – an interpretation of APB Opinion No. 25" ("FIN 44"). FIN 44 clarifies the application of Accounting Principles Board ("APB") Opinion No. 25 and among other issues clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a noncompensatory plan; the accounting consequence of various modifications to the terms of previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. FIN 44 did not have a material impact on our financial position or results of operations.

In December 1999, the SEC staff issued Staff Accounting Bulletin ("SAB") No. 101, Revenue Recognition in Financial Statements. SAB 101 summarizes the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. SAB 101 became effective for our fourth quarter beginning November 26, 2000. Its implementation did not have a material effect on our revenue recognition policy.

In June 1998, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which the Company is required to adopt effective in its fiscal year 2002. SFAS No. 133, as amended, will require the Company to record all derivatives on the balance sheet at fair value. The Company will adopt SFAS No. 133 at the beginning of fiscal 2002. The Company does not currently hold derivatives or engage in hedging activities; therefore, the effects of adopting SFAS No. 133 are not expected to be material.

Risk Factors

We are directly dependent upon the conditions in the airline industry and a severe and prolonged downturn could negatively impact our results of operations.

Our principal customers are the world's commercial airlines. As a result, our business is directly dependent upon the conditions in the highly cyclical and competitive commercial airline industry. In the late 1980s and early 1990s, the world airline industry suffered a severe downturn, which resulted in record losses and several air carriers seeking protection under bankruptcy laws. As a consequence, during such period, airlines sought to conserve cash by reducing or deferring scheduled cabin interior refurbishment and upgrade programs and by delaying purchases of new aircraft. This led to a significant contraction in the commercial aircraft cabin interior products industry and a decline in our business and profitability. Since 2000, increases in fuel prices, the softening of the global economy and labor unrest have negatively impacted airline profitability. A number of airlines have announced that they expect these trends to continue in calendar year 2001. Should the airline industry suffer a severe and prolonged downturn which adversely affects their profitability, discretionary airline spending, including new aircraft and cabin interior refurbishments and upgrades, would be more closely monitored or even reduced. In addition, any prolonged labor unrest experienced by any of our major customers could lead to a delay in their scheduled refurbishment and upgrade programs. Lower capital spending by the airlines or delays in scheduled programs could lead to reduced orders of our products and services and, as a result, our business and profitability could suffer. Our business and profitability have historically been adversely affected by downturns in the airline industry.

Our substantial indebtedness could limit our ability to obtain additional financing and will require that a significant portion of our cash flow be used for debt service.

We have substantial indebtedness and, as a result, significant debt service obligations. As of February 24, 2001, we had approximately $609,700 aggregate amount of indebtedness outstanding, representing approximately 81.8% of total capitalization. As of February 24, 2001, after giving pro forma effect to our recent debt offering and the application of the net proceeds therefrom, our indebtedness would have aggregated approximately $703,000, including short- and long-term debt of our subsidiaries of $3,400, representing approximately 81.1% of total capitalization. We could incur substantial additional indebtedness in the future. We intend to replace our bank credit facility, which we terminated in connection with our recent debt offering, as soon as reasonably practicable. We have no principal maturities on our outstanding indebtedness prior to 2008 (other than principal maturities of our subsidiaries aggregating $3,400). Our annual debt service payment obligations consisting of cash payments of interest, giving pro forma effect to our recent debt offering, are expected to be approximately $61,200.

The degree of our leverage and, as a result, significant debt service obligations, could have significant consequences to purchasers or holders of our shares of common stock, including:

- limiting our ability to obtain additional financing to fund our growth strategy, working capital requirements, capital expenditures, acquisitions, debt service require ments or other general corporate requirements;

- limiting our ability to use operating cash flow in other areas of our business because we must dedicate a substantial portion of those funds to fund debt service obligations;
- increasing our vulnerability to adverse economic and industry conditions; and
- if we are able to replace our bank credit facility, increasing our exposure to interest rate increases because borrowings under a new bank credit facility will likely be at variable interest rates.

We may not be able to generate the necessary amount of cash to service our indebtedness, which may require us to refinance our debt, obtain additional financing or sell assets.

Our ability to satisfy our debt service obligations will depend upon, among other things, our future operating performance and our ability to refinance indebtedness when necessary. Each of these factors is to a large extent dependent on economic, financial, competitive and other factors beyond our control. If, in the future, we cannot generate sufficient cash from operations to meet our debt service obligations, we will need to refinance, obtain additional financing or sell assets. Our business may not generate cash flow, and we may not be able to obtain funding, sufficient to satisfy our debt service requirements.

We have significant financial and operating restrictions in our debt instruments that may have an adverse effect on our operations.

The indentures governing our outstanding notes contain numerous financial and operating covenants that limit our ability to incur additional indebtedness, to create liens or other encumbrances, to make certain payments and investments, including dividend payments and to sell or otherwise dispose of assets and merge or consolidate with other entities. Agreements governing future indebtedness could also contain significant financial and operating restrictions. We intend to replace our bank credit facility, which was cancelled on April 17, 2001, with a new credit facility as soon as reasonably practicable. We expect any new credit facility to contain customary affirmative and negative covenants. A failure to comply with the obligations contained in any current or future agreements governing our indebtedness, including our indentures, could result in an event of default under our bank credit facilities, or such indentures, which could permit acceleration of the related debt and acceleration of debt under other instruments that may contain cross-acceleration or cross-default provisions. We are not certain whether we would have, or be able to obtain, sufficient funds to make these accelerated payments.

The airline industry is heavily regulated and failure to comply with applicable laws could reduce our sales, or require us to incur additional costs to achieve compliance, which could reduce our results of operations.

The Federal Aviation Administration prescribes standards and licensing requirements for aircraft components, including virtually all commercial airline and general aviation cabin interior products, and licenses component repair stations within the United States. Comparable agencies, such as the U.K. Civil Aviation Authority and the Japanese Civil Aviation Board, regulate these matters in other countries. If we fail to obtain a required license for one of our products or services or lose a license previously granted, the sale of the subject product or service would be prohibited by law until such license is obtained or renewed. In addition, designing new products to meet existing regulatory requirements and retrofitting installed products to comply with new regulatory requirements can be both expensive and time consuming.

From time to time the FAA proposes new regulations. These new regulations generally cause an increase in costs to comply with these regulations; when the FAA first enacted Technical Standard Order C127, all seating companies were required to meet these new rules. Compliance with this rule required industry participants to spend millions of dollars on engineering, plant and equipment to comply with the regulation. A number of smaller seating companies decided that they did not have the resources, financial or otherwise, to comply with these rules and they either sold their businesses or ceased operations.

To the extent the FAA implements rule changes in the future, we may incur additional costs to achieve compliance.

The airline industry is subject to extensive health and environmental regulation, any violation of which could subject us to significant liabilities and penalties.

We are subject to extensive and changing federal, state and foreign laws and regulations establishing health and environmental quality standards, and may be subject to liability or penalties for violations of those standards. We are also subject to laws and regulations governing remediation of contamination at facilities currently or formerly owned or operated by us or to which we have sent hazardous substances or wastes for treatment, recycling or disposal. We may be subject to future liabilities or obligations as a result of new or more stringent interpretations of existing laws and regulations. In addition, we may have liabilities or obligations in the future if we discover any environmental contamination or liability at any of our facilities, or at facilities we may acquire.

We compete with a number of established companies, some of which have significantly greater financial, technological and marketing resources than we do and we may not be able to compete effectively with these companies.

We compete with numerous established companies. Some of these companies, particularly in the passenger to freighter conversion business, have significantly greater financial, technological and marketing resources than we do. Our ability to be an effective competitor will depend on our ability to remain the supplier of retrofit and refurbishment products and spare parts on the commercial fleets on which our products are currently in service. It will also depend on our success in causing our products to be selected for installation in new aircraft, including next-generation aircraft, and in avoiding product obsolescence. Our ability to maintain or expand our market

position in the rapidly growing passenger to freighter conversion business will depend on our success in being selected to convert specific aircraft, our ability to maintain and enhance our engineering design, our certification and program management capabilities and our ability to effectively use our recent acquisitions to manufacture a broader range of structural components, connectors and fasteners used in this business.

If we are unable to manufacture quality products and to deliver our products on time, we may be subject to increased costs or loss of customers or orders, which could reduce our results of operations.

During the latter part of fiscal 1999 and throughout fiscal 2000, we experienced significant operating inefficiencies in our seating programs which resulted in delayed deliveries to customers, increased rework of seating products, claims for warranty, penalties, out of sequence charges, substantial increases in air freight and other expedite-related costs. In addition, as a result of our late customer deliveries, certain airlines diverted their seating programs to other manufacturers. To the extent we suffer any of these inefficiencies or shortcomings in the future we will likely experience significant penalties and loss of customers.

Our acquisition strategy may be less successful than we expect and therefore, our growth may be limited.

We intend to consider future acquisitions. We intend to consider future strategic acquisitions, some of which could be material to us and which may include companies that are substantially equivalent or larger in size compared to us. We continually explore and conduct discussions with many third parties regarding possible acquisitions. As of the date of this Annual Report, we have no acquisition agreements to acquire any business or assets. Our ability to continue to achieve our goals may depend upon our ability to identify and successfully acquire attractive companies, to effectively integrate such companies, achieve cost efficiencies and to manage these businesses as part of our company.

We will have to integrate any acquisitions into our business. The difficulties of combining the operations, technologies and personnel of companies we acquire, including those we acquired effective February 24, 2001, into our company include:

- coordinating and integrating geographically separated organizations; and
- integrating personnel with diverse business backgrounds.

We may not be able to effectively manage or integrate the acquired companies. Further, we may not be successful in implementing appropriate operational, financial and management systems and controls to achieve the benefits expected to result from these acquisitions. Our efforts to integrate these businesses could be affected by a number of factors beyond our control, such as regulatory developments, general economic conditions, increased competition and the loss of certain customers resulting from the acquisitions. In addition, the process of integrating these businesses could cause an interruption of, or loss of momentum in, the activities of our existing business and the loss of key personnel and customers. The diversion of management's attention and any delays or difficulties encountered in connection with the transition and integration of these businesses could have a material adverse effect on our business and results of operations. Further, the benefits that we anticipate from these acquisitions may not develop.

