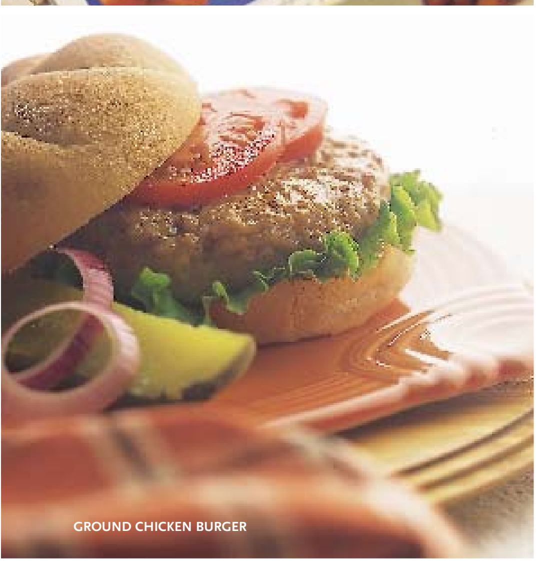
TYSON FOODS, INC. 2000 ANNUAL REPORT

# which came first?

TYSON FOODS, INC. 2000 ANNUAL REPORT

Tyson Foods, Inc., headquartered in Springdale, Arkansas, is the number one chicken company in the world. We are the world's largest fully integrated producer, processor and marketer of chicken and chicken-based convenience foods, with 68,000 team members and 7,400 farm families in 100 communities. Tyson has operations in 18 states and 15 countries and exports to 73 countries worldwide. We are the recognized market leader in almost every retail and foodservice market we serve. Through our Cobb-Vantress subsidiary, Tyson is also a leading chicken breeding stock supplier. In addition, Tyson is the nation's second largest maker of corn and flour tortillas under the Mexican Original brand, as well as a leading provider of live swine.



GROUND CHICKEN BURGER


BONELESS, SKINLESS BREAST


HOME-STYLE PEPPER TENDERLOINS



WINGS OF FIRE

Tyson®


**John Tyson**
Chairman, President and Chief Executive Officer

# Tyson shareholders:

Tyson Foods, Inc. is first in the chicken industry. Year in and year out we outperform the competition, in good times and in bad. We are the best in the business, but our performance in 2000 didn't meet our expectations or our potential.

In a market already overflowing with meat proteins, the industry continued to expand. The results were historically low prices that had a negative effect on earnings and ultimately on our stock price. In recognition of the oversupply, last fall we announced a 3 percent production cut. Unfortunately, the industry did not follow our lead, and chicken supplies remained high.

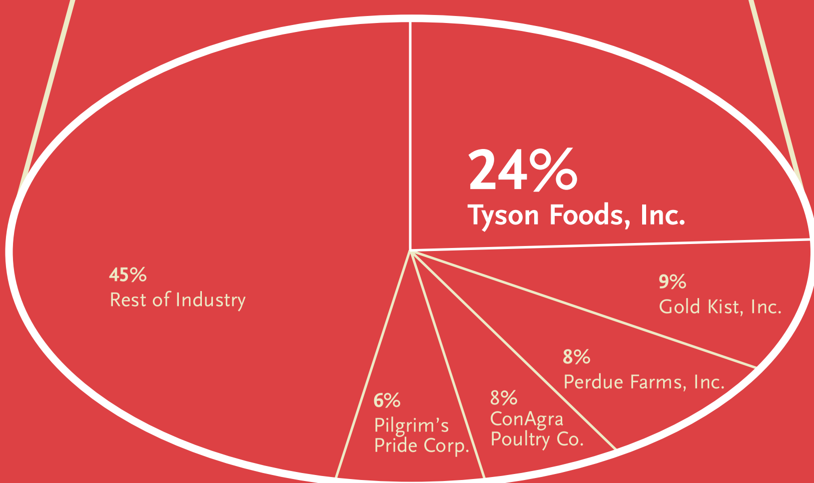
Diluted earnings per share, excluding non-recurring items, were $0.74 compared to $1.20 last year. Reported sales were $7.2 billion in 2000 compared to $7.4 billion in 1999. Reported diluted earnings per share were $0.67 compared to $1.00 last year.

It was a tough year, but we had several accomplishments worth noting. We paid down debt by $262 million. We reduced inventory by 138 million pounds. We bought back $69 million of our stock. And we did all this in a year in which we took a $33 million charge on non-recurring items including a bad debt writeoff related to AmeriServe and growout issues at Tyson de Mexico. We are confident about the year ahead, and our management team is committed to improving performance.

## STRENGTHS OF THE INDUSTRY LEADER

As I look forward and assess the Company's strengths, I like our position. Tyson is the best and biggest chicken company in the world. We have great people, and we are ranked as one of the best companies to work for in the food industry. We have one of the most recognized brands in the United States and the number one brand in the chicken industry. We have leading market share in virtually every segment in which we compete. We created and remain today the innovator of value-added, further-processed chicken products. We are the low-cost producer. We produce products of the highest quality. We deliver those products through a state-of-the-art distribution system. We have the most modern and productive asset base in the industry. We have a strong cash flow. We have a strong balance sheet that will take us through all market cycles. All our team members are working toward common goals, and we link management pay to performance through our balanced scorecard system. With these

Although, being first often has its price,




**TYSON VS. THE COMPETITION**

U.S. broiler production based on ready-to-cook pounds

Source: Watt Poultry U.S.A., January 2000

# the advantages far outweigh the costs.

strengths and our vision for the future, I believe Tyson Foods is well positioned to take advantage of improving market conditions.

Our vision at Tyson is to be the world's first choice for chicken while maximizing shareholder value. Our goals:

- Take good care of our people
- Fulfill 100 percent of our customers' needs for chicken products
- Continue building the value of the Tyson brand
- Continue to grow and defend our share in targeted markets
- Expand the geographic distribution of our products
- Increase the international segment of our business
- Continue our leadership in the development of value-added products
- Continue cost cutting initiatives

The capital investment strategy we will use to meet these goals is based on return on invested capital (ROIC). Our finance committee oversees the strategy to ensure profit improvement plans have an ROIC that exceeds our weighted average cost of capital. Capital expenditures are down 46 percent from last year. Spending was less than depreciation, yet significant enough to continue improving the quality of our assets.

## GROWTH THROUGH INNOVATION

Some people might think research and development at Tyson means searching for the next chicken nugget. While we're always on the lookout for food innovations, that's not the only area for potential growth. Our R&D efforts will lead to new products that will reach less developed countries as well as create new opportunities domestically. We're using science and technology to create alternative uses for non-prime chicken parts such as oils, proteins and fibers.

We remain committed to leading edge processing technology. This year, as part of our strategic initiatives, we developed "The Center for Operational Excellence." This is a group of processing engineers and performance specialists who help our plant management and equipment suppliers ensure optimum equipment performance and operational best practices. To our knowledge, we are the only company in our industry with such a resource.

Our commitment to technology reaches much deeper into the marketplace than just our products and plants. In April we teamed with the nation's leading protein providers to form the first industry backed business-to-business marketplace focused on meat and poultry. In July we joined other foodservice industry leaders to develop eFS Network, an Internet company that will operate an independent business-to-business marketplace to facilitate supply chain efficiencies within the foodservice business channel. As a founding member and partner in both companies, we will be instrumental in designing the business processes that will meet our customers' changing needs in the future.

To maintain our competitive advantage in the marketplace, we continue to build brand awareness and brand equity with our customers and consumers, even during downturns in industry profits. Last spring we launched our new advertising campaign that supports our brand promise of quality chicken our consumers can trust. "Tyson. It's what your family deserves." begs the question: Why would you serve your family anything but the best?

# Besides, there is only one #1.

## CREATING SHAREHOLDER VALUE

Going forward we are setting financial goals on Earnings Per Share (EPS) and ROIC. We want to achieve an average double-digit EPS growth and an ROIC of 18 percent by 2003. Focusing on these financial goals will help us create long-term shareholder value.

I believe linking management compensation to performance is also crucial to creating shareholder value. Our balanced scorecard system combines our financial objective of ROIC with the business objectives of our divisions, including operational goals, customer satisfaction, our brand and our people. The balanced scorecard is re-evaluated each year to reflect current realities, while maintaining a focus on long-term performance.

To meet the goals I've outlined in this letter, we must continue to lead and to hold ourselves accountable for our actions. By treating our people and our communities with the utmost respect and integrity, we will run this company the right way. I expect nothing less from them, and I know they expect nothing less from me. We are committed to strictly complying with all laws and regulations and adhering to the highest ethical standards in the conduct of our business. It is essential to the long-term interests of Tyson Foods, our team members, our shareholders and the communities in which we live and work.

I've reviewed our governance structure, and I believe we have a very strong board of directors – both in its membership and in its organization. I do believe, though, that we needed more independent directors; therefore, we have three new independent directors, Jim Kever, David Jones and Barbara Allen. Jim is the CEO of Envoy Corp., David is the chairman and CEO of Rayovac, and Barbara is the president and COO of Paladin Resources. We're proud to have them with us.

## A BRIGHTER FUTURE AHEAD

Fiscal 2000 was a challenge. Conditions aren't going to change overnight, but we believe we're taking the right steps for 2001. We will continue focusing on value-added products, which are less susceptible to market fluctuations. We have the people, the products and the assets, and they are concentrated on meeting 100 percent of our customers' needs. We will continue to be the leading strategic partner for our customers – a partner they can rely on to meet all their chicken needs.

Creating long-term shareholder value is at the heart of all our goals, and we can achieve our goals if we work our plan. Our goals are based on our strengths. We have the right people. We have the right products. Tyson is the number one chicken company in the world. We know this business better than anyone. We will be successful.

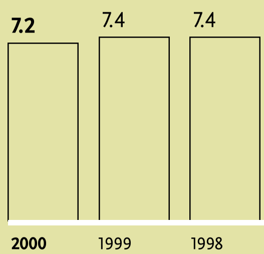
John Tyson

John Tyson
Chairman, President and
Chief Executive Officer

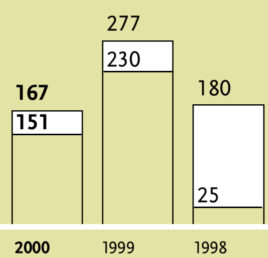
# 2000 FINANCIAL HIGHLIGHTS



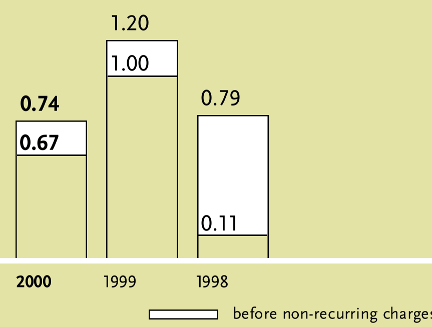
**SALES**
*dollars in billions*




**NET INCOME**
*dollars in millions*




**DILUTED EARNINGS PER SHARE**
*dollars*






in millions, except per share data

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Sales | **$7,158** | $7,363 | $7,414 |
| Gross profit | **1,114** | 1,309 | 1,154 |
| Operating income | **348** | 487 | 204 |
| Income before taxes on income and minority interest | **234** | 371 | 71 |
| Provision for income taxes | **83** | 129 | 46 |
| Net income | **151** | 230 | 25 |
| Diluted earnings per share | **0.67** | 1.00 | 0.11 |
| Diluted earnings per share before asset impairment and other charges | **0.74** | 1.20 | 0.79 |
| Asset impairment and other charges | **24** | 77 | 215 |
| Shareholders' equity | **2,175** | 2,128 | 1,970 |
| Book value per share | **9.67** | 9.31 | 8.53 |
| Total assets | **4,854** | 5,083 | 5,243 |
| Depreciation and amortization | **294** | 291 | 276 |
| Total debt | **1,542** | 1,804 | 2,129 |
| Capital expenditures | **$ 196** | $ 363 | $ 310 |
| Shares outstanding | **225** | 229 | 231 |
| Diluted average shares outstanding | **226** | 231 | 228 |


Tyson team member Wilson Winn shows Vincent Medina the variety of Tyson products and services available to help him expand his menu with chicken. As a partner, Tyson provides product research, development, marketing and strategic planning resources.

# Taking the lead.

## There is more to leadership than selling chicken.



### CUSTOMER SATISFACTION

Tyson Foods may be the biggest chicken company in the world, but we're more concerned with being the best. It's great to have the number one brand of chicken, but we take a broader view of what it means to be the leader.

Customer satisfaction has always been a top priority and a key to our success. Our goal is to help customers build their businesses with chicken. As a partner, Tyson provides product research, development, marketing and strategic planning resources.

Our customers have rewarded us by relying on Tyson. In the United States, Tyson is the leading chicken supplier to grocery stores, club stores, national restaurants, foodservice distributors, supermarket delis, public school districts and U.S. military commissaries. In foodservice, Tyson was named overall industry leader for the 13th consecutive year and poultry category leader for the 25th consecutive year in *Institutional Distributor* magazine's annual survey. In retail, Tyson won the silver award as the best overall meat and poultry supplier for the second consecutive year from *Progressive Grocer* magazine.

### SAFETY

We have expanded our leadership role in food safety education by launching Food Wise, a comprehensive program for consumers, customers and Tyson team members. To keep team members up to date on the latest issues and technology, the Company provides consistent and ongoing training. In conjunction with the University of Arkansas, Tyson has developed a distance learning program that provides team members an opportunity to receive certification in the U.S. Department of Agriculture's Hazard Analysis Critical Control Point System and food safety management and allows them to pursue a degree in food safety.