We will have to finance any future acquisitions. Depending upon the acquisition opportunities available, we may need to raise additional funds or arrange for additional bank financing. We may seek such additional funds through public offerings or private placements of debt or equity securities or bank loans. We also intend to replace our existing bank credit facility with a new facility as soon as reasonably practicable. Issuance of additional equity securities by us could result in substantial dilution to stockholders. The incurrence of additional indebtedness by us could have adverse consequences to stockholders as described above. In the absence of such financing, our ability to make future acquisitions in accordance with our business strategy, to absorb adverse operating results, to fund capital expenditures or to respond to changing business and economic conditions may be adversely affected, all of which may have a material adverse effect on our business, results of operations and financial condition.

There are risks inherent in international operations that could have a material adverse effect on our business operations.

Our operations are primarily in the United States, with approximately 24% of our sales during fiscal 2001 coming from our foreign operations in the United Kingdom and the Netherlands. While the majority of our operations is based domestically, each of our facilities sells to airlines all over the world. As a result, 40% or more of our consolidated sales for the past three fiscal years were to airlines located outside the United States. We have direct investments in a number of subsidiaries in foreign countries (primarily in Europe). Fluctuations in the value of foreign currencies affect the dollar value of our net investment in foreign subsidiaries, with these fluctuations being included in a separate component of stockholders' equity. Operating results of foreign subsidiaries are translated into U.S. dollars at average monthly exchange rates. At February 24, 2001, we reported a cumulative foreign currency translation amount of $(21,915) in stockholders' equity as a result of foreign currency adjustments, and we may incur additional adjustments in future periods. In addition, the U.S. dollar value of transactions based in foreign currency (collections on foreign sales or payments for foreign purchases) also fluctuates with exchange rates. If in the future a substantial majority of our sales were not denominated in the currency of the country of product origin, we could face increased currency risk. Also, changes in the value of the U.S. dollar or other currencies could result in fluctuations in foreign currency translation amounts or the U.S. dollar value of transactions and, as a result, our net earnings could be adversely affected. Our largest foreign currency exposure results from activity in Dutch guilders and British pounds.

We may engage in hedging transactions in the future to manage or reduce our foreign exchange risk. However, our attempts to manage our foreign currency exchange risk may not be successful and, as a result, our results of operations and financial condition could be adversely affected.

Our foreign operations could also be subject to unexpected changes in regulatory requirements, tariffs and other market barriers and political and economic instability in the countries where we operate. Due to our foreign operations we could be subject to such factors in the future and the impact of any such events that may occur in the future could subject us to additional costs or loss of sales, which could adversely affect our operating results.

Our total assets include substantial intangible assets. The write-off of a significant portion of unamortized intangible assets would negatively affect our results of operations.

Our total assets reflect substantial intangible assets. At February 24, 2001, intangibles and other assets, net, represent approximately 46.3% of total assets and 320.4% of stockholders' equity. Intangible assets consist of goodwill and other identified intangible assets associated with our acquisitions, representing the excess of cost over the fair value of tangible assets we have acquired since 1989. We may not be able to realize the value of these assets. Goodwill and other intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from 3 to 30 years. At each balance sheet date, we assess whether there has been an impairment in the value of intangible assets. If the carrying value of the asset exceeds the estimated undiscounted future cash flows from operating activities of the related business, an impairment is deemed to have occurred. In this event, the amount is written down accordingly. Under current accounting rules, this would result in a charge to operating earnings. Any determination requiring the write-off of a significant portion of unamortized intangible assets would negatively affect our results of operations and total capitalization, which could be material. As of February 24, 2001, we have determined that no impairment existed.

Risks Associated with our Capital Stock

Provisions in our charter documents may discourage potential acquisitions of our company, even those which the holders of a majority of our common stock may favor.

Our restated certificate of incorporation and bylaws contain provisions that may have the effect of discouraging a third party from making an acquisition of us by means of a tender offer, proxy contest or otherwise. Our restated certificate of incorporation and bylaws:

- classify the board of directors into three classes, with directors of each class serving for a staggered three-year period;
- provide that directors may be removed only for cause and only upon the approval of the holders of at least two-thirds of the voting power of our shares entitled to vote generally in the election of such directors;
- require at least two-thirds of the voting power of our shares entitled to vote generally in the election of directors to alter, amend or repeal the provisions relating to the classified board and removal of directors described above;
- permit the board of directors to fill vacancies and newly created directorships on the board;
- restrict the ability of stockholders to call special meetings; and
- contain advance notice requirements for stockholder proposals.

Such provisions would make the removal of incumbent directors more difficult and time-consuming and may have the effect of discouraging a tender offer or other takeover attempt not previously approved by the board of directors.

Our board of directors has declared a dividend of one preferred share purchase right for each share of common stock outstanding. A right will also be attached to each share of common stock subsequently issued. The rights will have certain anti-takeover effects. If triggered, the rights would cause substantial dilution to a person or group of persons that acquires more than 15.0% of our common stock on terms not approved by our board of directors. The rights could discourage or make more difficult a merger, tender offer or other similar transaction.

Under our restated certificate of incorporation, our board of directors also has the authority to issue preferred stock in one or more series and to fix the powers, preferences and rights of any such series without stockholder approval. The board of directors could, therefore, issue, without stockholder approval, preferred stock with voting and other rights that could adversely affect the voting power of the holders of common stock and could make it more difficult for a third party to gain control of us. In addition, under certain circumstances, Section 203 of the Delaware General Corporation Law makes it more difficult for an "interested stockholder," or generally a 15% stockholder, to effect various business combinations with a corporation for a three-year period.

You may not receive cash dividends on our shares.

We have never paid a cash dividend and do not plan to pay cash dividends on our common stock in the foreseeable future. We intend to retain our earnings to finance the development and expansion of our business and to repay indebtedness. Also, our ability to declare and pay cash dividends on our common stock is restricted by covenants in our outstanding notes. We also intend to replace our bank credit facility with a new credit facility as soon as reasonably practicable. We expect any new credit facility to contain customary covenants, which may include covenants restricting our ability to declare and pay cash dividends.

If the price of our common stock continues to fluctuate significantly, you could lose all or a part of your investment.

Since the beginning of fiscal 2001, the closing price of our common stock has ranged from a low of $5.875 to a high

of $25.875. The price of our common stock is subject to sudden and material increases and decreases, and decreases could adversely affect investments in our common stock. The price of our common stock could fluctuate widely in response to:

- our quarterly operating results;
- changes in earnings estimates by securities analysts;
- changes in our business;
- changes in the market's perception of our business;
- changes in the businesses, earnings estimates or market perceptions of our competitors or customers;
- changes in general market or economic conditions; and
- changes in the legislative or regulatory environment.

In addition, the stock market has experienced extreme price and volume fluctuations in recent years that have significantly affected the quoted prices of the securities of many companies, including companies in our industry. The changes often appear to occur without regard to specific operating performance. The price of our common stock could fluctuate based upon factors that have little or nothing to do with our company and these fluctuations could materially reduce our stock price.

Forward-Looking Statements

This Annual Report includes forward-looking statements based on our current expectations, assumptions, estimates and projections about our company and our industry. Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words such as "could," "may," "believe," "will," "expect," "project," "estimate," "intend," "anticipate," "plan," "continue," "predict," "expectations" or other similar words. These statements, including statements regarding our future financial performance and other projections of measures of future financial performance of our company, are based on our current plans and expectations and involve risks and uncertainties that could cause actual future events or results to be different from those described in or implied by such statements. While we believe these forward-looking statements to be reasonable, projections are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections were based may vary significantly from actual results, which variations may be material and adverse. As a result, because these statements are based on expectations as to future performance and events and are not statements of fact, actual events or results may differ materially from those projected. Factors that might cause such a difference include those discussed in our filings with the Securities and Exchange Commission, including but not limited to our most recent proxy statement, Form 10-K, as amended, and Form 10-Q's, as amended, and under the heading "Risk Factors" in this Annual Report as well as future events that may have the effect of reducing our available operating income and cash balances, such as:

- unexpected operating losses;
- the impact of rising fuel prices on our airline customers;
- delays in, or unexpected costs associated with; the integration of our acquired businesses;
- conditions in the airline industry;
- problems meeting customer delivery requirements;
- new or expected refurbishments;
- capital expenditures;
- cash expenditures related to possible future acquisitions;
- further remediation of our Seating Products operating problems;
- labor disputes involving us, our significant customers or airframe manufacturers;
- the possibility of a write-down of intangible assets;
- delays or inefficiencies in the introduction of new products; or
- fluctuations in currency exchange rates.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented herein. These statements should be considered only after carefully reading this entire Annual Report.