In addition to food safety, Tyson has strengthened its commitment to team member safety. Tyson Total Safety helps team members to be more aware of safety issues and to incorporate safe practices as part of their daily lives. At Tyson, safety is part of who we are, not something we have to do.

### THE ENVIRONMENT

Tyson is also committed to keeping the environment safe. Tyson operates its facilities with the latest technology. Our practices in water purification, energy conservation and residual product recycling have set the standards in the poultry industry. Our commitment to the environment also extends to encouraging independent contract growers to be good environmental stewards. We recognize growers for outstanding stewardship each year at our annual shareholders meeting with the Tyson Poultry Environmental Stewardship Awards.

## PEOPLE

Tyson is first in the chicken industry because we have the best team members and family farmers. They show pride not only in their work but also in the compassion they extend to others. While work is important, we recognize those who do more – people who make a difference in the lives of others and in their communities. We call them Tyson Heroes, and we recognize them at our annual shareholders meeting. Whether they're feeding the hungry, raising money for medical research or helping kids, Tyson team members care.

## BRAND

Tyson is the most well known and trusted brand of chicken in America. With 85 percent brand recognition, the Tyson brand stands for quality chicken you can trust. Our brand, like our customer relationships, is something competitors cannot duplicate.

## QUALITY

Tyson Foods is a fully vertically integrated chicken company. By managing every step of the process – breeding stock, eggs, chicks, feed, growout, transportation, processing and distribution – we ensure our products are of the highest quality. Tyson chicken contains no hormones and no steroids.

## SIZE

It takes our three closest competitors combined to equal Tyson's size. Our size gives us the ability and flexibility to serve customers like no one else. When a large, national customer plans a chicken promotion, Tyson can meet the volume demand. We can be there first to fulfill 100 percent of our customers' needs for chicken products.

# getting there first

## LOW-COST PRODUCER

Tyson is the low-cost producer in the chicken industry. With our knowledge, modern asset base, feed formula, efficient processes, best-use practices and use of technology, Tyson leads the industry in efficiency.

## CUSTOMER SERVICE

Whatever our customer needs, it is our obligation to meet those needs and to satisfy the customer. In addition to the personal attention of our customer service representatives, Tyson has the trucking and warehousing resources to provide superior customer service. We were first in the poultry industry with Electronic Data Interchange to receive and invoice customer orders. Our in-line bar code labeling systems and computer based warehouse management systems ensure we track our product from the production line to the customer's warehouse.

## FINANCIAL STRENGTH

Tyson is in a very strong financial position. With one of the strongest balance sheets in the industry, our debt to capitalization ratio is at its lowest since 1988. At the same time, we have a strong cash flow from our focus on value-added products. Although that doesn't completely insulate us from market fluctuations, we are less affected than our competitors who sell a higher percentage of commodity products. With our superior financial strength, we are well positioned for growth throughout all cycles of the chicken industry.

## RESEARCH & DEVELOPMENT

Tyson continues to be the industry's leading innovator in product and process development. Through science and emerging technology, we focus on developing not only new, great-tasting chicken products but also on finding new opportunities to extend the economic and nutritional uses of chicken.


The new advertising campaign is designed to boost brand perceptions of quality, safety, value and trust. The “Tyson. It's what your family deserves.” ads inform consumers that Tyson products contain no hormones or steroids.

# Taking our place.

## Tyson is the first name in chicken.

### THE BRAND TO TRUST

The theme of the 1990s was "The Brand," and for the past five years, our advertising has been focused on building the Tyson brand. Today, not only is Tyson the leading brand of chicken in the United States, it is also the only truly national brand of chicken. Whenever customers choose Tyson, they know they've selected the best chicken money can buy. Tyson has an 85 percent brand awareness. That means when people see the red and orange egg-shaped logo with the Tyson name, they think "chicken."

What's next? We believe it is "Trust." Trust in the quality of the product. Trust in the safety of the product. Trust in the brand. Trust in the company behind the brand. The Tyson brand stands for high quality, great-tasting chicken. Tyson branded chicken is produced with unsurpassed attention to consistent quality, optimum variety and food safety. This translates into our Tyson brand promise, "quality chicken you can trust."

### NATIONAL ADVERTISING CAMPAIGN

To continue to strengthen the brand, this year Tyson Foods launched a new national advertising campaign. "Tyson. It's what your family deserves." is designed to boost brand perceptions of quality, safety, value and trust. The new ads are part of a larger marketing program called "Tyson for Families" that focuses on communicating the Company's commitment to families and communities through advertising, cause marketing, promotions and public relations initiatives.

The campaign is based on research that consumers want more information on the food products they buy. We've taken the Company's previous brand awareness and convenience strategy one step further by focusing directly on quality. Now that consumers think "chicken" when they hear Tyson, the new advertising will educate consumers on the quality aspects of Tyson chicken.

The new television spots, print ads and radio spots inform consumers that Tyson chicken is naturally wholesome and raised without hormones or steroids. Each ad features a different family-oriented theme, reinforcing that choosing Tyson chicken means choosing the highest-quality product for your family.

The new campaign is not only relevant to our consumers but also our customers. Our customers share the same concerns as our consumers about delivering quality chicken with no hormones or steroids.

The "Tyson for Families" campaign helps to build upon Tyson's image with both consumers and customers and reflects the face of Tyson – families. Tyson embraces traditional values but is in touch with day-to-day realities, creates trust and admiration and makes our customers and consumers feel confident in their choices.

**TYSON IS QUALITY CHICKEN YOU CAN TRUST.**


## discovering new opportunities

**NEW MARKETS**

Selling fresh chicken in a market increases brand awareness for value-added frozen products. To build a stronger national brand presence, Tyson plans to expand fresh chicken sales into the western United States. Internationally, we will further establish Tyson as the dominant global brand. In addition to exporting chicken, we will seek opportunities to grow around the world through acquisitions, joint ventures and technical service agreements.

David Toothaker, product manager of the new refrigerated, ready-to-eat products.

## NEW TRENDS

Tyson is on the leading edge of product innovation. Our research and development is targeted at new consumption trends such as diets higher in protein and the consumer's need for convenience. This year we launched ready-to-eat refrigerated products, including grilled chicken breast fillets for sandwiches and grilled breast strips for salads. Our new dried chicken snack is low in fat and carbohydrates, is shelf-stable and ready to eat on the go. In the freezer is Chicken 2Go, breaded chicken chunks in a convenient snack pack. The new Extreme Chicken line capitalizes on consumers' preferences for new, bold flavors. Chik Ribs are hearty portions of bone-in thigh meat trimmed to look like ribs. These new products offer consumers different ways to eat chicken and can fit into the foodservice, retail and club store segments.



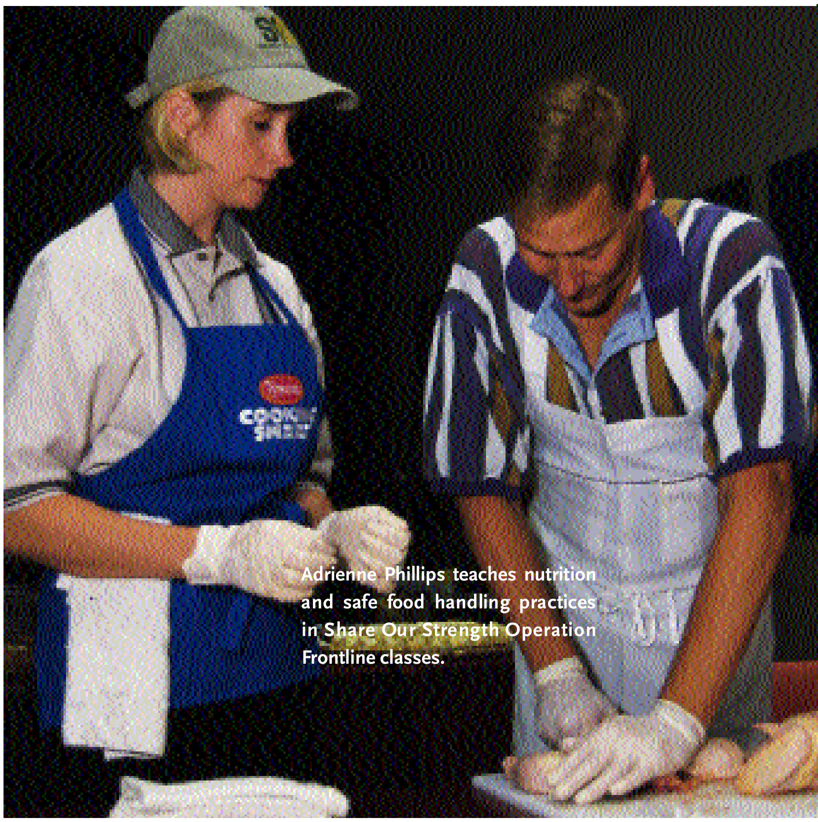
## NEW IDEAS

This year Tyson established strategic initiatives for finding ways to improve performance and profits. One initiative is to identify best practices for everything from deboning thighs to breading fillets and implementing those practices companywide. Another initiative is identifying and eliminating inefficiencies in the supply chain and purchasing procedures. Research and development teams are working on yet another initiative to find profitable uses for non-prime chicken parts.

Judy Perry, Quality Assurance microbiologist

Tyson team members feel that giving to their communities is important and worthwhile. Jonathan Martin gives kids hands-on learning experiences by showing them how chicks hatch.

Sharon Blanchard helps fix up a youth center during the United Way Day of Caring.



Adrienne Phillips teaches nutrition and safe food handling practices in Share Our Strength Operation Frontline classes.

# First priority.

## Leaders have a responsibility to others.



John Tyson's father and grandfather set the example decades ago – when you give to your community, you get far more in return. Today, John continues that tradition with Tyson philanthropic efforts targeted in three key areas – hunger relief, children and communities.

### HUNGER RELIEF

This year we stepped up our efforts in the fight against hunger by establishing a partnership with Share Our Strength (SOS), one of the nation's leading anti-hunger organizations. Over the next three years, our contributions to SOS will total more than $10 million, including 6.5 million pounds of food that will provide 32.5 million meals; Tyson team member local volunteer programs; national sponsorship of Operation Frontline, SOS's nutrition education initiative, as well as advertising and marketing support. Together, we will make a difference by feeding and educating people affected by hunger.

### CHILDREN

We believe that investing in the future – children – is time and money well spent. Through our Project A+ program, we're providing funding for schools in need. Our membership in the Family Friendly Programming Forum ensures that children will be offered appropriate television programs. The Hospitality Business Alliance encourages school-to-career programs in the foodservice industry. Our school lunch program provides a balanced, nutritious lunch to kids who need it most. Scholarships through the America's Junior Miss Pageant help talented girls reach their goals. These are just a few ways Tyson is helping children, and there are thousands more examples in our plant communities across the country.

### COMMUNITIES

At Tyson, we live where we work and work where we live. That's why community outreach is so dear to our team members. Our people are involved not only in our national efforts but also in local causes. For example, in Vienna, Ga., our plant supports Little League. In Wilkesboro, N.C., our team members ride motorcycles to raise money for the fight against cancer. In Rogers, Ark., we participate in health fairs to promote physical activity. In Gadsden, Ala., our team members paint houses for those less fortunate. At Tyson, we take great pride in our people – not only for their work but also for their hearts.

We will continue to build on the tradition of giving established by the Tyson family and team members. Whether it's hunger, children or communities, we remain committed to making a difference.

The first and last word is ... Tyson®

## FINANCIAL REVIEW

**RESULTS OF OPERATIONS** Earnings for fiscal 2000 were $151 million or $0.67 per share compared to $230 million or $1.00 per share in fiscal 1999. Earnings in fiscal 2000 were adversely affected by an oversupply of chicken and a $33 million charge on non-recurring items including a bad debt writeoff related to AmeriServe and growout issues at Tyson de Mexico. The Company's accounting cycle resulted in a 52-week year for both 2000 and 1999 compared to a 53-week year for 1998.

### 2000 vs. 1999

**Sales** for 2000 decreased 2.8% from sales for 1999. This decrease is primarily due to the sale of the seafood business on July 17, 1999, and other divested non-core businesses. Comparable sales increased 0.6% on a volume increase of 0.3% compared to 1999. Additionally, the operating results for 2000 were negatively affected by a weak domestic market for chicken and reduced volume by the Company's Mexican subsidiary. In response to the oversupply of chicken, the Company maintained throughout fiscal 2000 a 3% cut in the number of chickens produced. Management anticipates this oversupply of chicken to continue into fiscal 2001.

The Company presently identifies segments based on the products offered and the nature of customers, resulting in four reported business segments: Food Service, Consumer Products, International and Swine. The Company's seafood business, which was sold on July 17, 1999, is listed as a business segment for fiscal 1999 and 1998.

The following is an analysis of sales by segment:

dollars in millions

| | 2000 | 1999 | Change |
|---|---|---|---|
| Food Service | **$3,312** | $3,354 | $ (42) |
| Consumer Products | **2,250** | 2,252 | (2) |
| International | **657** | 645 | 12 |
| Swine | **157** | 110 | 47 |
| Seafood | **–** | 189 | (189) |
| Other | **782** | 813 | (31) |
| Total | **$7,158** | $7,363 | $(205) |

Segment profit, defined as gross profit less selling expenses, by segment is as follows:

dollars in millions

| | 2000 | 1999 | Change |
|---|---|---|---|
| Food Service | **$197** | $311 | $(114) |
| Consumer Products | **145** | 241 | (96) |
| International | **50** | 68 | (18) |
| Swine | **19** | (63) | 82 |
| Seafood | **–** | 22 | (22) |
| Other | **140** | 155 | (15) |
| Total | **$551** | $734 | $(183) |

Food Service sales decreased $42 million or 1.3% compared to 1999, with a 1.4% decrease in average sales prices partially offset by a 0.2% increase in volume. Segment profit for Food Service decreased $114 million or 36.7% from 1999 primarily due to lower market prices, product mix changes and higher grain costs. Food Service includes fresh, frozen and value-added chicken products sold through domestic foodservice, specialty and commodity distributors who deliver to restaurants, schools and other accounts.

Consumer Products sales decreased $2 million or 0.1% compared to 1999, with a 0.6% decrease in average sales prices partially offset by a 0.6% increase in volume. Segment profit for Consumer Products decreased $96 million or 39.7% from 1999 primarily due to lower market prices and higher grain costs, which more than offset the improved product mix. Consumer Products includes fresh, frozen and value-added chicken products sold through domestic retail markets for at-home consumption and through wholesale club markets targeted to small foodservice operators, individuals and small businesses.

International sales increased $12 million or 1.9% over 1999, with a 4.2% increase in average sales prices partially offset by a 2.3% decrease in volume. International segment profit decreased $18 million or 26.5% from 1999 primarily due to losses incurred by the Company's Mexican subsidiary resulting from the outbreak of Exotic Newcastle disease and associated decreases in production. The Newcastle disease had been eradicated from our facilities by fiscal year end and production volumes had returned to normal levels. The Company's International segment markets and sells the full line of Tyson chicken products throughout the world.

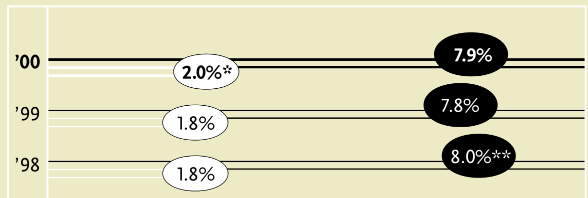
Swine sales increased $47 million or 42.7% over 1999, with a 56.5% increase in average sales prices partially offset by an 8.3% decrease in volume. Swine segment profit improved $82 million or 130.2% over 1999 primarily due to the increase in average sales prices. The Company's Swine segment includes feeder pig finishing and marketing of swine to regional and national packers.

Other sales decreased $31 million or 3.8% from 1999 primarily due to non-core businesses sold during fiscal 1999. Other segment profit decreased $15 million or 9.7% from 1999. The majority of revenue included in the Other segment is derived from the Company's Specialty Products and Prepared Foods groups and the Company's wholly owned subsidiary involved in supplying chicken breeding stock.

**Cost of sales** for 2000 decreased 0.2% as compared to 1999. This decrease is primarily the result of decreased sales. As a percent of sales, cost of sales was 84.4% for 2000 compared to 82.2% for 1999. The increase in cost of sales as a percent of sales was due to the weak domestic market for chicken, the reduction in volume associated with the Company's ongoing production cut, losses incurred by the Company's Mexican subsidiary and higher grain costs.

**Operating expenses** for 2000 decreased 6.8% from 1999, primarily due to impairment and other charges of $77 million recorded in 1999 partially offset by a $21 million increase in current year expenses, primarily general and administrative. As a percent of sales, selling expense increased to 7.9% in 2000 compared to 7.8% in 1999, primarily due to the decrease in sales. Selling expense decreased $12 million in 2000 compared to 1999 due to a decrease in sales promotion expenses. General and administrative expense, as a percent of sales, was 2.4% in 2000 compared to 1.8% in 1999. The increase in general and administrative expense is primarily due to a $24 million bad debt writeoff related to the January 31, 2000, bankruptcy filing by AmeriServe Food Distribution, Inc. and other increases related to ongoing litigation costs. Amortization expense, as a percent of sales, was 0.5% in both 2000 and 1999.

**EXPENSES AS A PERCENT OF SALES**



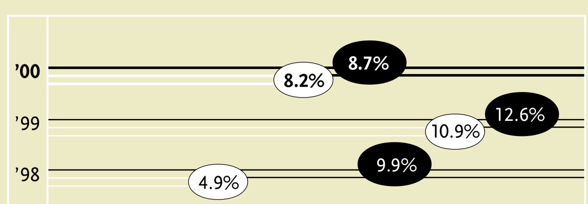

general & administrative ● selling
*Excludes $24 million bad debt writeoff
**Excludes $48 million impairment loss

**Interest expense** in 2000 decreased 7.3% compared to 1999. As a percent of sales, interest expense was 1.6% in 2000 compared to 1.7% in 1999. The Company had a lower level of borrowing in 2000, which decreased the Company's average indebtedness by 14.8% over the same period last year. The Company's short-term interest rates were slightly higher than the same period last year, and the net average effective interest rate on total debt was 6.9% for 2000 compared to 6.2% for 1999.

**The effective tax rate** for 2000 increased to 35.6% compared to 34.9% for 1999 primarily due to an increase in foreign subsidiary earnings effective tax rate.

**Return on invested capital** (ROIC), defined as earnings before interest and taxes divided by average total assets less current liabilities excluding current debt, was 8.2% for 2000 compared to 10.9% for 1999.

**RETURN ON INVESTED CAPITAL**




ROIC ● ROIC excluding bad debt charge of $24 million in 2000 and impairment and other charges of $77 million in 1999 and $211 million in 1998

**ACQUISITIONS** On January 9, 1998, the Company completed the acquisition of Hudson Foods, Inc. (Hudson or Hudson Acquisition). At the effective time of the acquisition, the Class A and Class B shareholders of Hudson received approximately 18.4 million shares of the Company's Class A common stock valued at approximately $364 million and approximately $257 million in cash. The Company borrowed funds under its commercial paper program to finance the cash portion of the Hudson Acquisition and to repay approximately $61 million under Hudson's revolving credit facilities. The Hudson Acquisition was accounted for as a purchase and the excess of investment over net assets acquired is being amortized straight-line over 40 years. The Company's consolidated results of operations include the operations of Hudson since the acquisition date.

**DISPOSITIONS** On July 17, 1999, the Company completed the sale of the assets of Tyson Seafood Group in two separate transactions. Under the terms of the agreements, the Company received net proceeds of approximately $165 million, which was used to reduce indebtedness, and subsequently collected receivables totaling approximately $16 million. The Company recognized a pretax loss of approximately $19 million on the sale of the seafood assets.

Effective December 31, 1998, the Company sold Willow Brook Foods, its integrated turkey production and processing business, and its Albert Lea, Minn., processing facility which primarily produced sausages, lunch and deli meats. In addition, on December 31, 1998, the Company sold its National Egg Products Company operations in Social Circle, Ga. These facilities were sold for amounts that approximated their carrying values. These operations were acquired as part of the Hudson Acquisition.

**IMPAIRMENT AND OTHER CHARGES** In the fourth quarter of fiscal 1999, the Company recorded a pretax charge totaling $35 million related to the anticipated loss on the sale and closure of the Pork Group assets. In the first quarter of fiscal 2000, the Company ceased negotiations for the sale of the Pork Group. Additionally, in the fourth quarter of fiscal 1999, the Company recorded pretax charges totaling $23 million for impairment of property and equipment and write-down of related excess of investments over net assets acquired of Mallard's Food Products.

In the fourth quarter of fiscal 1998, as a result of the Company's restructuring plan, pretax charges totaling $215 million were recorded. These charges were classified in the Consolidated Statements of Income as $142 million asset impairment and other charges, $48 million in selling expenses, $21 million in cost of sales and $4 million in other expense.

### 1999 vs. 1998

**Sales** for 1999 decreased 0.7% from sales for 1998. The operating results for 1999 were affected negatively by the excess supply of chicken and other meats during the last six months of the fiscal year, partially offset by the volume gained from the Hudson Acquisition and the inclusion of Tyson de Mexico on a consolidated basis.

The following is an analysis of sales by segment:

dollars in millions

| | 1999 | 1998 | Change |
|---|---|---|---|
| Food Service | $3,354 | $3,329 | $ 25 |
| Consumer Products | 2,252 | 2,074 | 178 |
| International | 645 | 592 | 53 |
| Swine | 110 | 161 | (51) |
| Seafood | 189 | 214 | (25) |
| Other | 813 | 1,044 | (231) |
| Total | $7,363 | $7,414 | $ (51) |

Segment profit, defined as gross profit less selling expenses, is as follows:

dollars in millions

| | 1999 | 1998 | Change |
|---|---|---|---|
| Food Service | $311 | $232 | $ 79 |
| Consumer Products | 241 | 179 | 62 |
| International | 68 | 9 | 59 |
| Swine | (63) | (21) | (42) |
| Seafood | 22 | 3 | 19 |
| Other | 155 | 110 | 45 |
| Total | $734 | $512 | $222 |

Food Service sales for 1999 increased $25 million or 0.8% compared to 1998, with a 2.6% increase in volume primarily offset by a 1.8% decrease in average sales prices. Segment profit for Food Service increased $79 million over 1998 primarily due to lower grain prices and a change in product mix.

Consumer Products sales for 1999 increased $178 million or 8.6% compared to 1998. This increase was primarily due to a 10.5% increase in volume partially offset by a 1.8% decrease in average sales prices. Consumer Products segment profit increased $62 million resulting from the increase in volume and lower grain costs.

International sales for 1999 increased $53 million or 9% compared to 1998. This increase is primarily the result of a 29.6% increase in volume partially offset by a 15.9% decrease in average sales prices. Segment profit for International increased $59 million. The increase in volume and segment profit for the International segment is primarily due to the consolidation of Tyson de Mexico.

Swine sales for 1999 decreased $51 million or 31.7% compared to 1998. Swine segment loss increased $42 million. The swine business experienced a significant decrease in market prices during 1999 compared to 1998, resulting in a Swine group net loss of $0.18 per share for 1999.

Seafood sales for 1999 decreased $25 million or 11.7% compared to 1998. This decrease was primarily due to the sale of the seafood business at the beginning of the fourth quarter of 1999. Segment profit for Seafood increased $19 million.

Other sales for 1999 decreased $231 million or 22.1% compared to 1998, primarily due to the sale of non-core businesses at the end of the first quarter of 1999. Other segment profit increased $45 million.

**Cost of sales** for 1999 decreased 3.3% compared to 1998. This decrease was primarily the result of decreased sales and lower grain costs. As a percent of sales, cost of sales was 82.2% for 1999 compared to 84.4% for 1998 primarily due to lower grain costs.

**Operating expenses** for 1999 decreased 13.5% from 1998, primarily due to impairment and other charges of $77 million in 1999 compared to $142 million in 1998. As a percent of sales, selling expense decreased to 7.8% in 1999 compared to 8.7% in 1998, primarily due to the $48 million charge in 1998 for losses in the Company's export business to Russia. General and administrative expense, as a percent of sales, was 1.8% in both 1999 and 1998. Amortization expense, as a percent of sales, was 0.5% in 1999 compared to 0.4% in 1998.

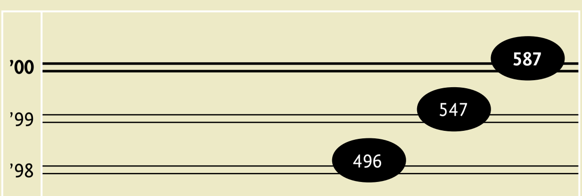
**Interest expense** in 1999 decreased 10.9% compared to 1998. As a percent of sales, interest expense was 1.7% in 1999 compared to 1.9% in 1998. The Company had a lower level of borrowing in 1999, which decreased the Company's average indebtedness by 6.4% from 1998. The Company's short-term interest rates were slightly lower than in 1998, and the net average effective interest rate on total debt was 6.2% for 1999 compared to 6.6% for 1998.

**The effective tax rate** for 1999 was 34.9% compared to 64.7% for 1998. The 1998 effective tax rate was affected by certain costs related to asset impairment and foreign losses not deductible for tax purposes.

**Return on invested capital** for 1999 was 10.9% compared to 4.9% for 1998.

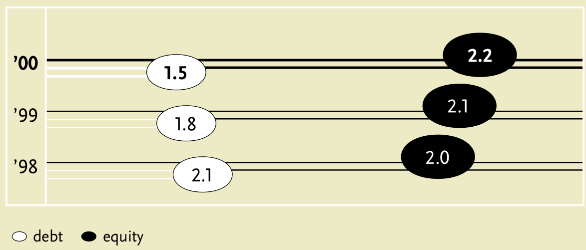
**LIQUIDITY AND CAPITAL RESOURCES** Cash provided by operations continues to be the Company's primary source of funds to finance operating needs and capital expenditures. In 2000, net cash of $587 million was provided by operating activities, an increase of $40 million from 1999. The Company's foreseeable cash needs for operations and capital expenditures will continue to be met primarily through cash flows from operations. At September 30, 2000, the Company had construction projects in progress that will require approximately $121 million to complete.

**CASH PROVIDED BY OPERATING ACTIVITIES**
*dollars in millions*




Total debt at September 30, 2000, was $1.5 billion, a decrease of $262 million from October 2, 1999. The Company has an unsecured revolving credit agreement totaling $1 billion that supports the Company's commercial paper program. This $1 billion facility expires in May 2002. At September 30, 2000, $260 million in commercial paper was outstanding under this $1 billion facility. Additional outstanding debt at September 30, 2000, consisted of $880 million of public debt, $112 million of institutional notes, $155 million of leveraged equipment loans, $62 million of notes payable and $73 million of other indebtedness.