The Board of Directors and Stockholders
BE Aerospace, Inc.
Wellington, Florida

We have audited the accompanying consolidated balance sheets of BE Aerospace, Inc. and subsidiaries as of February 24, 2001 and February 26, 2000, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the three fiscal years in the period ended February 24, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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, such consolidated financial statements present fairly, in all material respects, the financial position of BE Aerospace, Inc. and subsidiaries as of February 24, 2001 and February 26, 2000, and the results of their operations and their cash flows for each of the three fiscal years in the period ended February 24, 2001, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche

DELOITTE & TOUCHE LLP
Costa Mesa, California
April 2, 2001, except as to
Note 18, as to which the
date is May 16, 2001

(Dollars in thousands, except share data)	February 24, 2001	February 26, 2000
Assets		
Current Assets:		
Cash and cash equivalents	**$ 60,271**	$ 37,363
Accounts receivable - trade, less allowance for doubtful accounts of $2,619 (2001) and $3,883 (2000)	**99,673**	103,719
Inventories, net	**135,005**	127,230
Other current assets	**50,150**	35,291
Total current assets	**345,099**	303,603
Property and equipment, net	**157,517**	152,350
Intangibles and other assets, net	**433,379**	425,836
	$ 935,995	$ 881,789
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	**$ 64,671**	$ 60,824
Accrued liabilities	**99,685**	109,143
Current portion of long-term debt	**5,846**	3,723
Total current liabilities	**170,202**	173,690
Long-term debt (Note 18)	**603,812**	618,202
Other liabilities	**26,707**	25,400
Commitments and contingencies (Note 11)	–	–
Stockholders' Equity		
Preferred stock, $0.01 par value; 1,000,000 shares authorized; no shares outstanding	–	–
Common stock, $0.01 par value; 50,000,000 shares authorized; 28,460,583 (2001) and 24,931,307 (2000) shares issued and outstanding	**285**	249
Additional paid-in capital	**311,506**	249,682
Accumulated deficit	**(154,602)**	(174,874)
Accumulated other comprehensive loss	**(21,915)**	(10,560)
Total stockholders' equity	**135,274**	64,497
	$ 935,995	$ 881,789

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations and Comprehensive Income (Loss)

		Years Ended	
(Dollars in thousands, except per share data)	**February 24, 2001**	**February 26, 2000**	**February 27, 1999**
Net sales	**$ 666,444**	$ 723,349	$ 701,325
Cost of sales (Note 3)	**416,626**	543,682	522,875
Gross profit	**249,818**	179,667	178,450
Operating Expenses:			
Selling, general and administrative	**92,541**	94,891	83,648
Research, development and engineering	**48,898**	54,004	56,207
Amortization of intangible assets	**23,408**	24,076	22,498
Acquisition and initial public offering costs	**8,276**	–	–
Transaction gain, expenses and other expenses	**–**	–	53,854
Total operating expenses	**173,123**	172,971	216,207
Operating earnings (loss)	**76,695**	6,696	(37,757)
Equity in losses of unconsolidated subsidiary	**–**	1,289	–
Interest expense, net	**54,170**	52,921	41,696
Earnings (loss) before income taxes	**22,525**	(47,514)	(79,453)
Income taxes	**2,253**	3,283	3,900
Net earnings (loss)	**20,272**	(50,797)	(83,353)
Other comprehensive income (loss):			
Foreign exchange translation adjustment	**(11,355)**	(4,455)	(3,086)
Comprehensive income (loss)	**$ 8,917**	$ (55,252)	$ (86,439)
Basic earnings (loss) per share	**$ 0.80**	$ (2.05)	$ (3.36)
Weighted average common shares	**25,359**	24,764	24,814
Diluted earnings (loss) per share	**$ 0.78**	$ (2.05)	$ (3.36)
Weighted average common shares	**25,889**	24,764	24,814

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

(In thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance, February 28, 1998	22,892	$ 229	$ 240,289	$ (40,724)	$ (3,019)	$196,775
Sale of stock under employee stock purchase plan	151	1	2,167	–	–	2,168
Exercise of stock options	292	3	3,829	–	–	3,832
Employee benefit plan matching contribution	101	1	2,300	–	–	2,301
Issuance of stock in conjunction with acquisition (Note 2)	4,000	40	117,960	–	–	118,000
Repurchase of stock in conjunction with acquisition (Note 2)	(4,000)	(40)	(117,960)	–	–	(118,000)
Impact of immaterial poolings (Note 2)	1,167	12	(2,776)	–	–	(2,764)
Net loss	–	–	–	(83,353)	–	(83,353)
Foreign currency translation adjustment	–	–	–	–	(3,086)	(3,086)
Balance, February 27, 1999	24,603	246	245,809	(124,077)	(6,105)	115,873
Sale of stock under employee stock purchase plan	107	1	1,335	–	–	1,336
Exercise of stock options	49	–	442	–	–	442
Employee benefit plan matching contribution	172	2	2,096	–	–	2,098
Net loss	–	–	–	(50,797)	–	(50,797)
Foreign currency translation adjustment	–	–	–	–	(4,455)	(4,455)
Balance, February 26, 2000	24,931	249	249,682	(174,874)	(10,560)	64,497
Sale of stock under employee stock purchase plan	284	3	2,140	–	–	2,143
Exercise of stock options	600	6	6,362	–	–	6,368
Employee benefit plan matching contribution	188	2	1,932	–	–	1,934
Issuance of stock in conjunction with acquisitions	2,458	25	51,390	–	–	51,415
Net earnings	–	–	–	20,272	–	20,272
Foreign currency translation adjustment	–	–	–	–	(11,355)	(11,355)
Balance, February 24, 2001	**28,461**	**$ 285**	**$ 311,506**	**$(154,602)**	**$(21,915)**	**$135,274**

See Notes to Consolidated Financial Statements.

(Dollars in thousands)	YEARS ENDED February 24, 2001	February 26, 2000	February 27, 1999
Cash flows from operating activities:			
Net earnings (loss)	**$ 20,272**	$ (50,797)	$ (83,353)
Adjustments to reconcile net earnings (loss) to net cash flows provided by operating activities:			
Transaction gain, expenses	**–**	–	79,155
Gain on sale of 51% interest in subsidiary	**–**	–	(25,301)
Depreciation and amortization	**42,755**	42,237	40,690
Provision for accounts receivable	**625**	2,008	721
Deferred income taxes	**–**	1,054	(277)
Non-cash employee benefit plan contributions	**1,934**	2,098	2,301
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable	**6,043**	34,440	(22,128)
Inventories	**(6,427)**	(8,764)	(10,935)
Other current assets	**1,789**	(10,146)	(5,514)
Payables, accruals and current taxes	**(9,131)**	4,756	39,856
Net cash flows provided by operating activities	**57,860**	16,886	15,215
Cash flows from investing activities:			
Capital expenditures	**(17,133)**	(33,169)	(37,465)
Change in intangibles and other assets	**(873)**	(16,250)	(19,429)
Acquisitions, net of cash acquired	**–**	–	(231,690)
Net proceeds from sale of 51% interest in subsidiary	**–**	–	61,735
Net cash flows used in investing activities	**(18,006)**	(49,419)	(226,849)
Cash flows from financing activities:			
Net (repayments) borrowings under revolving lines of credit	**(24,516)**	28,924	36,267
Proceeds from issuance of stock, net of expenses	**8,511**	1,759	6,000
Principal payments on long-term debt	**–**	–	(31,714)
Repurchase of common stock originally issued in conjunction with acquisition of SMR Aerospace	**–**	–	(118,000)
Proceeds from long-term debt	**–**	–	194,137
Net cash flows (used in) provided by financing activities	**(16,005)**	30,683	86,690
Effect of exchange rate changes on cash flows	**(941)**	(287)	(241)
Net increase (decrease) in cash and cash equivalents	**22,908**	(2,137)	(125,185)
Cash and cash equivalents, beginning of year	**37,363**	39,500	164,685
Cash and cash equivalents, end of year	**$ 60,271**	$ 37,363	$ 39,500
Supplemental disclosures of cash flow information:			
Cash paid during year for:			
Interest, net	**$ 56,154**	$ 51,745	$ 27,994
Income taxes, net	**2,883**	4,902	4,570
Interest capitalized in computer equipment and software	**325**	1,474	2,088
Supplemental schedule of non-cash activities:			
Stock issued in connection with aquisitions	**51,415**	–	–
Liabilities assumed and accrued aquisition costs incurred in connection with the acquisitions	**14,485**	–	–
Reclassification of Sextant Note from long-term other asset to other current asset	**15,675**	–	–

See Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

Organization and Basis of Presentation - BE Aerospace, Inc. and its wholly-owned subsidiaries (the "Company" or "B/E") designs, manufactures, sells and services a broad line of commercial and general aviation aircraft cabin interior products consisting of a broad range of aircraft seating products, service systems and interior systems products, including structures as well as all food and beverage storage and preparation equipment. The Company's customers are the operators and manufacturers of commercial and general aviation aircraft. As a result, the Company's business is directly dependent upon the conditions in the commercial airline and general aviation industry. The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Consolidation - The accompanying consolidated financial statements include the accounts of BE Aerospace, Inc. and its wholly-owned subsidiaries. Investments in less than majority-owned businesses are accounted for under the equity method. All intercompany transactions and balances have been eliminated in consolidation. The Company's fiscal year ends on the last Saturday in February.

Use of Estimates - The preparation of the consolidated 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 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. Actual results could differ from those estimates.

Income Taxes - In accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes*, the Company provides deferred income taxes for temporary differences between amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Revenue Recognition - Sales of assembled products and equipment are recorded on the date of shipment and passage of title or, if required, upon acceptance by the customer. Service revenues are recorded when services are performed. Revenues and costs under certain long-term contracts are recognized using contract accounting under the percentage-of-completion method. The Company sells its products primarily to airlines worldwide, including occasional sales collateralized by letters of credit. The Company performs ongoing credit evaluations of its customers and maintains reserves for potential credit losses. Actual losses have been within management's expectations.

Warranty Costs - Estimated costs related to product warranties are accrued at the time products are sold.

Cash Equivalents - The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Intangible Assets - Intangible assets consist of goodwill and other identified intangible assets associated with the Company's acquisitions. Goodwill and other identified intangible assets are amortized on a straight-line basis over their estimated useful lives. At each balance sheet date, management assesses whether there has been an other than temporary impairment in the value of intangible assets. If the carrying value of the asset exceeds the estimated undiscounted future cash flows from operating activities of the related business, an other than permanent impairment is deemed to have occurred. In this event, the asset is written down accordingly. As of February 24, 2001, management determined that no impairment existed.

Long-Lived Assets - The Company accounts for the impairment and disposition of long-lived assets in accordance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of.* In accordance with SFAS No. 121, long-lived assets are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. At February 24, 2001, management determined that no such impairment existed.

Research and Development - Research and development expenditures are expensed as incurred.

Foreign Currency Translation - In accordance with the provisions of SFAS No. 52, *Foreign Currency Translation*, the assets and liabilities of subsidiaries located outside the United States are translated into U.S. dollars at the rates of exchange in effect at the balance sheet dates. Revenue and expense items are translated at the average exchange rates prevailing during the period. Gains and losses resulting from foreign currency transactions are recognized currently in income, and those resulting from translation of financial statements are accumulated as a separate component of stockholders' equity.

New Accounting Pronouncements - In March 2000, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation — an interpretation of APB Opinion No. 25* ("FIN 44"). FIN 44 clarifies the application of Accounting Principles Board ("APB") Opinion No. 25 and among other issues clarifies the following: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a non-compensatory plan; the accounting consequence of various modifications to the terms of previously fixed stock options or awards; and the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. FIN 44 did not have a material impact on our financial position or results of operations.