**TOTAL CAPITALIZATION**
*dollars in billions*




The revolving credit agreement and notes contain various covenants, the more restrictive of which require maintenance of a minimum net worth, current ratio, cash flow coverage of interest and a maximum total debt-to-capitalization ratio. The Company is in compliance with these covenants at fiscal year end.

Shareholders' equity increased 2.2% during 2000 and has grown at a compounded annual rate of 8.2% over the past five years.

**IMPACT OF YEAR 2000** The Company has completed its Year 2000 Project as scheduled. The Company's products, computing and communications infrastructure systems have operated without Year 2000 related problems. The Company is not aware that any of its major customers or third-party suppliers has experienced significant Year 2000 related problems.

The Company believes all its critical systems are Year 2000 ready; however, there is no guarantee that the Company has discovered all possible failure points including all systems, non-ready third parties whose systems and operations affect the Company and other uncertainties.

As of September 30, 2000, the Year 2000 Project was considered complete and no further actions were required.

**MARKET RISK** Market risks relating to the Company's operations result primarily from changes in commodity prices, interest rates and foreign exchange rates as well as credit risk concentrations. To address certain of these risks the Company enters into various hedging transactions as described below. Financial instruments that do not qualify for hedge accounting are marked to fair value and the gains or losses are recognized currently in earnings.

**Commodities Risk** The Company is a purchaser of certain commodities, primarily corn and soybeans. The Company periodically uses commodity futures and options for hedging purposes to reduce the effect of changing commodity prices and as a mechanism to procure these grains. Generally, contract terms of a hedge instrument closely mirror those of the hedged item providing a high degree of risk reduction and correlation. Contracts that effectively meet this risk reduction and correlation criteria are recorded using hedge accounting. Gains and losses on closed hedge transactions are recorded as a component of the underlying inventory purchase.

The following table provides information about the Company's corn, soybean and other feed ingredient inventory and financial instruments that are sensitive to changes in commodity prices. The table presents the carrying amounts and fair values at September 30, 2000, and October 2, 1999. Additionally, for puts and futures contracts, the latest of which expires or matures eight months from the reporting date, the table presents the notional amounts in units of purchase and the weighted average contract prices.

volume and dollars in millions, except per unit amounts

| | Volume | | Weighted average strike price per unit | | Fair value | |
|---|---|---|---|---|---|---|
| | **2000** | 1999 | **2000** | 1999 | **2000** | 1999 |
| Recorded Balance Sheet Commodity Position: | | | | | | |
| Commodity inventory (book value of $33 and $34) | **–** | – | **–** | – | **$33** | $34 |
| Hedging Positions | | | | | | |
| Corn futures contracts (volume in bushels) | | | | | | |
| Long (buy) positions | **17** | 84 | **$2.50** | $2.21 | **(9)** | (8) |
| Short (sell) positions | **–** | 1 | **–** | 2.32 | **–** | – |
| Soybean oil futures contracts (volume in cwt) | | | | | | |
| Long (buy) positions | **9** | – | **0.16** | – | **–** | – |
| Short (sell) positions | **6** | – | **0.16** | – | **–** | – |
| Trading Positions | | | | | | |
| Corn puts | **–** | 28 | **–** | 2.10 | **–** | (3) |

**Interest Rate and Foreign Currency Risks** The Company hedges exposure to changes in interest rates on certain of its financial instruments. Under the terms of various leveraged equipment loans, the Company enters into interest rate swap agreements to effectively lock in a fixed interest rate for these borrowings. The maturity dates of these leveraged equipment loans range from 2005 to 2008 with interest rates ranging from 4.7% to 6%.

The Company also periodically enters into foreign exchange forward contracts and option contracts to hedge some of its foreign currency exposure. At September 30, 2000, the Company did not have any outstanding instruments or transactions that are sensitive to foreign currency exchange rates. In 1999, the Company used such contracts to hedge exposure to changes in foreign currency exchange rates, primarily the Mexican peso, associated with debt denominated in U.S. dollars held by Tyson de Mexico. At October 2, 1999, the notional amount of these forward exchange contracts to sell Mexican pesos for U.S. dollars was $7 million due in 2000, with a weighted average strike price of $10.13 and a negative fair value of $1 million. Gains and losses on these contracts are recognized as an adjustment of the subsequent transaction when it occurs. Forward and option contracts generally have maturities or expirations not exceeding 12 months.

The following tables provide information about the Company's derivative financial instruments and other financial instruments that are sensitive to changes in interest rates. The tables present the Company's debt obligations, principal cash flows and related weighted average interest rates by expected maturity dates and fair values. For interest rate swaps, the tables present notional amounts, weighted average interest rates or strike rates by contractual maturity dates and fair values. Notional amounts are used to calculate the contractual cash flows to be exchanged under the contract.

dollars in millions

| | 2001 | 2002 | 2003 | 2004 | 2005 | Thereafter | Total | Fair value 9/30/00 |
|---|---|---|---|---|---|---|---|---|
| **As of September 30, 2000** | | | | | | | | |
| Liabilities | | | | | | | | |
| Long-term debt, including current portion | | | | | | | | |
| Fixed rate | **$123** | **$ 31** | **$178** | **$29** | **$180** | **$613** | **$1,154** | **$1,104** |
| Average interest rate | **8.23%** | **7.84%** | **6.18%** | **7.09%** | **6.80%** | **6.78%** | **6.88%** | |
| Variable rate | – | **$276** | – | – | – | **$ 50** | **$ 326** | **$ 326** |
| Average interest rate | – | **6.78%** | – | – | – | **5.64%** | **6.61%** | |
| Interest rate derivative financial instruments related to debt | | | | | | | | |
| Interest rate swaps | | | | | | | | |
| Pay fixed | **$ 18** | **$ 20** | **$ 22** | **$21** | **$ 16** | **$ 13** | **$ 110** | – |
| Average pay rate | **6.72%** | **6.73%** | **6.73%** | **6.71%** | **6.44%** | **6.60%** | **6.66%** | |
| Average receive rate – USD 6 month LIBOR | | | | | | | | |

dollars in millions

| | 2000 | 2001 | 2002 | 2003 | 2004 | Thereafter | Total | Fair value 10/2/99 |
|---|---|---|---|---|---|---|---|---|
| **As of October 2, 1999** | | | | | | | | |
| Liabilities | | | | | | | | |
| Long-term debt, including current portion | | | | | | | | |
| Fixed rate | $173 | $126 | $ 30 | $178 | $29 | $794 | $1,330 | $1,299 |
| Average interest rate | 6.82% | 8.18% | 7.83% | 6.18% | 7.08% | 6.78% | 6.87% | |
| Variable rate | $ 50 | $ 17 | $291 | – | – | $ 50 | $ 408 | $ 408 |
| Average interest rate | 5.51% | 7.67% | 5.85% | – | – | 3.90% | 5.65% | |
| Interest rate derivative financial instruments related to debt | | | | | | | | |
| Interest rate swaps | | | | | | | | |
| Pay fixed | $ 17 | $ 18 | $ 20 | $ 22 | $21 | $ 29 | $ 127 | $ (1) |
| Average pay rate | 6.71% | 6.69% | 6.73% | 6.73% | 6.71% | 6.50% | 6.66% | |
| Average receive rate – USD 6 month LIBOR | | | | | | | | |

**Concentrations of Credit Risk** The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents and trade receivables. The Company's cash equivalents are in high quality securities placed with major banks and financial institutions. Concentrations of credit risk with respect to receivables are limited due to the large number of customers and their dispersion across geographic areas. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. No single group or customer represents greater than 10% of total accounts receivable.

**RECENTLY ISSUED ACCOUNTING STANDARDS** On October 1, 2000, the Company adopted Financial Accounting Standards Board Statement (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS Nos. 137 and 138. This statement establishes accounting and reporting standards, which requires that all derivative instruments be recorded on the balance sheet at fair value. This statement also establishes "special accounting" for fair value hedges, cash flow hedges and hedges of foreign currency exposures of net investments in foreign operations. The Company has determined the business processes related to hedging activities mainly consist of grain procurement and certain financing activities. The adoption on October 1, 2000, resulted in the cumulative effect of an accounting change of approximately $9 million being charged to other comprehensive loss.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the Commission. SAB 101A was released on March 24, 2000, and delayed for one fiscal quarter the implementation date of SAB 101 for registrants with fiscal years beginning between December 16, 1999, and March 15, 2000. Since the issuance of SAB 101 and SAB 101A, the staff has continued to receive requests from a number of groups asking for additional time to determine the effect, if any, on registrant's revenue recognition practices. SAB 101B issued June 26, 2000, further delayed the implementation date of SAB 101 until no later than the fourth fiscal quarter of fiscal years beginning after December 15, 1999. The Company believes the adoption of SAB 101 in fiscal 2001 will not have a material impact on its financial position or results of operations.

**SUBSEQUENT EVENT** On October 17, 2000, a Washington County (Arkansas) Chancery Court jury awarded the Company approximately $20 million in its lawsuit against ConAgra, Inc. and ConAgra Poultry Company. In its suit, the Company alleged that ConAgra, Inc. and ConAgra Poultry Company violated the Arkansas Trade Secrets Act when they improperly obtained and implemented Tyson's confidential feed nutrient profile. The court ruled that the Company's feed nutrient profile is a trade secret under the Arkansas Trade Secrets Act and that ConAgra, Inc. and ConAgra Poultry Company misappropriated the feed nutrient profile. The court's ruling and the award are subject to appeal; therefore, the Company has not recorded this award at September 30, 2000.

**CAUTIONARY STATEMENTS RELEVANT TO FORWARD-LOOKING INFORMATION** This annual report and other written reports and oral statements made from time to time by the Company and its representatives contain forward-looking statements, including forward-looking statements made in this report, with respect to their current views and estimates of future economic circumstances, industry conditions, company performance and financial results. These forward-looking statements are subject to a number of factors and uncertainties that could cause the Company's actual results and experiences to differ materially from the anticipated results and expectations, expressed in such forward-looking statements. In light of these risks, uncertainties and assumptions, the Company wishes to caution readers not to place undue reliance on any forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information or otherwise.

Among the factors that may affect the operating results of the Company are the following: (i) fluctuations in the cost and availability of raw materials, such as feed grain costs; (ii) changes in the availability and relative costs of labor and contract growers; (iii) market conditions for finished products, including the supply and pricing of alternative proteins; (iv) effectiveness of advertising and marketing programs; (v) the ability of the Company to make effective acquisitions and to successfully integrate newly acquired businesses into existing operations; (vi) risks associated with leverage, including cost increases due to rising interest rates; (vii) risks associated with effectively evaluating derivatives and hedging activities; (viii) changes in regulations and laws, including changes in accounting standards, environmental laws, occupational, health and safety laws; (ix) adverse results from ongoing litigation; (x) access to foreign markets together with foreign economic conditions, including currency fluctuations; and (xi) the effect of, or changes in, general economic conditions.

# CONSOLIDATED STATEMENTS OF INCOME



in millions, except per share data

| Three years ended September 30, 2000 | **2000** | 1999 | 1998 |
|---|---|---|---|
| Sales | **$7,158** | $7,363 | $7,414 |
| Cost of Sales | **6,044** | 6,054 | 6,260 |
| | **1,114** | 1,309 | 1,154 |
| Operating Expenses: | | | |
| Selling | **563** | 575 | 642 |
| General and administrative | **169** | 134 | 133 |
| Amortization | **34** | 36 | 33 |
| Asset impairment and other charges | **–** | 77 | 142 |
| | **766** | 822 | 950 |
| Operating Income | **348** | 487 | 204 |
| Other Expense (Income): | | | |
| Interest | **115** | 124 | 139 |
| Foreign currency exchange | **–** | (3) | – |
| Other | **(1)** | (5) | (6) |
| | **114** | 116 | 133 |
| Income Before Taxes on Income and Minority Interest | **234** | 371 | 71 |
| Provision for Income Taxes | **83** | 129 | 46 |
| Minority Interest in Net Income of Consolidated Subsidiary | **–** | 12 | – |
| Net Income | **$ 151** | $ 230 | $ 25 |
| Basic Earnings Per Share | **$ 0.67** | $ 1.00 | $ 0.11 |
| Diluted Earnings Per Share | **$ 0.67** | $ 1.00 | $ 0.11 |

see accompanying notes

# CONSOLIDATED BALANCE SHEETS



in millions, except per share data

| September 30, 2000 and October 2, 1999 | **2000** | 1999 |
|---|---|---|
| **Assets** | | |
| Current Assets: | | |
| Cash and cash equivalents | **$ 43** | $ 30 |
| Accounts receivable | **520** | 603 |
| Inventories | **965** | 989 |
| Assets held for sale | **2** | 75 |
| Other current assets | **46** | 30 |
| Total Current Assets | **1,576** | 1,727 |
| Net Property, Plant and Equipment | **2,141** | 2,185 |
| Excess of Investments Over Net Assets Acquired | **937** | 962 |
| Other Assets | **200** | 209 |
| Total Assets | **$4,854** | $5,083 |
| **Liabilities and Shareholders' Equity** | | |
| Current Liabilities: | | |
| Notes payable | **$ 62** | $ 66 |
| Current portion of long-term debt | **123** | 223 |
| Trade accounts payable | **346** | 390 |
| Accrued compensation and benefits | **104** | 105 |
| Other current liabilities | **251** | 203 |
| Total Current Liabilities | **886** | 987 |
| Long-Term Debt | **1,357** | 1,515 |
| Deferred Income Taxes | **385** | 398 |
| Other Liabilities | **51** | 55 |
| Shareholders' Equity: | | |
| Common stock ($0.10 par value): | | |
| Class A-authorized 900 million shares: | | |
| Issued 138 million shares in 2000 and 1999 | **14** | 14 |
| Class B-authorized 900 million shares: | | |
| Issued 103 million shares in 2000 and 1999 | **10** | 10 |
| Capital in excess of par value | **735** | 740 |
| Retained earnings | **1,715** | 1,599 |
| Accumulated other comprehensive loss | **(5)** | (1) |
| | **2,469** | 2,362 |
| Less treasury stock, at cost—16 million shares in 2000 and 12 million shares in 1999 | **284** | 232 |
| Less unamortized deferred compensation | **10** | 2 |
| Total Shareholders' Equity | **2,175** | 2,128 |
| Total Liabilities and Shareholders' Equity | **$4,854** | $5,083 |

see accompanying notes

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY



Three years ended September 30, 2000 — in millions, except per share data

| | Common Stock Class A Shares | Common Stock Class A Amount | Common Stock Class B Shares | Common Stock Class B Amount | Capital in Excess of Par Value | Retained Earnings | Treasury Stock Shares | Treasury Stock Amount | Unamortized Deferred Compensation | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance – September 27, 1997 | 120 | $12 | 103 | $10 | $379 | $1,391 | 9 | $(166) | $ (2) | $(3) | $1,621 |
| Comprehensive Income: | | | | | | | | | | | |
| Net income | | | | | | 25 | | | | | 25 |
| Other comprehensive income (loss) – net of tax of $0.7 million | | | | | | | | | | | |
| Currency translation adjustment | | | | | | | | | | 2 | 2 |
| Total Comprehensive Income | | | | | | | | | | | 27 |
| Purchase of Treasury Shares | | | | | | | 1 | (22) | | | (22) |
| Exercise of Options | | | | | | | | 3 | | | 3 |
| Business Acquisitions | 18 | 2 | | | 362 | | | | | | 364 |
| Dividends Paid | | | | | | (22) | | | | | (22) |
| Balance – October 3, 1998 | 138 | 14 | 103 | 10 | 741 | 1,394 | 10 | (185) | (2) | (1) | 1,971 |
| Comprehensive Income: | | | | | | | | | | | |
| Net income | | | | | | 230 | | | | | 230 |
| Other comprehensive income (loss) | | | | | | | | | | – | – |
| Total Comprehensive Income | | | | | | | | | | | 230 |
| Purchase of Treasury Shares | | | | | | | 3 | (52) | | | (52) |
| Exercise of Options | | | | | (1) | | (1) | 6 | | | 5 |
| Restricted Shares Cancelled | | | | | | | | (1) | | | (1) |
| Dividends Paid | | | | | | (25) | | | | | (25) |
| Balance – October 2, 1999 | 138 | 14 | 103 | 10 | 740 | 1,599 | 12 | (232) | (2) | (1) | 2,128 |
| Comprehensive Income: | | | | | | | | | | | |
| Net income | | | | | | **151** | | | | | **151** |
| Other comprehensive income (loss) – net of tax of $(1.3) million | | | | | | | | | | | |
| Currency translation adjustment | | | | | | | | | | **(4)** | **(4)** |
| Total Comprehensive Income | | | | | | | | | | | **147** |
| Purchase of Treasury Shares | | | | | | | **5** | **(69)** | | | **(69)** |
| Exercise of Options | | | | | | | | **1** | | | **1** |
| Restricted Shares Issued | | | | | **(5)** | | **(1)** | **16** | **(11)** | | **–** |
| Dividends Paid | | | | | | **(35)** | | | | | **(35)** |
| Amortization of Deferred Compensation | | | | | | | | | **3** | | **3** |
| Balance – September 30, 2000 | **138** | **$14** | **103** | **$10** | **$735** | **$1,715** | **16** | **$(284)** | **$(10)** | **$(5)** | **$2,175** |

see accompanying notes

## CONSOLIDATED STATEMENTS OF CASH FLOWS



in millions

| Three years ended September 30, 2000 | **2000** | 1999 | 1998 |
|---|---|---|---|
| Cash Flows From Operating Activities: | | | |
| Net income | **$ 151** | $ 230 | $ 25 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | |
| Depreciation | **257** | 255 | 243 |
| Amortization | **34** | 36 | 33 |
| Amortization of deferred compensation | **3** | – | – |
| Provision for doubtful accounts | **25** | 16 | 2 |
| Asset impairment and other charges | **–** | 77 | 215 |
| Deferred income taxes | **47** | (13) | (145) |
| Minority interest | **–** | 12 | – |
| Foreign currency exchange loss | **–** | (3) | – |
| Loss (gain) on dispositions of property, plant and equipment | **4** | (1) | (2) |
| Decrease in accounts receivable | **57** | 9 | 31 |
| Decrease (increase) in inventories | **84** | (99) | 80 |
| (Decrease) increase in trade accounts payable | **(46)** | 21 | (7) |
| Net change in other current assets and liabilities | **(29)** | 7 | 21 |
| Cash Provided by Operating Activities | **587** | 547 | 496 |
| Cash Flows From Investing Activities: | | | |
| Net cash paid for acquisitions | **–** | – | (259) |
| Additions to property, plant and equipment | **(196)** | (363) | (310) |
| Proceeds from sale of assets | **4** | 234 | 136 |
| Net change in other assets and liabilities | **(14)** | (37) | (13) |
| Cash Used for Investing Activities | **(206)** | (166) | (446) |
| Cash Flows From Financing Activities: | | | |
| Decrease in notes payable | **(4)** | (19) | (74) |
| Proceeds from long-term debt | **7** | 76 | 1,027 |
| Repayments of long-term debt | **(266)** | (382) | (955) |
| Purchase of treasury shares | **(69)** | (52) | (22) |
| Other | **(34)** | (18) | (3) |
| Cash Used for Financing Activities | **(366)** | (395) | (27) |
| Effect of Exchange Rate Change on Cash | **(2)** | (2) | – |
| Increase (Decrease) in Cash and Cash Equivalents | **13** | (16) | 23 |
| Cash and Cash Equivalents at Beginning of Year | **30** | 46 | 23 |
| Cash and Cash Equivalents at End of Year | **$ 43** | $ 30 | $ 46 |

see accompanying notes

## NOTE 1: BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Description of Business:** Tyson Foods, Inc., headquartered in Springdale, Ark., is the world's largest fully integrated producer, processor and marketer of chicken and chicken-based convenience foods, with 68,000 team members and 7,400 contract growers in 100 communities. Tyson has operations in 18 states and 15 countries and exports to 73 countries worldwide. Tyson is the recognized market leader in almost every retail and foodservice market it serves. Through its Cobb-Vantress subsidiary, Tyson is also a leading chicken breeding stock supplier. In addition, Tyson is the nation's second largest maker of corn and flour tortillas under the Mexican Original brand, as well as a leading provider of live swine.

**Consolidation:** The consolidated financial statements include the accounts of subsidiaries including the Company's majority ownership in Tyson de Mexico. All significant intercompany accounts and transactions have been eliminated in consolidation.

**Fiscal Year:** The Company utilizes a 52- or 53-week accounting period that ends on the Saturday closest to September 30.

**Reclassifications:** Certain reclassifications have been made to prior periods to conform to current presentations.

**Cash and Cash Equivalents:** Cash equivalents consist of investments in short-term, highly liquid securities having original maturities of three months or less, which are made as part of the Company's cash management activity. The carrying values of these assets approximate their fair market values. As a result of the Company's cash management system, checks issued, but not presented to the banks for payment, may create negative cash balances. Checks outstanding in excess of related cash balances totaling approximately $126 million at September 30, 2000, and $135 million at October 2, 1999, are included in trade accounts payable, accrued compensation and benefits and other current liabilities.

**Inventories:** Live chicken consists of broilers and breeders. Broilers are stated at the lower of cost (first-in, first-out) or market and breeders are stated at cost less amortization. Breeder costs are accumulated up to the production stage and amortized into broiler costs over the estimated production lives based on historical egg production. Live swine consist of breeding stock and finishing, which are carried at lower of cost (first-in, first-out) or market. The cost of live swine is included in cost of sales when the swine are sold. Additionally, dressed and further-processed products, hatchery eggs and feed and supplies are valued at the lower of cost (first-in, first-out) or market. At September 30, 2000, live swine inventory has been reclassified to inventory from assets held for sale.

in millions

| | 2000 | 1999 |
|---|---|---|
| Dressed and further-processed products | **$460** | $549 |
| Live chickens | **291** | 291 |
| Live swine | **75** | – |
| Hatchery eggs and feed | **67** | 67 |
| Supplies | **72** | 82 |
| Total inventory | **$965** | $989 |

**Depreciation:** Depreciation is provided primarily by the straight-line method using estimated lives for buildings and leasehold improvements of 10 to 39 years, machinery and equipment of three to 12 years and other of three to 20 years.

**Excess of Investments Over Net Assets Acquired:** Costs in excess of net assets of businesses purchased are amortized on a straight-line basis over periods ranging from 15 to 40 years. The Company reviews the carrying value of excess of investments over net assets acquired at each balance sheet date to assess recoverability from future operations using undiscounted cash flows based upon historical results and current projections of earnings before interest and taxes.

If impairment is indicated by using undiscounted cash flows, the Company measures impairment using discounted cash flows of future operating results based upon a rate that corresponds to the Company's cost of capital. Impairments are recognized in operating results to the extent that carrying value exceeds fair value. At September 30, 2000, and October 2, 1999, the accumulated amortization of excess of investments over net assets acquired was $256 million and $225 million, respectively.

**Other Current Liabilities:** Insurance reserves totaling $102 million and $95 million at September 30, 2000, and October 2, 1999, respectively, are included in other current liabilities.

**Capital Stock:** Holders of Class B common stock (Class B stock) may convert such stock into Class A common stock (Class A stock) on a share-for-share basis. Holders of Class B stock are entitled to 10 votes per share while holders of Class A stock are entitled to one vote per share on matters submitted to shareholders for approval. Cash dividends cannot be paid to holders of Class B stock unless they are simultaneously paid to holders of Class A stock. The per share amount of the cash dividend paid to holders of Class B stock cannot exceed 90% of the cash dividend simultaneously paid to holders of Class A stock. The Company pays quarterly cash dividends to Class A and Class B shareholders. The Company paid Class A dividends per share of $0.16, $0.115 and $0.10 and Class B dividends per share of $0.144, $0.104 and $0.09 in 2000, 1999 and 1998, respectively.

**Stock-Based Compensation:** Stock-based compensation is recognized using the intrinsic value method. For disclosure purposes, pro forma net income and earnings per share impacts are provided as if the fair value method had been applied.

**Financial Instruments:** Periodically, the Company uses derivative financial instruments to reduce its exposure to various market risks. The Company does not regularly engage in speculative transactions, nor does the Company regularly hold or issue financial instruments for trading purposes. Generally, contract terms of a hedge instrument closely mirror those of the hedged item providing a high degree of risk reduction and correlation. Contracts that effectively meet the risk reduction and correlation criteria are recorded using hedge accounting. Financial instruments that do not meet the criteria for hedge accounting are marked to fair value with gains or losses reported currently in earnings. Interest rate swaps are used to hedge exposure to changes in interest rates under various leveraged equipment loans. Settlements of interest rate swaps are accounted for as an adjustment to interest expense. Commodity futures and options are used to hedge a portion of the Company's purchases of certain commodities for future processing requirements. Such contracts are accounted for as hedges, with gains and losses recognized as part of cost of sales, and generally have terms of less than 15 months. Foreign currency forwards and option contracts are used to hedge sale and debt transactions denominated in foreign currencies to reduce the currency risk associated with fluctuating exchange rates. Such contracts generally have terms of less than 12 months. Unrealized gains and losses are deferred as part of the basis of the underlying transaction.

**Revenue Recognition:** The Company recognizes sales revenue upon shipment of product. Certain international sales revenue and live swine sales revenue are recognized after transfer of title or delivery of product, which may occur after shipment.

**Advertising and Promotion Expenses:** Advertising and promotion expenses are charged to operations in the period incurred. Advertising and promotion expenses for 2000, 1999 and 1998 were $280 million, $301 million and $294 million, respectively.

**Use of Estimates:** The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States which require management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**Recently Issued Accounting Standards:** On October 1, 2000, the Company adopted Financial Accounting Standards Board Statement (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which is required to be adopted in years beginning after June 15, 2000. This Statement requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will be either offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

The adoption on October 1, 2000, resulted in the cumulative effect of an accounting change of approximately $9 million being charged to other comprehensive loss. The Company does not believe the adoption of SFAS No. 133 will cause a significant change in normal business practices.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the Commission. SAB 101A was released on March 24, 2000, and delayed for one fiscal quarter the implementation date of SAB 101 for registrants with fiscal years beginning between December 16, 1999, and March 15, 2000. Since the issuance of SAB 101 and SAB 101A, the staff has continued to receive requests from a number of groups asking for additional time to determine the effect, if any, on registrant's revenue recognition practices. SAB 101B issued June 26, 2000, further delayed the implementation date of SAB 101 until no later than the fourth fiscal quarter of fiscal years beginning after December 15, 1999. The Company believes the adoption of SAB 101 in fiscal 2001 will not have a material impact on its financial position or results of operations.