In December 1999, the SEC staff issued Staff Accounting Bulletin ("SAB") No. 101, Revenue Recognition in Financial Statements. SAB 101 summarizes the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. SAB 101 became effective for our fourth quarter beginning November 26, 2000. Its implementation did not have a material effect on our revenue recognition policy.

In June 1998, the FASB issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which the Company is required to adopt effective in its fiscal year 2002. SFAS No. 133, as amended, will require the Company to record all derivatives on the balance sheet at fair value. The Company will adopt SFAS No. 133 at the beginning of fiscal 2002. The Company does not currently hold derivatives or engage in hedging activities; therefore, the effects of adopting SFAS No. 133 are not expected to be material.

Reclassifications - Certain reclassifications have been made to the prior year financial statements to conform to the February 24, 2001 presentation.

2. Acquisitions and Dispositions

The Company has completed a number of acquisitions and dispositions. The following is a summary of these transactions:

2001 Acquisitions - Effective February 24, 2001, the Company acquired four companies, Alson Industries, Inc., T.L. Windust Machine, Inc., DMGI, Inc. and Maynard Precision, Inc. (the "2001 Acquisitions"). These businesses specialize in manufacturing precision-machined components and assemblies for the aerospace industry. The 2001 Acquisitions were completed by issuing to the former stockholders a total of approximately 2.9 million shares of B/E common stock, paying them a total of approximately $5,260 in cash and assuming or repaying indebtedness of approximately $11,793. The consideration represents an aggregate purchase price of approximately $70,126. The aggregate purchase price includes approximately $3,500 of consideration, represented by 187,500 shares of B/E common stock, that was funded into an escrow account. The payment of this consideration is contingent upon one of the acquired businesses achieving specified operating targets for fiscal 2002. Each of these transactions has been accounted for using purchase accounting. The assets purchased and liabilities assumed have been reflected in the accompanying balance sheet as of February 24, 2001. The operating results for the 2001 Acquisitions will be reflected in the Company's results beginning in fiscal 2002.

The Company has not yet completed the evaluation and allocation of the purchase price for the 2001 acquisitions as the appraisals associated with the identification and valuation of certain intangible assets are not yet complete. The Company does not believe that the appraisals will materially modify the preliminary purchase price allocation. The excess of the purchase prices over the fair value of the identifiable net assets acquired aggregated approximately $56,500. Goodwill will be amortized over 30 years using the straight-line method.

The aggregate purchase price for the 2001 Acquisitions has been allocated based on management's estimates as follows:

Accounts receivable	$ 4,900
Inventories	5,800
Other current assets	600
Property and equipment	10,600
Intangible assets and other	56,500
	$ 78,400

The Company recorded costs and expenses associated with the 2001 Acquisitions of approximately $5,800. The costs for the 2001 acquisitions include costs associated with consolidation and integration of existing facilities including lease termination costs and the impairment of property and equipment, in accordance with EITF 94-3 and SFAS 121, and retention benefits to existing employees. These costs, along with approximately $2,500 of costs and expenses attributable to the termination of the initial public offering of a subsidiary, Advanced Thermal Sciences, have been presented as acquisition and initial public offering costs in the accompanying Consolidated Statements of Operations for the year ended February 24, 2001.

1999 Acquisitions - During fiscal 1999, the Company completed a number of acquisitions, which are collectively referred to as the "1999 Acquisitions." The following is a description of each of the more significant transactions:

On April 13, 1998, the Company completed its acquisition of Puritan-Bennett Aero Systems Co. ("PBASCO") for approximately $69,700 in cash and the assumption of approximately $9,200 of liabilities, including related acquisition costs and certain liabilities arising from the acquisition. PBASCO is a manufacturer of commercial aircraft oxygen delivery systems and "WEMAC" air valve components and, in addition, supplies overhead lights and switches, crew masks and protective breathing devices for both commercial and general aviation aircraft. During the first quarter of fiscal 1999, contemporaneously with the acquisition, the Company recorded a charge of $13,000 associated with the PBASCO transaction, for the write-off of in-process research and development and acquisition-related expenses (Note 4).

On April 21, 1998, the Company acquired substantially all of the assets of Aircraft Modular Products ("AMP") for approximately $117,300 in cash and the assumption of approximately $12,800 of liabilities, including related acquisition costs and certain liabilities arising from the acquisition. AMP is a manufacturer of cabin interior products for general aviation (business jet) and commercial-type VIP aircraft, providing a broad line of products including seating, sidewalls, bulkheads, credenzas, closets, galley structures, lavatories, tables and sofas, along with related spare parts. During the first quarter of fiscal 1999, the Company

recorded a charge of approximately $19,255 associated with the AMP transaction for the write-off of in-process research and development and acquisition-related expenses (Note 4).

On August 7, 1998, the Company acquired all of the capital stock of SMR Aerospace, Inc. and its affiliates, SMR Developers LLC and SMR Associates (together, "SMR") for an aggregate purchase price of approximately $141,500 cash and the assumption of approximately $32,600 of liabilities, including related acquisition costs and certain liabilities arising from the acquisition. The Company paid for the acquisition of SMR by issuing four million shares (the "SMR Shares") of Company stock (then valued at approximately $30 per share) to the former stockholders of SMR and paying them $2,000 in cash. The Company also paid $22,000 in cash to the employee stock ownership plan of a subsidiary of SMR Aerospace, Inc. to purchase the minority equity interest in such subsidiary held by the Employee Stock Ownership Plan. The Company agreed to register for sale with the Securities and Exchange Commission the SMR Shares. If the net proceeds from the sale of the shares, which included the $2,000 in cash already paid, was less than $120,000, the Company agreed to pay such difference in cash to the selling stockholders. Because of the market price for the Company's common stock and the Company's payment obligation to the selling stockholders described above, the Company decided to repurchase the SMR Shares with approximately $118,000 of the proceeds from the sale of 9 1/2% Senior Subordinated Notes instead of registering the shares for sale (the $118,000 payment represents the net proceeds of $120,000 the Company was obligated to pay the selling stockholders, less the $2,000 in cash the Company already paid them).

SMR provides design, integration, installation and certification services for commercial aircraft passenger cabin interiors. SMR provides a broad range of interior reconfiguration services that allow airlines to change the size of certain classes of service, modify and upgrade the seating, install telecommunications or entertainment options, relocate galleys, lavatories, and overhead bins and install crew rest compartments. SMR is also a supplier of structural design and integration services, including airframe modifications for passenger-to-freighter conversions. In addition, SMR provides a variety of niche products and components that are used for reconfigurations and conversions. SMR's services are performed primarily on an aftermarket basis and its customers include major airlines such as United Airlines, Japan Airlines, British Airways, Air France, Cathay Pacific and Qantas, as well as Boeing, Airborne Express and Federal Express. During the second quarter of fiscal 1999, the Company recorded a charge of approximately $46,900 associated with the SMR transaction for the write-off of in-process research and development and acquisition-related expenses (Note 4).

On September 3, 1998, the Company acquired substantially all of the galley equipment assets and certain property and assumed related liabilities of CF Taylor Interiors Limited and acquired the common stock of CF Taylor (Wokingham) Limited (collectively "CF Taylor"), both wholly-owned subsidiaries of EIS Group PLC, for a total cash purchase price of approximately $25,100, subject to adjustments, and the assumption of approximately $16,500 of liabilities, including related acquisition costs and certain liabilities arising from the acquisition. CF Taylor is a manufacturer of galley equipment for both narrow- and wide-body aircraft, including galley structures, crew rests and related spare parts.

The PBASCO, AMP, SMR and CF Taylor acquisitions were accounted for as purchases, and accordingly, the assets purchased and liabilities assumed have been reflected in the accompanying consolidated balance sheet as of February 26, 2000. The operating results of these acquisitions have been included in the consolidated financial statements of the Company since the date of the acquisition. The aggregate purchase price for these acquisitions was allocated to the net assets acquired based on appraisals and management's estimates as follows:

Accounts receivable	$ 37,700
Inventories	31,345
Other current assets	3,100
Property, plant and equipment	19,900
Intangible and other assets	253,500
Purchased in-process research and development and acquisition-related expenses	79,155
	$424,700

The excess of the purchase prices over the fair values of the identifiable net assets acquired are being amortized over 30 years using the straight-line method.

Other Acquisitions - During fiscal 1999, the Company acquired all of the issued and outstanding shares of Aerospace Interiors, Inc. and Aircraft Lighting Corporation for 201,895 and 964,780 shares, respectively, in transactions accounted for as a pooling of interests. The Company's consolidated financial statements for fiscal year 1999 include the results of these entities from the date of acquisition. Prior period financial statements were not restated as the results of operations would not have been materially different than those previously reported by the Company.

Disposition - In-Flight Entertainment Business - On February 25, 1999, the Company completed the sale of a 51% interest in its In-Flight Entertainment ("IFE") business to Sextant Avionique, Inc. ("Sextant"), a wholly-owned subsidiary of Sextant Avionique, S.A. (the "IFE Sale"). The Company sold its 51% interest in IFE for $62,000 in cash. Terms of the purchase agreement provided for the final price for the 51% interest to be determined on the basis of operating results for the IFE business over the two-year period ending February 28, 2001. The Company used substantially all of the proceeds from the IFE Sale to repay a portion of its bank line of credit. On October 5, 1999, the Company completed the sale of its remaining 49% equity

interest in IFE to Sextant and this sale did not result in a significant gain. Total consideration for 100% of its equity interest in IFE, intra-entity obligations and the provision of marketing, product and technical consulting services will range from a minimum of $93,600 up to $123,300 (inclusive of the $62,000 received in February 1999 for the sale of a 51% interest in IFE). Terms of the agreement provide for the Company to receive payments of $15,675 on October 5th, 2000 and 2001, (the "IFE obligations") which are included in other current assets and intangibles and other assets, net, in the accompanying financial statements as of February 26, 2000. A third and final payment will be based on the actual sales and booking performances over the period from March 1, 1999 to December 31, 2001. The IFE obligations are guaranteed by Thomson-CSF, a parent company of Sextant Avionique, S.A.. Sextant is in a dispute with the Company over the terms of the IFE Sale and did not make the October 5th, 2000 payment when due. The Company has initiated arbitration proceedings to compel payment. Sextant has counterclaimed against the Company, claiming various breaches of the IFE Sale agreements. The Company expects that this will be resolved during fiscal 2002. Management believes that the dispute will be resolved and the outstanding amount due will be allocated in fiscal 2002.