## NOTE 2: ACQUISITIONS

On January 9, 1998, the Company completed the acquisition of Hudson Foods, Inc. (Hudson or Hudson Acquisition). At the effective time of the acquisition, the Class A and Class B shareholders of Hudson received approximately 18.4 million shares of the Company's Class A common stock valued at approximately $364 million and approximately $257 million in cash. The Company borrowed funds under its commercial paper program to finance the cash portion of the Hudson Acquisition and repay approximately $61 million under Hudson's revolving credit facilities. The Hudson Acquisition has been accounted for as a purchase and the excess of investment over net assets acquired is being amortized straight-line over 40 years. The Company's consolidated results of operations include the operations of Hudson since the acquisition date. The following unaudited pro forma information shows the results of operations as though the purchase of Hudson had been made at the beginning of fiscal 1997.

in millions, except per share data

| | 1998 | 1997 |
|---|---|---|
| Sales | $7,831 | $8,021 |
| Net income | 17 | 140 |
| Basic earnings per share | 0.07 | 0.60 |
| Diluted earnings per share | $ 0.07 | $ 0.59 |

The unaudited pro forma results are not necessarily indicative of the actual results of operations that would have occurred had the purchase actually been made at the beginning of 1997, or the results that may occur in the future.

## NOTE 3: DISPOSITIONS

On July 17, 1999, the Company completed the sale of the assets of Tyson Seafood Group in two separate transactions. Under the terms of the agreements, the Company received proceeds of approximately $165 million, which was used to reduce indebtedness, and subsequently collected receivables totaling approximately $16 million. The Company recognized a pretax loss of approximately $19 million on the sale of the seafood assets.

Effective December 31, 1998, the Company sold Willow Brook Foods, its integrated turkey production and processing business, and its Albert Lea, Minn., processing facility which primarily produced sausages, lunch and deli meats. In addition, on December 31, 1998, the Company sold its National Egg Products Company operations in Social Circle, Ga. These facilities were sold for amounts that approximated their carrying values. These operations were acquired as part of the Hudson Acquisition.

## NOTE 4: IMPAIRMENT AND OTHER CHARGES

In the fourth quarter of fiscal 1999, the Company recorded a pretax charge totaling $35 million related to the anticipated loss on the sale and closure of the Pork Group assets. In the first quarter of fiscal 2000, the Company ceased negotiations for the sale of the Pork Group. Additionally, in the fourth quarter of fiscal 1999, the Company recorded pretax charges totaling $23 million for impairment of property and equipment and write-down of related excess of investments over net assets acquired of Mallard's Food Products.

In the fourth quarter of fiscal 1998, as a result of the Company's restructuring plan, pretax charges totaling $215 million were recorded. These charges were classified in the Consolidated Statements of Income as $142 million asset impairment and other charges, $48 million in selling expenses, $21 million in cost of sales and $4 million in other expense.

## NOTE 5: ALLOWANCE FOR DOUBTFUL ACCOUNTS

On January 31, 2000, AmeriServe Food Distribution, Inc. (AmeriServe), a significant distributor of products to fast food and casual dining restaurant chains, filed for reorganization in Delaware under Chapter 11 of the federal Bankruptcy Code. The Company is a major supplier to several AmeriServe customers. In the second quarter of fiscal 2000, the Company recorded a $24 million bad debt reserve to fully reserve the AmeriServe receivable. At September 30, 2000, and October 2, 1999, allowance for doubtful accounts, excluding the AmeriServe writeoff, was $17 million and $22 million, respectively.

## NOTE 6: FINANCIAL INSTRUMENTS

**Commodity and Foreign Currency Contracts:** At September 30, 2000, and October 2, 1999, the Company held the following commodity and foreign currency contracts:

dollars in millions, except per unit contract/strike prices

| | | Notional amount | | Weighted average contract/strike price | | Fair value | |
|---|---|---|---|---|---|---|---|
| | Units | **2000** | 1999 | **2000** | 1999 | **2000** | 1999 |
| Hedging positions | | | | | | | |
| Long positions in corn | bushels | **17** | 84 | **$2.50** | $ 2.21 | **$(9)** | $(8) |
| Short positions in corn | bushels | **–** | 1 | **–** | 2.32 | **–** | – |
| Long positions in soybean oil | cwt | **9** | – | **0.16** | – | **–** | – |
| Short positions in soybean oil | cwt | **6** | – | **0.16** | – | **–** | – |
| Foreign forward exchange contracts | dollars | **–** | $ 7 | **–** | $10.13 | **–** | $(1) |
| Trading positions | | | | | | | |
| Short positions in corn puts | bushels | **–** | 28 | **–** | 2.10 | **–** | (3) |

**Fair Value of Financial Instruments:** The Company's significant financial instruments include cash and cash equivalents, investments and debt. In evaluating the fair value of significant financial instruments, the Company generally uses quoted market prices of the same or similar instruments or calculates an estimated fair value on a discounted cash flow basis using the rates available for instruments with the same remaining maturities. As of September 30, 2000, and October 2, 1999, the fair value of financial instruments held by the Company approximated the recorded value except for long-term debt. Fair value of long-term debt including current portion was $1.4 billion and $1.7 billion at September 30, 2000, and October 2, 1999, respectively.

**Concentrations of Credit Risk:** The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents and trade receivables. The Company's cash equivalents are in high quality securities placed with major banks and financial institutions. Concentrations of credit risk with respect to receivables are limited due to the large number of customers and their dispersion across geographic areas. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. No single group or customer represents greater than 10% of total accounts receivable.

**Interest Rate Instruments:** The Company uses interest rate swap contracts on certain borrowing transactions. Interest rate swaps with notional amounts of $110 million and $127 million were in effect at September 30, 2000, and October 2, 1999, respectively. Fair values of these swaps were $500,000 and a negative $1 million at September 30, 2000, and October 2, 1999, respectively. Fair values of interest rate instruments are estimated amounts the Company would receive or pay to terminate the agreements at the reporting dates. These swaps mature from 2005 to 2008.

## NOTE 7: PROPERTY, PLANT AND EQUIPMENT

The major categories of property, plant and equipment and accumulated depreciation, at cost, are as follows:

in millions

| | 2000 | 1999 |
|---|---|---|
| Land | **$ 61** | $ 57 |
| Buildings and leasehold improvements | **1,291** | 1,180 |
| Machinery and equipment | **2,219** | 2,033 |
| Land improvements and other | **110** | 112 |
| Buildings and equipment under construction | **103** | 224 |
| | **3,784** | 3,606 |
| Less accumulated depreciation | **1,643** | 1,421 |
| Net property, plant and equipment | **$2,141** | $2,185 |

The Company capitalized interest costs of $2 million in 2000, $5 million in 1999 and $2 million in 1998 as part of the cost of major asset construction projects. Approximately $121 million will be required to complete construction projects in progress at September 30, 2000.

In fiscal 2000, the Company adopted American Institute of Certified Public Accountants Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This statement provides guidance on the capitalization of certain costs incurred in developing or acquiring internal-use computer software. At September 30, 2000, the Company has capitalized $25 million in software costs and recorded $3 million of related software depreciation.

## NOTE 8: CONTINGENCIES

The Company is involved in various lawsuits and claims made by third parties on an ongoing basis as a result of its day-to-day operations. Although the outcome of such items cannot be determined with certainty, the Company's general counsel and management are of the opinion that the final outcome should not have a material effect on the Company's results of operations or financial position.

On June 22, 1999, 11 current and former employees of the Company filed the case of *M.H. Fox, et al. v. Tyson Foods, Inc. (Fox v. Tyson)* in the U.S. District Court for the Northern District of Alabama claiming the Company violated requirements of the Fair Labor Standards Act. The suit alleges the Company failed to pay employees for all hours worked and/or improperly paid them for overtime hours. The suit generally alleges that (i) employees should be paid for time taken to put on and take off certain working supplies at the beginning and end of their shifts and breaks and (ii) the use of "mastercard" or "line" time fails to pay employees for all time actually worked. Plaintiffs seek to represent themselves and all similarly situated current and former employees of the Company. At filing 159 current and/or former employees consented to join the lawsuit and, to date, approximately 4,900 consents have been filed with the court. Discovery in this case is ongoing. A hearing was held on March 6, 2000, to consider the plaintiff's request for collective action certification and court-supervised notice. No decision has been rendered. The Company believes it has substantial defenses to the claims made and intends to vigorously defend the case; however, neither the likelihood of unfavorable outcome nor the amount of ultimate liability, if any, with respect to this case can be determined at this time.

Substantially similar suits have been filed against other integrated poultry companies. In addition, organizing activity conducted by representatives or affiliates of the United Food and Commercial Workers Union against the poultry industry has encouraged worker participation in *Fox v. Tyson* and the other lawsuits.

On February 9, 2000, the Wage and Hour Division of the U.S. Department of Labor (DOL) began an industry-wide investigation of poultry producers, including the Company, to ascertain compliance with various wage and hour issues. As part of this investigation, the DOL inspected 14 of the Company's processing facilities. The Company has begun preliminary discussions with the DOL regarding its investigation to discuss a resolution of potential claims that might be asserted by the DOL.

The Company has been advised of an investigation by the Immigration and Naturalization Service (INS) and the U.S. Attorney's Office for the Eastern District of Tennessee into possible violations of the Immigration and Naturalization Act at several of the Company's locations. On October 5, 2000, the Company was advised that, in addition to a number of its employees, the Company itself is a subject of the investigation. The outcome of the investigation and any potential liability on the part of the Company cannot be determined at this time.

On January 20, 2000, McCarty Farms, Inc. (McCarty), a former subsidiary of the Company which has been merged into the Company, was indicted in the U.S. District Court for the Southern District of Mississippi, Jackson Division, for conspiracy to violate the federal Clean Water Act. The alleged conspiracy arose out of McCarty's partial ownership of Central Industries, Inc. (Central), which operates a rendering plant in Forest, Miss. On November 3, 2000, Central pled to 25 counts of knowing violations of the Act and one count of conspiracy pursuant to a plea agreement, which resulted in a $14 million fine against Central payable over five years. The conspiracy indictment against McCarty and other Central shareholders was dismissed. A related civil proceeding by the United States arising from the same circumstances, and a state environmental administrative complaint were also fully resolved and dismissed as a part of Central's Plea Agreement.

The Company's Sedalia, Mo., facility is currently under investigation by the U.S. Attorney's office of the Western District of Missouri for possible violations of environmental laws or regulations. Neither the likelihood of an unfavorable outcome nor the amount of ultimate liability, if any, with respect to this investigation can be determined at this time.

On October 17, 2000, a Washington County (Arkansas) Chancery Court jury awarded the Company approximately $20 million in its lawsuit against ConAgra, Inc. and ConAgra Poultry Company. In its suit, the Company alleged that ConAgra, Inc. and ConAgra Poultry Company violated the Arkansas Trade Secrets Act when they improperly obtained and implemented Tyson's confidential feed nutrient profile. The court ruled that the Company's feed nutrient profile is a trade secret under the Arkansas Trade Secrets Act and that ConAgra, Inc. and ConAgra Poultry Company misappropriated the feed nutrient profile. The court's ruling and the award are subject to appeal; therefore, the Company has not recorded this award at September 30, 2000.

## NOTE 9: COMMITMENTS

The Company leases certain farms and other properties and equipment for which the total rentals thereon approximated $66 million in 2000, $64 million in 1999 and $47 million in 1998. Most farm leases have terms ranging from one to 10 years with various renewal periods. The most significant obligations assumed under the terms of the leases are the upkeep of the facilities and payments of insurance and property taxes.

Minimum lease commitments under noncancelable leases at September 30, 2000, total $124 million composed of $54 million for 2001, $34 million for 2002, $18 million for 2003, $9 million for 2004, $5 million for 2005 and $4 million for later years. These future commitments are expected to be offset by future minimum lease payments to be received under subleases of approximately $12 million.

The Company assists certain of its swine and chicken growers in obtaining financing for growout facilities by providing the growers with extended growout contracts and conditional operation of the facilities should a grower default under their growout or loan agreement. The Company also guarantees debt of outside third parties of $41 million.

## NOTE 10: LONG-TERM DEBT

The Company has an unsecured revolving credit agreement totaling $1 billion that supports the Company's commercial paper program. This $1 billion facility expires in May 2002. At September 30, 2000, $260 million in commercial paper was outstanding under this facility.

At September 30, 2000, the Company had outstanding letters of credit totaling approximately $99 million issued primarily in support of workers' compensation insurance programs, industrial revenue bonds and the leveraged equipment loans.

Under the terms of the leveraged equipment loans, the Company had restricted cash totaling approximately $49 million which is included in other assets at September 30, 2000. Under these leveraged loan agreements, the Company entered into interest rate swap agreements to effectively lock in a fixed interest rate for these borrowings.

Annual maturities of long-term debt for the five years subsequent to September 30, 2000, are: 2001–$123 million; 2002–$307 million; 2003–$178 million; 2004–$29 million and 2005–$180 million.

The revolving credit agreement and notes contain various covenants, the more restrictive of which require maintenance of a minimum net worth, current ratio, cash flow coverage of interest and fixed charges and a maximum total debt-to-capitalization ratio. The Company is in compliance with these covenants at fiscal year end.

Industrial revenue bonds are secured by facilities with a net book value of $64 million at September 30, 2000. The weighted average interest rate on all outstanding short-term borrowing was 6.8% at September 30, 2000, and 5.5% at October 2, 1999.

Long-term debt consists of the following:

in millions

| | Maturity | **2000** | 1999 |
|---|---|---|---|
| Commercial paper (6.7% effective rate at 9/30/00) | 2002 | **$ 260** | $ 291 |
| Debt securities: | | | |
| 6.75% notes | 2005 | **149** | 150 |
| 6.625% notes | 2006 | **149** | 150 |
| 6.39–6.41% notes | 2001 | **–** | 50 |
| 6% notes | 2003 | **149** | 148 |
| 7% notes | 2028 | **147** | 146 |
| 7% notes | 2018 | **237** | 236 |
| Institutional notes: | | | |
| 10.61% notes | 2001 | **–** | 53 |
| 10.84% notes | 2002–2006 | **50** | 50 |
| 11.375% notes | 1999–2002 | **4** | 8 |
| Leveraged equipment loans (rates ranging from 4.7% to 6.0%) | 2005–2008 | **138** | 154 |
| Other | various | **74** | 79 |
| Total long-term debt | | **$1,357** | $1,515 |

## NOTE 11: STOCK OPTIONS AND RESTRICTED STOCK

The Company has a nonqualified stock option plan that provides for granting options for shares of Class A stock at a price not less than the fair market value at the date of grant. The options generally become exercisable ratably over three to eight years from the date of grant and must be exercised within 10 years of the grant date.

On May 4, 2000, the Company cancelled approximately 4.3 million option shares and granted approximately 1 million restricted shares of Class A common stock. The restriction expires over periods through December 1, 2003. At September 30, 2000, the Company had outstanding 1,146,900 restricted shares of Class A common stock with restrictions expiring over periods through July 1, 2020. The unearned portion of the restricted stock is classified on the Consolidated Balance Sheets as deferred compensation in shareholders' equity.

A summary of the Company's stock option activity for the nonqualified stock option plan is as follows:

| | Shares under option | Weighted average exercise price per share |
|---|---|---|
| Outstanding, September 27, 1997 | 8,342,334 | $15.99 |
| Exercised | (178,467) | 14.18 |
| Canceled | (313,019) | 15.84 |
| Granted | 504,700 | 18.00 |
| Outstanding, October 3, 1998 | 8,355,548 | 16.15 |
| Exercised | (359,999) | 14.23 |
| Canceled | (631,717) | 16.35 |
| Granted | 4,722,500 | 15.00 |
| Outstanding, October 2, 1999 | 12,086,332 | 15.74 |
| Exercised | **(88,332)** | **14.23** |
| Canceled | **(5,199,995)** | **15.17** |
| Outstanding, September 30, 2000 | **6,798,005** | **$16.19** |

The number of options exercisable was as follows: September 30, 2000–2,926,980; October 2, 1999–1,870,893 and October 3, 1998–1,202,498. The remainder of the options outstanding at September 30, 2000, are exercisable ratably through November 2007. The number of shares available for future grants was 7,568,614 and 2,368,619 at September 30, 2000, and October 2, 1999, respectively.

The following table summarizes information about stock options outstanding at September 30, 2000:

| | Options outstanding | | | Options exercisable | |
|---|---|---|---|---|---|
| Range of exercise prices | Shares outstanding | Weighted average remaining contractual life (in years) | Weighted average exercise price | Shares exercisable | Weighted average exercise price |
| $14.33 – 14.50 | **2,057,730** | **3.9** | **$14.40** | **1,807,110** | **$14.40** |
| 14.58 – 15.17 | **1,566,050** | **6.0** | **15.04** | **552,825** | **15.04** |
| 17.92 – 18.00 | **3,174,225** | **6.1** | **17.93** | **567,045** | **17.92** |
| | **6,798,005** | | | **2,926,980** | |

The Company did not grant any options during 2000. The weighted average fair value of options granted during 1999 was approximately $5.06. The fair value of each option grant is established on the date of grant using the Black-Scholes option-pricing model. Assumptions include an expected life of 5.5 years, risk-free interest rates ranging from 5.5% to 6.4%, expected volatility of 0.2% and dividend yield of 0.5% in 1999.

The Company applies Accounting Principles Board Opinion No. 25 and related Interpretations in accounting for its employee stock option plans. Accordingly, no compensation expense was recognized for its stock option plans. Had compensation cost for the employee stock option plans been determined based on the fair value method of accounting for the Company's stock option plans, the tax-effected impact would be as follows:

in millions, except per share data

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Net income | | | |
| As reported | **$ 151** | $ 230 | $ 25 |
| Pro forma | **148** | 226 | 21 |
| Earnings per share | | | |
| As reported | | | |
| Basic | **0.67** | 1.00 | 0.11 |
| Diluted | **0.67** | 1.00 | 0.11 |
| Pro forma | | | |
| Basic | **0.66** | 0.98 | 0.09 |
| Diluted | **0.65** | 0.98 | 0.09 |

Pro forma net income reflects only options granted after 1997. Additionally, the pro forma disclosures are not likely to be representative of the effects on reported net income for future years.

## NOTE 12: BENEFIT PLANS

The Company has defined contribution retirement and incentive benefit programs for various groups of Company personnel. Company contributions totaled $32 million, $33 million and $32 million in 2000, 1999 and 1998, respectively.

## NOTE 13: TRANSACTIONS WITH RELATED PARTIES

The Company has operating leases for farms, equipment and other facilities with the Senior Chairman of the Board of Directors of the Company and certain members of his family, as well as a trust controlled by him, for rentals of $7 million in 2000, $7 million in 1999 and $5 million in 1998. Other facilities have been leased from other officers and directors for rentals totaling $3 million in 2000, 1999 and 1998.

Certain officers and directors are engaged in chicken and swine growout operations with the Company whereby these individuals purchase animals, feed, housing and other items to raise the animals to market weight. The total value of these transactions amounted to $11 million in 2000, $10 million in 1999 and $12 million in 1998.

Certain unimproved real property was sold by the Company in June 2000 to an entity controlled by the daughter and son-in-law of the Senior Chairman of the Board for approximately $5 million. The purchase price was in excess of the market value as determined by a current independent appraisal.

## NOTE 14: INCOME TAXES

Detail of the provision for income taxes consists of:

in millions

| | **2000** | 1999 | 1998 |
|---|---|---|---|
| Federal | **$78** | $121 | $ 50 |
| State | **5** | 8 | (4) |
| | **$83** | $129 | $ 46 |
| Current | **$36** | $143 | $ 81 |
| Deferred | **47** | (14) | (35) |
| | **$83** | $129 | $ 46 |

The reasons for the difference between the effective income tax rate and the statutory U.S. federal income tax rate are as follows:

| | **2000** | 1999 | 1998 |
|---|---|---|---|
| U.S. federal income tax rate | **35.0%** | 35.0% | 35.0% |
| Amortization of excess of investments over net assets acquired | **4.3** | 5.3 | 23.6 |
| State income taxes (benefit) | **1.4** | 1.6 | (3.8) |
| Foreign (benefit) losses | **(5.2)** | (6.3) | 10.9 |
| Other | **0.1** | (0.7) | (1.0) |
| | **35.6%** | 34.9% | 64.7% |

The Company follows the liability method in accounting for deferred income taxes which provides that deferred tax liabilities are recorded at current tax rates based on the difference between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes referred to as temporary differences.

The tax effects of major items recorded as deferred tax assets and liabilities are:

in millions

| | **2000** | | 1999 | |
|---|---|---|---|---|
| | Deferred tax | | Deferred tax | |
| | Assets | Liabilities | Assets | Liabilities |
| Property, plant and equipment | **$ 5** | **$200** | $ – | $238 |
| Suspended taxes from conversion to accrual method | **–** | **121** | – | 128 |
| Inventory | **2** | **91** | 2 | 40 |
| Employee benefits | **25** | **9** | 31 | 7 |
| All other | **26** | **82** | 53 | 71 |
| | **$58** | **$503** | $86 | $484 |
| Net deferred tax liability | | **$445** | | $398 |

Net deferred tax liabilities are included in other current liabilities and deferred income taxes on the Consolidated Balance Sheets.

The suspended taxes from conversion to accrual method represents the 1987 change from the cash to accrual method of accounting and is currently being paid down over 20 years through 2017.

## NOTE 15: EARNINGS PER SHARE

The weighted average common shares used in the computation of basic and diluted earnings per share were as follows:

in millions, except per share data

| | **2000** | 1999 | 1998 |
|---|---|---|---|
| Numerator: | | | |
| Net income | **$ 151** | $ 230 | $ 25 |
| Denominator: | | | |
| Denominator for basic earnings per share—weighted average shares | **225** | 230 | 227 |
| Effect of dilutive securities: | | | |
| Stock options and restricted stock | **1** | 1 | 1 |
| Denominator for diluted earnings per share—adjusted weighted average shares and assumed conversions | **226** | 231 | 228 |
| Basic earnings per share | **$0.67** | $1.00 | $0.11 |
| Diluted earnings per share | **$0.67** | $1.00 | $0.11 |

The Company had approximately seven million option shares outstanding at September 30, 2000, that were not included in the dilutive earnings per share calculation because they would be antidilutive.

## NOTE 16: SEGMENT REPORTING

The Company presently identifies segments based on the products offered and the nature of customers, resulting in four reported business segments: Food Service, Consumer Products, International and Swine. Food Service includes fresh, frozen and value-added chicken products sold through domestic foodservice, specialty and commodity distributors who deliver to restaurants, schools and other accounts. Consumer Products includes fresh, frozen and value-added chicken products sold through domestic retail markets for at-home consumption and through wholesale club markets targeted to small foodservice operators, individuals and small businesses. The Company's International segment markets and sells the full line of Tyson chicken products throughout the world. The Company's Swine segment includes feeder pig finishing and marketing of swine to regional and national packers. The Company's seafood business, which was sold on July 17, 1999, is listed as a business segment for fiscal 1999 and 1998. The Company measures segment profit as gross profit less selling expenses. The majority of revenue included in the other category is derived from the Company's Specialty Products and Prepared Foods groups, the Company's wholly owned subsidiaries involved in supplying chicken breeding stock and trading agricultural goods worldwide, as well as the Company's turkey and egg products facilities, which were sold on December 31, 1998. Sales between reportable segments are recorded at cost. The majority of identifiable assets in the other category include excess of investments over net assets acquired, investments and other assets and other corporate unallocated assets.

Information on segments and a reconciliation to income before taxes on income and minority interest are as follows:

in millions

| | Food Service | Consumer Products | International | Swine | Seafood | Other | Consolidated |
|---|---|---|---|---|---|---|---|
| **Fiscal year ended September 30, 2000** | | | | | | | |
| Sales | **$3,312** | **$2,250** | **$657** | **$157** | **–** | **$ 782** | **$7,158** |
| Gross profit less selling expenses | **197** | **145** | **50** | **19** | **–** | **140** | **551** |
| Other operating expenses | | | | | | | **203** |
| Other expense | | | | | | | **114** |
| Income before taxes on income and minority interest | | | | | | | **234** |
| Depreciation | **113** | **65** | **8** | **3** | **–** | **68** | **257** |
| Identifiable assets | **1,745** | **1,111** | **166** | **102** | **–** | **1,730** | **4,854** |
| Additions to property, plant and equipment | **42** | **68** | **8** | **–** | **–** | **78** | **196** |
| **Fiscal year ended October 2, 1999** | | | | | | | |
| Sales | $3,354 | $2,252 | $645 | $110 | $189 | $ 813 | $7,363 |
| Gross profit less selling expenses | 311 | 241 | 68 | (63) | 22 | 155 | 734 |
| Other operating expenses | | | | | | | 247 |
| Other expense | | | | | | | 116 |
| Income before taxes on income and minority interest | | | | | | | 371 |
| Depreciation | 114 | 57 | 1 | 4 | 29 | 50 | 255 |
| Asset impairment and other charges | – | – | – | 35 | 19 | 23 | 77 |
| Identifiable assets | 1,925 | 1,161 | 194 | 70 | – | 1,733 | 5,083 |
| Additions to property, plant and equipment | 153 | 130 | 16 | 4 | 6 | 54 | 363 |
| **Fiscal year ended October 3, 1998** | | | | | | | |
| Sales | $3,329 | $2,074 | $593 | $160 | $214 | $1,044 | $7,414 |
| Gross profit less selling expenses | 232 | 179 | 9 | (21) | 3 | 110 | 512 |
| Other operating expenses | | | | | | | 308 |
| Other expense | | | | | | | 133 |
| Income before taxes on income and minority interest | | | | | | | 71 |
| Depreciation | 108 | 62 | 1 | 4 | 23 | 45 | 243 |
| Asset impairment and other charges | 51 | 39 | 48 | – | 47 | 30 | 215 |
| Identifiable assets | 1,822 | 1,038 | 188 | 128 | 221 | 1,845 | 5,242 |
| Additions to property, plant and equipment | 154 | 69 | – | 5 | 27 | 55 | 310 |

The majority of the Company's operations are domiciled in the United States. Approximately 97% of sales to external customers for the fiscal years ended 2000, 1999 and 1998 were sourced from the United States. Approximately $3 billion of long-lived assets were located in the United States at fiscal years ended 2000, 1999 and 1998. Approximately $74 million, $74 million and $64 million of long-lived assets were located in foreign countries, primarily Mexico, at fiscal years ended 2000, 1999 and 1998, respectively.

The Company sells certain of its products in foreign markets, primarily China, Hong Kong, Japan, Mexico, Puerto Rico and Russia. The Company's export sales for 2000, 1999 and 1998 totaled $550 million, $546 million and $687 million, respectively. Substantially all of the Company's export sales are transacted through unaffiliated brokers, marketing associations and foreign sales staffs. Foreign sales were less than 10% of total consolidated sales for 2000, 1999 and 1998, respectively.