Pro Forma Information - The following pro forma unaudited financial data is presented to illustrate the estimated effects of the 2001 and 1999 Acquisitions and the IFE sale as if these transactions had occurred as of the beginning of each fiscal year presented.

	2001	2000	1999
Net sales	**$ 705,468**	$ 723,349	$ 689,816
Net earnings (loss)	**24,513**	(49,508)	(32,728)
Diluted earnings (loss) per share	**$ 0.86**	$ (2.00)	$ (1.32)

3. Restructuring Plan and New Product Introduction Costs

During the fourth quarter of fiscal 1999, the Company began to implement a restructuring plan designed to lower its cost structure and improve its long-term competitive position. This plan includes consolidating seven facilities reducing the total number from 21 to 14, reducing its employment base by approximately 8% and rationalizing its product offerings. The cost of the restructuring was $87,825, which was charged to cost of sales, of which $62,497 is related to North American facilities. The cost of the restructuring included charges for various impaired Seating Products assets aggregating $61,089, which consisted of inventories, demonstration equipment and production equipment having a carrying value of $51,589, $7,600 and $1,900, respectively. All of the impaired assets were physically disposed of during the subsequent fiscal year. New product introduction costs were expensed as incurred and aggregated $21,787. In addition, the restructuring program resulted in severance and related separation costs, lease termination and other costs of $4,949.

Pretax cash outlays were not significant during fiscal 1999, and were approximately $4,900 during fiscal 2000. Cash requirements were funded from operations. The Company identified seven facilities, four domestic and three in Europe, for consolidation. The consolidation activities were substantially complete by the end of the fiscal year 2000.

The assets impacted by this program included inventories, factories, warehouses, assembly operations, administration facilities and machinery and equipment. New product introduction costs represent costs incurred in bringing new products to market in volume for the first time and include engineering design and development, costs in excess of standard costs at budgeted manufacturing levels and related expenditures.

The following table summarizes the restructuring costs accrued during the year ended February 27, 1999:

	Original	Utilized in Fiscal 1999	Balance at Feb. 27, 1999	Utilized in Fiscal 2000	Balance at Feb. 26, 2000
Severance, lease termination and other costs	$ 4,949	$ 651	$ 4,298	$ 4,298	–
Impaired inventories, property and equipment	61,089	41,178	19,911	19,911	–
	$66,038	$ 41,829	$24,209	$24,209	–

4. Transaction Gain, Expenses and Other Expenses

As a result of the acquisitions of PBASCO, AMP and SMR, the Company recorded a charge aggregating $79,155 for the write-off of acquired in-process research and development and acquisition-related expenses associated with its acquisitions. In-process research and development expenses arose from new product development projects that were in various stages of completion at the respective acquired enterprises at the date of acquisition. In-process research and development expenses for products under development at the date of acquisition that had not established technological feasibility and for which no alternative use had been identified were written off. The in-process research and development projects have been valued based on expected net cash flows over the product life, costs to complete, the stage of completion of the projects, the result of which has been discounted to reflect the inherent risk associated with the completion of the projects and the realization of the efforts expended.

New product development projects underway at the dates of acquisition included, among others, modular drop boxes, passenger and flight crew oxygen masks, oxygen regulators and generators, protective breathing equipment, on-board oxygen generating systems, reading lights, passenger service units, executive aircraft interior products for the Bombardier Global Express, Boeing Business Jet, Airbus Corporate Jet, Cessna Citation 560XL, Cessna Citation 560 Ultra, Visionaire Vantage and Lear 60, as well as other specific executive aircraft seating products, pneumatic and electrical de-icing systems for the substantial majority of all executive and commuter aircraft types, crew rest modules for selected wide-body aircraft, passenger-to-freighter and combi-to-freighter conversion kits for selected wide-body aircraft, hovercraft skirting devices, cargo nets and smoke barriers. The Company has determined that these projects ranged from 25%-95% complete at February 26, 2000 and estimates that the cost to complete these projects will aggregate approximately $4,522 and will be incurred over a two-year period.

Uncertainties that could impede progress to a developed technology include: (1) availability of financial resources to complete the development, (2) regulatory approval (FAA, CAA, etc.) required for each product before it can be installed on an aircraft, (3) continued economic feasibility of developed technologies, (4) customer acceptance and (5) general competitive conditions in the industry. There can be no assurance that the in-process research and development projects will be successfully completed and commercially introduced.

The Company recorded the in-process research and development and acquisition-related expenses of $79,155 net of the gain on the IFE sale of $25,301 as transaction gain, expenses and other expenses in the accompanying financial statements for the year ended February 27, 1999. The sale of the Company's 49% equity interest in IFE to Sextant on October 5, 1999 did not result in a significant gain.

5. Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method. Finished goods and work in process inventories include material, labor and manufacturing overhead costs. Inventories consist of the following:

	2001	**2000**
Raw materials and component parts	**$ 54,558**	$ 59,322
Work-in-process	**39,335**	36,556
Finished goods	**41,112**	31,352
	$ 135,005	$127,230

6. Property and Equipment

Property and equipment are stated at cost and depreciated and amortized generally on the straight-line method over their estimated useful lives of two to thirty years (or the lesser of the term of the lease as to leasehold improvements, as appropriate). Property and equipment consist of the following:

	Years	**2001**	**2000**
Land, buildings and improvements	10-30	**$ 60,154**	$ 62,783
Machinery	3-13	**57,292**	49,626
Tooling	3-10	**32,097**	28,213
Computer equipment and software	4-15	**77,495**	71,608
Furniture and equipment	2-10	**7,186**	6,850
		234,224	219,080
Less accumulated depreciation and amortization		**(76,707)**	(66,730)
		$ 157,517	$ 152,350

7. Intangibles and Other Assets

Intangibles and other assets consist of the following:

	Straight-Line Amortization Period (Years)	2001	2000
Goodwill and other intangible assets arising from acquisitions	3-30	**$ 506,381**	$ 459,175
Debt issue costs (Note 18)	5-10	**23,842**	23,842
Other assets		**18,896**	28,355
Due from Sextant (Note 2)		**-**	15,675
		549,119	527,047
Less accumulated amortization		**(115,740)**	(101,211)
		$ 433,379	$ 425,836

8. Accrued Liabilities

Accrued liabilities consist of the following:

	2001	2000
Other accrued liabilities	**$ 36,846**	$ 33,876
Accrued salaries, vacation and related benefits	**28,439**	30,016
Accrued interest	**17,148**	17,808
Accrued acquisition expenses	**7,320**	4,514
Accrued product warranties	**9,932**	22,929
	$ 99,685	$ 109,143

9. Long-Term Debt

Long-term debt consists of the following:

	2001	2000
9⅞% Senior Subordinated Notes	**$ 100,000**	$ 100,000
8% Senior Subordinated Notes	**249,564**	249,502
9½% Senior Subordinated Notes	**200,000**	200,000
Chase Manhattan Bank Credit Facility	**56,700**	72,300
Other long-term debt	**3,394**	123
	609,658	621,925
Less current portion of long-term debt	**(5,846)**	(3,723)
	$ 603,812	$ 618,202

9 ⅞% Senior Subordinated Notes - The 9 ⅞% Senior Subordinated Notes (the "9 ⅞% Notes") are unsecured senior subordinated obligations of the Company, subordinated to any senior indebtedness of the Company and mature on February 1, 2006. Interest on the 9 ⅞% Notes is payable semiannually in arrears on February 1 and August 1 of each year. The 9 ⅞% Notes are redeemable at the option of the Company, in whole or in part, at any time after February 1, 2001 at predetermined redemption prices together with accrued and unpaid interest through the date of redemption. Upon a change of control (as defined), each holder of the 9 ⅞% Notes may require the Company to repurchase such holder's 9 ⅞% Notes at 101% of the principal amount thereof, plus accrued and unpaid interest to the date of such purchase. The Company has refinanced the 9 ⅞% Notes on a long term basis in connection with its recent debt offering. (See Note 18)

8% Senior Subordinated Notes - The 8% Senior Subordinated Notes (the "8% Notes") are unsecured senior subordinated obligations of the Company, subordinated to any senior indebtedness of the Company and mature on March 1, 2008. Interest on the 8% Notes is payable semiannually in arrears on March 1 and September 1 of each year. The 8% Notes are redeemable at the option of the Company, in whole or in part, on or after March 1, 2003, at predetermined redemption prices together with accrued and unpaid interest through the date of redemption. In addition, at any time prior to March 1, 2001, the Company may, at predetermined prices together with accrued and unpaid interest through the date of redemption, redeem up to 35% of the aggregate principal amount of the Notes originally issued with the net proceeds of one or more equity offerings, provided that at least 65% of the aggregate principal amount of the 8% Notes originally issued remains outstanding after the redemption. Upon a change of control (as defined), each holder of the 8% Notes may require the Company to repurchase such holder's 8% Notes at 101% of the principal amount thereof, plus accrued interest to the date of such purchase.

9 ½% Senior Subordinated Notes - The 9 ½% Senior Subordinated Notes (the "9 ½ Notes") are unsecured senior subordinated obligations and are subordinated to any senior indebtedness of the Company and mature on November 1, 2008. Interest on the 9 ½% Notes is payable semiannually in arrears on May 1 and November 1 of each year. The 9 ½% Notes are redeemable at the option of the Company, in whole or in part, at any time after November 1, 2003 at predetermined redemption prices together with accrued and unpaid interest through the date of redemption. Upon a change of control (as defined), each holder of the 9 ½% Notes may require the Company to repurchase such holder's 9 ½% Notes at 101% of the principal amount thereof, plus accrued and unpaid interest to the date of such purchase.

The 9 7/8% Notes, 8% Notes and 9 1/2% Notes contain certain restrictive covenants, including limitations on future indebtedness, restricted payments, transactions with affiliates, liens, dividends, mergers and transfers of assets, all of which were met by the Company as of February 24, 2001.

Credit Facilities - The Company maintains its credit facilities with The Chase Manhattan Bank (the "Bank Credit Facility"). The Bank Credit Facility consists of a $100,000 revolving credit facility (of which $50,000 may be utilized for acquisitions) and an acquisition facility of $29,700. The revolving credit facility expires in August 2004 and the acquisition facility is amortizable over five years beginning in August 1999. The Bank Credit Facility is collateralized by the Company's accounts receivable, inventories and by substantially all of its other personal property. At February 24, 2001, indebtedness under the existing Bank Credit Facility consisted of revolving credit facility outstanding borrowings of $27,000 (bearing interest at LIBOR plus 2.5%, or approximately 8.8%) letters of credit aggregating approximately $4,619 and outstanding borrowings under the acquisition facility aggregating $29,700 (bearing interest at LIBOR plus 2.5%, or approximately 9.2% as of February 24, 2001). At February 26, 2000, indebtedness under the existing Bank Credit Facility consisted of revolving credit facility outstanding borrowings of $39,000 (bearing interest at LIBOR plus 1.75%, or approximately 7.8%), letters of credit aggregating approximately $2,319 and outstanding borrowing under the acquisition facility aggregating $33,300 (bearing interest at LIBOR plus 1.5%, or approximately 7.9% as of February 26, 2000). The Bank Credit Facility, which was most recently amended on December 21, 1999, contains customary affirmative covenants, negative covenants and conditions of borrowing (such as interest coverage and leverage ratios), all of which were met by the Company as of February 24, 2001. The Company has repaid its indebtedness under the Bank Credit Facility in connection with its recent debt offering. (See Note 18)

B/E Aerospace (UK) Limited, one of our subsidiaries, has a revolving line of credit agreement aggregating approximately $7.3 million. This credit agreement is collateralized by accounts receivable and inventory of B/E Aerospace (UK) Limited and guaranteed by the Company. There were no borrowings outstanding under the credit agreement as of February 24, 2001.

Maturities of long-term debt are as follows:

Fiscal year ending in February:	
2002	$ 5,846
2003	9,787
2004	12,910
2005	30,801
2006	100,125
Thereafter	450,189
	$ 609,658

Interest expense amounted to $57,857, $54,860 and $44,794 for the years ended February 24, 2001, February 26, 2000 and February 27, 1999, respectively.

10. Income Taxes

Income tax expense consists of the following:

	2001	2000	1999
Current:			
Federal	**$ 1,315**	$ –	$ 1,004
State	**–**	–	–
Foreign	**938**	2,229	5,157
	2,253	2,229	6,161
Deferred:			
Federal	**8,268**	(19,296)	(25,731)
State	**2,484**	(1,595)	(8,169)
Foreign	**1,146**	660	(4,828)
	11,898	(20,231)	(38,728)
Change in valuation allowance	**(11,898)**	21,285	36,467
	$ 2,253	$ 3,283	$ 3,900

The difference between income tax expense and the amount computed by applying the statutory U.S. federal income tax rate (35%) to the pretax earnings before extraordinary item consists of the following:

	2001	2000	1999
Statutory U.S. federal income tax expense (benefit)	**$ 7,884**	$(16,630)	$(27,809)
Operating loss (with) without tax benefit	**(10,923)**	16,827	25,940
Goodwill amortization	**3,253**	2,529	1,507
Foreign tax rate differential	**1,315**	124	2,514
Meals and entertainment	**340**	268	177
Officer's life insurance	**332**	387	277
Other, net	**52**	(222)	1,294
	$ 2,253	$ 3,283	$ 3,900

The tax effects of temporary differences and carryforwards that give rise to deferred income tax assets and liabilities consist of the following:

	2001	2000	1999
Inventory reserves	**$ 6,267**	$ 6,161	$ 9,770
Acquisition accruals	**(6,409)**	(4,467)	(2,190)
Warranty accruals	**3,501**	7,956	1,832
Accrued liabilities	**10,588**	9,202	4,412
Other	**1,499**	1,123	1,551
Net current deferred income tax asset	**15,446**	19,975	15,375
Intangible assets	**(11,149)**	(12,680)	(11,926)
Depreciation	**(11,815)**	(3,701)	(2,085)
Net operating loss carryforward	**48,333**	51,270	21,853
Research credit carryforward	**7,052**	4,578	4,157
Deferred compensation	**11,271**	9,911	8,605
Research and development expense	**20,867**	22,550	24,232
Software development costs	**(5,429)**	(5,429)	(4,739)
Deferred gain on IFE Sale	**–**	–	6,600
Investment in Sextant	**–**	–	4,351
Other	**974**	974	794
Net noncurrent deferred income tax asset	**60,104**	67,473	51,842
Valuation allowance	**(75,550)**	(87,448)	(66,163)
Net deferred tax assets (liabilities)	**$ –**	$ –	$ 1,054

The Company established a valuation allowance of $75,550, as of February 24, 2001 related to the utilization of its deferred tax assets because of uncertainties that preclude it from determining that it is more likely than not that the Company will be able to generate taxable income to realize such assets during the federal operating loss carryforward period, which begins to expire in 2012. Such uncertainties include the impact of changing fuel prices on the Company's customers, recent cumulative losses, the highly cyclical nature of the industry in which it operates, economic conditions impacting the airframe manufacturers and the airlines, the Company's high degree of financial leverage, risks associated with new product introductions and risks associated with the integration of acquisitions. The Company monitors these as well as other positive and negative factors that may arise in the future, as it assesses the necessity for a valuation allowance against its deferred tax assets.

As of February 24, 2001, the Company had federal, state and foreign net operating loss carryforwards of $113,128, $82,723 and $4,157, respectively, which begin to expire in 2012, 2002 and indefinite carryforward, respectively. Approximately $24,000 of the Company's net operating loss carryforward is related to the exercise of stock options and will be creditited to additional paid-in capital rather than income tax expense when utilized.

As of February 24, 2001, the Company had federal research tax credit and alternative minimum tax credit carryfowards of $7,052 and $974, respectively, which begin to expire in 2007, and indefinite carryforward, respectively.

The Company has not provided for any residual U.S. income taxes on the approximately $14,341 of earnings from its foreign subsidiaries because such earnings are intended to be indefinitely reinvested. Such residual U.S. income taxes, if provided for, would be immaterial.

The Company's federal tax returns for the years ended February 22, 1997, February 28, 1998 and February 27, 1999 are currently under examination by the Internal Revenue Service. Management believes that the resolution of this examination will not have a material adverse effect on either the Company's results of operations or financial position.

11. Commitments and Contingencies

Leases - The Company leases certain of its office, manufacturing and service facilities and equipment under operating leases, which expire at various times through July 2009. Rent expense for fiscal 2001, 2000 and 1999 was approximately $12,340, $13,587 and $13,423, respectively. Future payments under operating leases with terms currently greater than one year are as follows:

Fiscal year ending in February:	
2002	$11,135
2003	8,470
2004	5,090
2005	2,755
2006	2,298
Thereafter	8,578
	$38,326

Litigation - The Company is a defendant in various legal actions arising in the normal course of business, the outcomes of which, in the opinion of management, neither individually nor in the aggregate are likely to result in a material adverse effect to the Company's financial statements.

Employment Agreements - The Company has employment and compensation agreements with three key officers of the Company. One of the agreements provides for an officer to earn a minimum of $745 per year through a three year period ending from any date after which it is measured, adjusted annually for changes in the consumer price index (as defined) or as determined by the Company's Board of Directors, as well as a deferred

compensation benefit equal to the product of the years worked by the highest annual salary paid over the period. Such deferred compensation will be payable in either a lump sum or in equal monthly installments for that number of months equal to the number of months elapsed from the commencement date (as defined) through the cessation date (as defined).

A second agreement provides for an officer to receive annual minimum compensation of $685 per year through a three year period ending from any date after which it is measured, adjusted annually for changes in the consumer price index (as defined) or as determined by the Company's Board of Directors, as well as a deferred compensation benefit equal to the product of the years worked by the highest annual salary paid over the period. In all other respects, this officer's employment agreement contains similar provisions to those described above in the first agreement.

A third agreement provides for an officer to receive annual minimum compensation of $345 per year through a three year period ending from any date after which it is measured, adjusted annually for changes in the consumer price index (as defined) or as determined by the Company's Board of Directors, as well as a deferred compensation benefit upon completion of ten years of service for a period not to exceed ten years equal to one-half of this officer's average highest three year's annual salary (as defined).

Deferred compensation for these three officers has been accrued as provided for under the above mentioned employment agreements, aggregated $19,308 as of February 24, 2001, $17,091 as of February 26, 2000 and is included in other liabilities in the accompanying financial statements. The Company has funded this obligation through corporate-owned life insurance policies and other investments, all of which are maintained in an irrevocable rabbi trust. In addition, the Company has employment agreements with certain other key members of management that provide for aggregate minimum annual base compensation of $3,203 expiring on various dates through the year 2002.

12. Employee Retirement Plans

The Company sponsors and contributes to a qualified, defined contribution Savings and Investment Plan covering substantially all U.S. employees. The Company also sponsors and contributes to nonqualified deferred compensation programs for certain officers and other employees. The Company has invested in corporate-owned life insurance policies to assist in funding certain of these programs. The cash surrender values of these policies and other investments associated with these plans are maintained in an irrevocable rabbi trust and are recorded as assets of the Company. In addition, the Company and its subsidiaries participate in government-sponsored programs in certain European countries. In general, the Company's policy is to fund these plans based on legal requirements, tax considerations, local practices and investment opportunities.

The BE Aerospace Savings and Investment Plan was established pursuant to Section 401(k) of the Internal Revenue Code. Under the terms of the plan, covered employees are allowed to contribute up to 15% of their pay, limited to $10 per year. The Company match is equal to 50% of employee contributions, subject to a maximum of 8% of an employee's pay and is generally funded in Company stock. Total expense for the plan was $1,934, $2,098 and $2,301 for the years ended February 24, 2001, February 26, 2000 and February 27, 1999, respectively. Participants vest 100% in the Company match after five years of service.

The BE Supplemental Executive Retirement Plan is an unfunded plan maintained for the purpose of providing deferred compensation for certain employees. This plan allows certain employees to annually elect to defer a portion of their compensation, on a pre-tax basis, until their retirement. The retirement benefit to be provided is based on the amount of compensation deferred, Company cash match and earnings on deferrals. Deferred compensation expense was $239, $299 and $231 in fiscal 2001, 2000 and 1999, respectively.

13. Stockholders' Equity

Earnings (Loss) Per Share - Basic earnings per common share are determined by dividing earnings available to common shareholders by the weighted average number of shares of common stock. Diluted earnings per share are determined by dividing earnings available to common shareholders by the weighted average number of shares of common stock and dilutive common stock equivalents outstanding (all related to outstanding stock options discussed below).

The following table sets forth the computation of basic and diluted net earnings (loss) per share for the years ended February 24, 2001 February 26, 2000 and February 27, 1999:

	2001	2000	1999
Numerator:			
Net earnings (loss)	**$ 20,272**	$ (50,797)	$(83,353)
Denominator:			
Denominator for basic earnings (loss) per share – Weighted average shares	**25,359**	24,764	24,814
Effect of dilutive securities – Employee stock options	**530**	–	–
Denominator for diluted earnings (loss) per share – Adjusted weighted average shares	**25,889**	24,764	24,814
Basic net earnings (loss) per share	**$ 0.80**	$ (2.05)	$ (3.36)
Diluted net earnings (loss) per share	**$ 0.78**	$ (2.05)	$ (3.36)

Stock Option Plans - The Company has various stock option plans, including the Amended and Restated 1989 Stock Option Plan, the 1991 Directors Stock Option Plan, the 1992 Share Option Scheme and the Amended and Restated 1996 Stock Option Plan (collectively, the "Option Plans"), under which shares of the Company's common stock may be granted to key employees and directors of the Company. The Option Plans provide for granting key employees options to purchase the Company's common stock. Options are granted at the discretion of the Stock Option and Compensation Committee of the Board of Directors. Options granted vest 25% on the date of grant and 25% per year thereafter.

The following tables set forth options granted, canceled, forfeited and outstanding:

FEBRUARY 24, 2001

	Options	Option Price Per Share	Weighted Average Price Per Share
Outstanding, beginning of period	5,807,701	$ 7.00 – $ 31.50	$ 18.03
Options granted	1,231,000	6.94 – 16.00	12.05
Options exercised	(600,077)	6.94 – 19.00	10.61
Options forfeited	(383,003)	6.94 – 29.88	19.98
Outstanding, end of period	6,055,621	6.94 – 31.50	17.30
Exercisable at end of year	3,793,136	$ 6.94 – $ 31.50	$ 19.54

FEBRUARY 26, 2000

	Options	Option Price Per Share	Weighted Average Price Per Share
Outstanding, beginning of period	3,999,151	$ 7.00 – $ 31.50	$ 21.42
Options granted	2,335,200	7.00 – 17.75	12.93
Options exercised	(48,950)	7.63 – 20.81	8.93
Options forfeited	(477,700)	16.13 – 29.88	22.57
Outstanding, end of period	5,807,701	7.00 – 31.50	18.00
Exercisable at end of year	3,203,835	$ 7.00 – $ 31.50	$ 19.13

FEBRUARY 27, 1999

	Options	Option Price Per Share	Weighted Average Price Per Share
Outstanding, beginning of period	2,931,501	$ 7.00 – $ 31.50	$ 20.17
Options granted	1,453,500	16.44 – 29.50	22.41
Options exercised	(292,100)	7.38 – 29.88	13.12
Options forfeited	(93,750)	16.13 – 29.88	25.97
Outstanding, end of period	3,999,151	7.00 – 31.50	21.42
Exercisable at end of year	2,004,531	$ 7.00 – $ 31.50	$ 19.49

At February 24, 2001, options were available for grant under each of the Company's Option Plans.

OPTIONS OUTSTANDING AT FEBRUARY 24, 2001

Range of Exercise Price	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Options Exercisable	Weighted Average Exercise Price
$ 6.94 – $ 8.38	344,625	$ 7.53	5.30	222,750	$ 7.86
8.44 – 8.44	921,302	8.44	8.94	370,606	8.44
8.50 – 16.44	1,240,396	12.05	8.46	415,150	11.69
17.75 – 17.75	929,225	17.75	8.35	449,427	17.75
19.00 – 20.81	1,238,823	20.17	6.89	1,043,578	20.05
21.50 – 31.50	1,381,250	27.47	6.69	1,291,625	27.47
	6,055,621			3,793,136	

The estimated fair value of options granted during fiscal 2001, fiscal 2000 and fiscal 1999 was $7.80 per share, $10.70 per share and $13.93 per share, respectively. The Company applies Accounting Principles Board Opinion No. 25 and related Interpretations in accounting for its stock option and purchase plans. Accordingly, no compensation cost has been recognized for its stock option plans and stock purchase plan. Had compensation cost for the Company's stock option plans and stock purchase plan been determined consistent with SFAS No. 123, the Company's net earnings (loss) and net earnings (loss) per share for the years ended February 24, 2001, February 26, 2000 and February 27, 1999 would have been reduced to the pro forma amounts indicated in the following table:

	2001	2000	1999
As reported			
Net earnings (loss)	**$ 20,272**	$ (50,797)	$ (83,353)
Diluted net earnings (loss) per share	**0.78**	(2.05)	(3.36)
Pro forma			
Net earnings (loss)	**$ 5,698**	$ (69,570)	$ (98,477)
Diluted net earnings (loss) per share	**0.22**	(2.81)	(3.97)
Weighted Average			
Weighted average and pro forma weighted average common shares	**25,889**	24,764	24,814

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for options granted in fiscal 2001, 2000 and 1999: risk-free interest rates of 6.1%, 5.5% and 5.0%, expected dividend yields of 0.0%; expected lives of 3.5 years, 3.5 years and 3.5 years; and expected volatility of 70%, 114% and 73%, respectively.

The impact of outstanding non-vested stock options granted prior to fiscal 1997 has been excluded from the pro forma calculation; accordingly, the pro forma adjustments shown above are not indicative of future period pro forma adjustments, when the calculation will apply to all applicable stock options.

14. Employee Stock Purchase Plan

The Company has established a qualified Employee Stock Purchase Plan, the terms of which allow for qualified employees (as defined) to participate in the purchase of designated shares of the Company's common stock at a price equal to the lower of 85% of the closing price at the beginning or end of each semi-annual stock purchase period. The Company issued 284,017 and 106,530 shares of common stock during fiscal 2001 and 2000 pursuant to this plan at an average price per share of $7.54 and $12.54, respectively.

15. Segment Reporting

The Company is organized based on the products and services it offers. Under this organizational structure, the Company has three reportable segments: Commercial Aircraft Products, Business Jet Products and Engineering Services. The Company's Commercial Aircraft Products segment consists of 15 operating units while the Business Jet and Engineering Services segments consist of three and one operating units, respectively.

Each segment reports its results of operations and makes requests for capital expenditures and acquisition funding to the Company's chief operational decision-making group. This group is presently comprised of the Chairman, the President and the Chief Executive Officer, and the Corporate Senior Vice President of Administration and Chief Financial Officer. Each operating segment has separate management teams and infrastructures dedicated to providing a full range of products and services to their commercial and general aviation customers. As described in Note 2, the Company sold a 51% interest in IFE on February 25, 1999 and its remaining 49% interest in IFE on October 5, 1999. IFE was a separate, reportable segment.

The following table presents net sales and other financial information by business segment:

FISCAL 2001

	Commercial Aircraft Products	Business Jet Products	Engineering Services	In-Flight Entertainment	Consolidated
Net sales	$511,282	$ 86,182	$68,980	–	$666,444
Operating earnings	50,849	14,157	11,689	–	76,695
Total assets	634,424	196,246	105,325	–	935,995
Capital expenditures	12,232	4,590	311	–	17,133
Depreciation and amortization	29,033	9,369	4,353	–	42,755

FISCAL 2000

	Commercial Aircraft Products	Business Jet Products	Engineering Services	In-Flight Entertainment	Consolidated
Net sales	$579,736	$ 81,096	$62,517	–	$723,349
Operating earnings	(11,282)	13,188	4,790	–	6,696
Total assets	584,205	192,929	104,655	–	881,789
Capital expenditures	30,383	1,952	834	–	33,169
Depreciation and amortization	28,622	9,489	4,126	–	42,237

FISCAL 1999

	Commercial Aircraft Products	Business Jet Products	Engineering Services	In-Flight Entertainment	Consolidated
Net sales	$528,992	$ 64,856	$28,700	$78,777	$701,325
Operating earnings	(23,238)*	(40,344)*	5,415*	20,410**	(37,757)
Total assets	606,741	239,056	58,502	–	904,299
Capital expenditures	31,965	2,673	769	2,058	37,465
Depreciation and amortization	25,970	8,250	1,284	5,186	40,690

* Includes $16,615 and $55,000 of expenses associated with purchased in-process research and development and acquisition-related expenses allocated to Commercial Aircraft Products and Businesses Jet Products, respectively.

** Includes gain on sale of In-Flight Entertainment of $25,301 and expenses of $7,540 associated with purchased in-process research and development.

Through February 27, 1999, we operated in the (1) commercial aircraft products, (2) business jet products, (3) engineering services and (4) in-flight entertainment segments of the commercial airline and general aviation industry. Following the sale of our controlling interest in the IFE business, we operated in three segments – (1) commercial aircraft products, (2) business jet products and (3) engineering services. Revenues for similar classes of products or services within these business segments for the fiscal years ended February 2001, 2000 and 1999 are presented below:

	Years Ended (in thousands)		
	Feb 24, 2001	Feb. 26, 2000	Feb. 27, 1999
Commercial aircraft products:			
Seating products	**$ 288,035**	$ 324,878	$ 296,482
Interior systems products	**151,633**	144,832	137,966
Cabin interior structures	**71,614**	110,026	94,544
Total	**511,282**	579,736	528,992
Business jet products	**86,182**	81,096	64,856
Engineering services	**68,980**	62,517	28,700
In-flight entertainment	**-**	-	78,777
Total Revenues	**$ 666,444**	$ 723,349	$ 701,325

The Company operated principally in two geographic areas, the United States and Europe (primarily the United Kingdom), during the years ended February 24, 2001, February 26, 2000, and February 27, 1999. There were no significant transfers between geographic areas during the period. Identifiable assets are those assets of the Company that are identified with the operations in each geographic area.

The following table presents net sales and operating earnings (loss) for the years ended February 24, 2001, February 26, 2000 and February 27, 1999 and identifiable assets as of February 24, 2001, February 26, 2000 and February 27, 1999 by geographic area:

	2001	**2000**	**1999**
Net Sales:			
United States	**$ 503,811**	$ 510,728	$ 511,063
Europe	**162,633**	212,621	190,262
Total	**$ 666,444**	$ 723,349	$ 701,325
Operating Earnings (Loss):			
United States	**$ 65,411**	$ (3,143)	$ (43,613)
Europe	**11,284**	9,839	5,856
Total	**$ 76,695**	$ 6,696	$ (37,757)
Identifiable Assets:			
United States	**$ 756,667**	$ 704,392	$ 726,056
Europe	**179,328**	177,397	178,243
Total	**$ 935,995**	$ 881,789	$ 904,299

Export sales from the United States to customers in foreign countries amounted to approximately $160,815, $188,530 and $174,659 in fiscal 2001, 2000 and 1999, respectively. Net sales to all customers in foreign countries amounted to $279,830, $311,160 and $297,474 in fiscal 2001, 2000 and 1999, respectively. Net sales to Europe amounted to 22%, 26% and 22% in fiscal 2001, 2000 and 1999, respectively. Net sales to Asia amounted to 10%, 11% and 12% in fiscal 2001, 2000 and 1999, respectively. Major customers (i.e., customers representing more than 10% of net sales) change from year to year depending on the level of refurbishment activity and/or the level of new aircraft purchases by such customers. There were no major customers in fiscal 2001 and 2000. During the year ended February 27, 1999, one customer accounted for approximately 13% of the Company's net sales.

16. Fair Value Information

The following disclosure of the estimated fair value of financial instruments at February 24, 2001 and February 26, 2000 is made in accordance with the requirements of SFAS No. 107, *Disclosures about Fair Value of Financial Instruments.* The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies; however, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The carrying amounts of cash and cash equivalents, accounts receivable-trade, and accounts payable are a reasonable estimate of their fair values. At February 24, 2001 and February 26, 2000, the Company's 9 7/8% Notes had a carrying value of $100,000 and a fair value of $102,750 and $95,250, respectively. At February 24, 2001 and February 26, 2000, the Company's 8% Notes had carrying values of $249,564 and $249,502 and fair values of $245,197 and $213,324, respectively. At February 24, 2001 and February 26, 2000, the Company's 9 1/2% Notes had a carrying value of $200,000 and fair values of $207,500 and $185,000, respectively.

The fair value information presented herein is based on pertinent information available to management as of February 24, 2001. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these consolidated financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

17. Selected Quarterly Data (unaudited)

Summarized quarterly financial data for fiscal 2001 are as follows:

YEAR ENDED FEBRUARY 24, 2001

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$ 169,125	$ 164,116	$ 167,410	$ 165,793
Gross profit	61,553	60,758	63,548	63,959
Net earnings	4,438	4,729	7,919	3,186
Basic net earnings per share	0.18	0.19	0.31	0.12
Diluted net earnings per share	0.18	0.19	0.30	0.12

Summarized quarterly financial data for fiscal 2000 are as follows:

YEAR ENDED FEBRUARY 26, 2000

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$ 185,032	$ 191,895	$ 164,578	$ 181,844
Gross profit (loss)	66,587	70,337	(2,008)	44,751
Net earnings (loss)	11,415	13,720	(66,038)	(9,894)
Basic net earnings (loss) per share	0.46	0.56	(2.66)	(0.40)
Diluted net earnings (loss) per share	0.46	0.55	(2.66)	(0.40)

18. Subsequent Events

On April 17, 2001 the Company sold $250,000 of 8 7/8% senior subordinated notes due 2011 in a private offering. The net proceeds less estimated debt issue costs from the sale of the notes were approximately $242,800. Approximately $66,700 of proceeds were used to repay the Bank Credit Facility, which was terminated. On April 17, 2001, the Company issued a notice to call the $100,000 9 7/8% Senior Subordinated Notes due 2006.

The early extinguishments of the 9 7/8% senior subordinated notes, the related call payment of $4,900 and the early termination of the revolver, will result in a $9,300 extraordinary charge, net of tax, during April 2001.

On May 8, 2001, the Company entered into an agreement to aquire the outstanding common stock of Nelson Aerospace, Inc. for approximately $20,000. The transaction will be accounted for under the purchase method of accounting.

On May 16, 2001 we completed a 5,750,000 share offering of our common stock at $19.50 per share. The estimated net proceeds from this offering were approximately $106,200. Approximately $53,100 were paid to the former owners of the 2001 Acquisitions. We received approximately $50,300, net of estimated offering costs, from the sale of the 2,847,000 shares of stock issued in connection with this offering. Following this offering we had 32,063,231 shares outstanding.

Glossary

Aftermarket:
products for aircraft already in operation. B/E manufactures and sells products for both the aftermarket and newly manufactured aircraft.

Business jet:
private passenger aircraft used by businesses and VIPs. According to industry sources, the number of business jets has tripled worldwide since 1978.

Certification:
B/E provides sophisticated engineering services to ensure that cabin interior reconfigurations or passenger-to-freighter conversions comply with regulatory agencies' rules.

Commercial aircraft:
passenger aircraft operated by airlines.

Crew rest compartment:
sleeping compartment for flight crew, generally above or below passenger cabin. Rest facilities are required for long-haul flights over 10 hours which require two crews.

Galley structure:
aircraft interior wall unit with compartments for ovens, coffee makers and other food and beverage preparation and storage equipment.

Narrow-body:
commercial passenger aircraft with one aisle and two rows of seats. Wide-bodies have two aisles and three seat rows and can hold up to four times as many passengers.

Passenger/freighter conversion:
modifying a passenger aircraft for freighter use. Involves removing cabin interior equipment, strengthening floors and adding cargo door. Requires extensive engineering and design work and installation of large fabricated structures and assemblies.

Refurbishment:
airlines periodically replace seats, galley equipment and other cabin interior products to improve product performance and customer satisfaction.

Regional jet:
aircraft with 80 or fewer seats. Used by airlines for short routes.

Sleeper seat:
reclines to horizontal position for sleeping. Offered in business class and first class.

Investor Information

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33414-2105
(561) 791-5000
Fax: (561) 791-7900

Common Stock Listing
Nasdaq Stock Market
Ticker symbol: BEAV
Newspaper listing: BE Aero

Transfer Agent and Registrar
American Stock Transfer & Trust Co.
59 Maiden Lane
New York, New York 10038
(800) 937-5449

Shareholder Inquiries
Registered shareholders should contact the Transfer Agent and Registrar regarding address changes and questions concerning stock accounts, transfer requirements and lost certificates. Other questions should be directed to Investor Relations at B/E's executive offices.

Investor and Media Contact
Analysts, investors and media representatives seeking information about the company should contact:
Max Kuniansky
Director of Investor Relations
(561) 791- 5000
E-mail: max_kuniansky@beaerospace.com

SEC Reports
B/E's Form 10-K annual report and current Form 10-Q quarterly reports, as filed with the Securities and Exchange Commission, are available free of charge to any shareholder on B/E's Web site.

Corporate Web Site
Visit B/E Aerospace on the World Wide Web at www.beaerospace.com for updates on financial results, news releases, SEC reports and information about the company.

Annual Meeting of Shareholders
August 14, 2001, 10:30 a.m.
Ropes & Gray
One International Place, 36th Floor
Boston, Massachusetts

Independent Auditors
Deloitte & Touche LLP
695 Town Center Drive, Suite 1200
Costa Mesa, California 92626
(714) 436-7100

B/E has not paid any cash dividends in the past and has no present intention of doing so in the immediate future. The company intends, for the foreseeable future, to retain earnings to finance its future growth, but expects to review its dividend policy regularly. The indentures pursuant to which B/E's senior subordinated notes were issued permit the declaration or payment of cash dividends only in certain circumstances described therein.

This annual report contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve risks and uncertainties, and the company's actual experience may differ materially from that anticipated in such statements. Factors that might cause such a difference include those discussed in B/E's filings with the Securities and Exchange Commission, including but not limited to its most recent proxy statement, Form 10-K and Form 10-Q. For more information, see the section entitled "Forward-Looking Statements" contained in B/E's Form 10-K and in other filings.

B/E

B/E Leadership

Directors

Amin J. Khoury
Chairman of the Board

Robert J. Khoury
President and
Chief Executive Officer

Jim C. Cowart
Independent Investor and
Corporate Financial Advisor

Richard G. Hamermesh
Managing Partner
Center for Executive Development

Brian H. Rowe
Chairman Emeritus
GE Aircraft Engines

Jonathan M. Schofield
Chairman and Chief Executive Officer (retired)
Airbus Industrie of North America, Inc.

Officers

Amin J. Khoury
Chairman of the Board

Robert J. Khoury
President and
Chief Executive Officer

Thomas P. McCaffrey
Corporate Senior Vice President of Administration
and Chief Financial Officer

Michael B. Baughan
Group Vice President and General Manager
Seating Products

Roman G. Ptakowski
Group Vice President and General Manager
Interior Systems

Scott A. Smith
Group Vice President and General Manager
Flight Structures
and Engineering Services

Edmund J. Moriarty
Corporate Vice President – Law,
General Counsel and Secretary

Joseph A. Piegari
Corporate Vice President – Human Resources

Jeffrey P. Holtzman
Vice President – Finance
and Treasurer

Stephen R. Swisher
Vice President and Controller

B/E

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