## NOTE 17: SUPPLEMENTAL INFORMATION

in millions

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| **Supplemental Cash Flow Information** | | | |
| Cash paid during the period for: | | | |
| Interest | **$116** | $128 | $160 |
| Income taxes | **73** | 125 | 197 |

## NOTE 18: QUARTERLY FINANCIAL DATA (UNAUDITED)

in millions, except per share data

| | First quarter | Second quarter | Third quarter | Fourth quarter |
|---|---|---|---|---|
| **2000** | | | | |
| Sales | **$1,779** | **$1,791** | **$1,807** | **$1,781** |
| Gross margin | **313** | **297** | **269** | **235** |
| Net income | **57** | **36** | **40** | **18** |
| Basic earnings per share | **0.25** | **0.16** | **0.18** | **0.08** |
| Diluted earnings per share | **0.25** | **0.16** | **0.18** | **0.08** |
| 1999 | | | | |
| Sales | $1,825 | $1,841 | $1,881 | $1,816 |
| Gross margin | 306 | 322 | 350 | 331 |
| Net income | 56 | 65 | 68 | 41 |
| Basic earnings per share | 0.24 | 0.28 | 0.30 | 0.18 |
| Diluted earnings per share | 0.24 | 0.28 | 0.30 | 0.18 |

# REPORT OF MANAGEMENT



The management of Tyson Foods, Inc., (the Company) has the responsibility of preparing the accompanying financial statements and is responsible for their integrity and objectivity. The statements were prepared in conformity with accounting principles generally accepted in the United States applied on a consistent basis. Such financial statements are necessarily based, in part, on best estimates and judgments.

The Company maintains a system of internal accounting controls, and a program of internal auditing designed to provide reasonable assurance that the Company's assets are protected and that transactions are executed in accordance with proper authorization, and are properly recorded. This system of internal accounting controls is continually reviewed and modified in response to changing business conditions and operations and to recommendations made by the independent auditors and the internal auditors. The Company has a code of conduct and an experienced full-time compliance officer. The management of the Company believes that the accounting and control systems provide reasonable assurance that assets are safeguarded and financial information is reliable.

The Audit Committee of the Board of Directors meets regularly with the Company's financial management and counsel, with the Company's internal auditors, and with the independent auditors engaged by the Company. These meetings include discussions of internal accounting controls and the quality of financial reporting. The Audit Committee has discussed with the independent auditors matters required to be discussed by Statement of Auditing Standards No. 61 (Communication with Audit Committees). In addition, the Committee has discussed with the independent auditors, the auditors' independence from the Company and its management, including the matters in the written disclosures required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). The independent auditors and the Internal Audit Department have free and independent access to the Audit Committee to discuss the results of their audits or any other matters relating to the Company's financial affairs.

Ernst & Young LLP, independent auditors, have audited the accompanying consolidated financial statements.

November 13, 2000

John Tyson
Chairman of the Board,
President and
Chief Executive Officer

Steven Hankins
Executive Vice President
and Chief Financial Officer

# REPORT OF INDEPENDENT AUDITORS



## BOARD OF DIRECTORS AND SHAREHOLDERS

We have audited the accompanying consolidated balance sheets of Tyson Foods, Inc., as of September 30, 2000, and October 2, 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2000. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tyson Foods, Inc., at September 30, 2000, and October 2, 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

Ernst & Young LLP
Little Rock, Arkansas
November 13, 2000

# ELEVEN-YEAR FINANCIAL SUMMARY

TYSON FOODS, INC. 2000 ANNUAL REPORT

in millions, except per share data

| | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 | 1990 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Summary of Operations** | | | | | | | | | | | |
| Sales | **$7,158** | $7,363 | $7,414 | $6,356 | $6,454 | $5,511 | $5,110 | $4,707 | $4,169 | $3,922 | $3,825 |
| Cost of sales | **6,044** | 6,054 | 6,260 | 5,318 | 5,506 | 4,423 | 4,149 | 3,797 | 3,390 | 3,148 | 3,082 |
| Gross profit | **1,114** | 1,309 | 1,154 | 1,038 | 948 | 1,088 | 961 | 911 | 779 | 775 | 744 |
| Operating expenses | **766** | 822 | 950 | 638 | 679 | 616 | 766 | 535 | 447 | 441 | 423 |
| Interest expense | **115** | 124 | 139 | 110 | 133 | 115 | 86 | 73 | 77 | 96 | 129 |
| Provision for income taxes | **83** | 129 | 46 | 144 | 49 | 131 | 121 | 129 | 101 | 97 | 80 |
| Net income (loss) | **$ 151** | $ 230 | $ 25 | $ 186 | $ 87 | $ 219 | $ (2) | $ 180 | $ 161 | $ 146 | $ 120 |
| Year end shares outstanding | **225** | 229 | 231 | 213 | 217 | 217 | 218 | 221 | 206 | 206 | 205 |
| Diluted average shares outstanding | **226** | 231 | 228 | 218 | 218 | 218 | 222 | 223 | 208 | 207 | 199 |
| Diluted earnings (loss) per share | **$ 0.67** | $ 1.00 | $ 0.11 | $ 0.85 | $ 0.40 | $ 1.01 | $ (0.01) | $ 0.81 | $ 0.77 | $ 0.70 | $ 0.60 |
| Basic earnings (loss) per share | **0.67** | 1.00 | 0.11 | 0.86 | 0.40 | 1.01 | (0.01) | 0.82 | 0.78 | 0.71 | 0.61 |
| Dividends per share: | | | | | | | | | | | |
| Class A | **0.160** | 0.115 | 0.100 | 0.095 | 0.080 | 0.053 | 0.047 | 0.027 | 0.027 | 0.020 | 0.013 |
| Class B | **0.144** | 0.104 | 0.090 | 0.086 | 0.072 | 0.044 | 0.039 | 0.022 | 0.022 | 0.017 | 0.011 |
| Depreciation and amortization | **$ 294** | $ 291 | $ 276 | $ 230 | $ 239 | $ 205 | $ 188 | $ 177 | $ 149 | $ 136 | $ 123 |
| **Balance Sheet Data** | | | | | | | | | | | |
| Capital expenditures | **$ 196** | $ 363 | $ 310 | $ 291 | $ 214 | $ 347 | $ 232 | $ 225 | $ 108 | $ 214 | $ 164 |
| Total assets | **4,854** | 5,083 | 5,242 | 4,411 | 4,544 | 4,444 | 3,668 | 3,254 | 2,618 | 2,646 | 2,501 |
| Net property, plant and equipment | **2,141** | 2,185 | 2,257 | 1,925 | 1,869 | 2,014 | 1,610 | 1,435 | 1,142 | 1,162 | 1,071 |
| Total debt | **1,542** | 1,804 | 2,129 | 1,690 | 1,975 | 1,985 | 1,455 | 1,024 | 826 | 984 | 1,021 |
| Shareholders' equity | **$2,175** | $2,128 | $1,970 | $1,621 | $1,542 | $1,468 | $1,289 | $1,361 | $ 980 | $ 823 | $ 663 |
| **Other Key Financial Measures** | | | | | | | | | | | |
| Return on sales | **2.2%** | 3.1% | 0.3% | 2.9% | 1.4% | 4.0% | 0.0% | 3.8% | 3.9% | 3.7% | 3.1% |
| Annual sales growth (decline) | **(2.8)%** | (0.7)% | 16.7% | (1.5)% | 17.1% | 7.9% | 8.6% | 12.9% | 6.3% | 2.5% | 50.7% |
| Gross margin | **15.6%** | 17.8% | 15.6% | 16.3% | 14.7% | 19.7% | 18.8% | 19.4% | 18.7% | 19.8% | 19.4% |
| Return on invested capital | **8.2%** | 10.9% | 4.9% | 10.2% | 6.8% | 13.3% | 6.5% | 14.8% | 14.8% | 15.4% | 15.0% |
| Return on beginning shareholders' equity | **7.1%** | 11.7% | 1.5% | 12.1% | 5.9% | 17.0% | (0.2)% | 18.4% | 19.5% | 22.0% | 26.8% |
| Effective tax rate | **35.6%** | 34.9% | 64.7% | 43.6% | 37.0% | 38.1% | 101.8% | 41.8% | 38.5% | 40.0% | 40.0% |
| Total debt to capitalization | **41.5%** | 45.9% | 51.9% | 51.0% | 56.2% | 57.5% | 53.0% | 42.9% | 45.7% | 54.5% | 60.6% |
| Book value per share | **$ 9.67** | $ 9.31 | $ 8.53 | $ 7.60 | $ 7.09 | $ 6.76 | $ 5.92 | $ 6.16 | $ 4.75 | $ 3.99 | $ 3.24 |
| Closing stock price high | **18.00** | 25.38 | 24.44 | 23.63 | 18.58 | 18.17 | 16.67 | 18.08 | 15.08 | 15.58 | 11.79 |
| Closing stock price low | **8.56** | 15.00 | 16.50 | 17.75 | 13.83 | 13.83 | 12.50 | 12.83 | 10.17 | 8.46 | 7.17 |

1. Return on invested capital is defined as earnings before interest and taxes divided by average total assets less current liabilities excluding current debt.

2. The results for 2000 include a $24 million pretax charge for bad debt writeoff related to the January 31, 2000, bankruptcy filing of AmeriServe Food Distribution, Inc. and a $9 million pretax charge related to Tyson de Mexico losses.

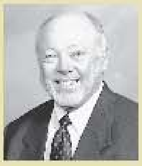
3. The results for 1999 include a $77 million pretax charge for loss on sale of assets and impairment write-downs.

4. Significant business combinations accounted for as purchases: Hudson Foods, Inc. and Arctic Alaska Fisheries Corporation on January 9, 1998 and October 5, 1992, respectively. See Footnote 2 to the Consolidated Financial Statements for acquisitions during the three-year period ended September 30, 2000.

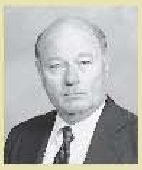
5. The results for 1998 include a $215 million pretax charge for asset impairment and other charges.

6. The results for 1997 include a $41 million pretax gain ($4 million aftertax) from the sale of the beef division assets.

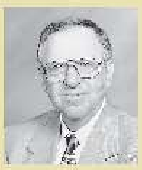
7. The results for 1994 include a $214 million pretax charge ($205 million aftertax) due to the write-down of certain long-lived assets of Arctic Alaska Fisheries Corporation.



**DON TYSON**, 70, senior chairman of the board of directors, served as chairman of the board until April 1995 when he was named senior chairman. Mr. Tyson served as chief executive officer until March 1991 and has been a member of the board since 1952.[1]



**JOE STARR**, 67, a private investor, served as a vice president of Tyson until 1996. Mr. Starr has been a member of the board since 1969.

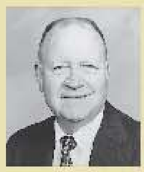


**NEELY CASSADY**, 72, is chairman of the board and president of Cassady Investments, Inc. and served as a senator in the Arkansas General Assembly from 1983 to 1996. Mr. Cassady has been a member of the board since 1974.[2,3,4]

**FRED VORSANGER**, 72, is a private business consultant, manager of Bud Walton Arena and vice president emeritus of finance and administration at the University of Arkansas. Mr. Vorsanger has been a member of the board since 1977.[2,3,4]

**LELAND TOLLETT**, 63, served as chairman of the board and chief executive officer from 1995 to 1998. A Tyson team member since 1959, Mr. Tollett was president and chief executive officer from 1991 to 1995. He has been a member of the board since 1984.[1]

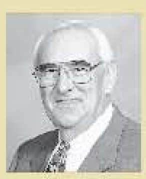
**JOHN TYSON**, 47, was named chairman of the board of directors in 1998 and assumed responsibilities as president and chief executive officer in April 2000. He had served as vice chairman since 1997. Previously he was president of the beef and pork division and director of governmental, media and public relations. Mr. Tyson has been a member of the board since 1984.[1]



**SHELBY MASSEY**, 67, is a farmer and a private investor. He served as senior vice chairman of the board of directors from 1985 to 1988 and has been a member of the board since 1985.[3,4]

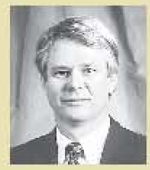
**BARBARA TYSON**, 51, is vice president of the Company. She has served in related capacities since 1988. Ms. Tyson has been a member of the board since 1988.

**LLOYD HACKLEY**, 60, is president and chief executive officer of Lloyd V. Hackley and Associates, Inc. He was president of the North Carolina Community College System from 1995 to 1997 and was chancellor and a tenured professor of political science at Fayetteville State University, Fayetteville, N.C., from 1988 to 1995. Mr. Hackley has been a member of the board since 1992.[2,4]

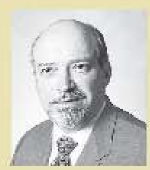


**DONALD WRAY**, 63, retired as president in March 2000 after 39 years with the Company. He served as president and chief operating officer from 1995 to 1999 after serving as chief operating officer since 1991. Mr. Wray has been a member of the board since 1994.

**GERALD JOHNSTON**, 58, a private investor, was executive vice president of finance for Tyson from 1981 to 1996 when he stepped down and became a consultant to the Company. Mr. Johnston has been a member of the board since 1996.



**JIM KEVER**, 48, is a director of Quintiles Transnational and has served as CEO of Envoy Corporation, a subsidiary of Quintiles, since Envoy was acquired by Quintiles in March 1999. He served as president and Co-CEO of Envoy from August 1995 until March 1999 and as a director from Envoy's incorporation in August 1994 until March 1999. Mr. Kever has been a member of the board since 1999.[2]



**DAVID JONES**, 51, has been chairman of the board and chief executive officer of Rayovac Corp. since 1996. Before joining Rayovac, Mr. Jones served as president, CEO and chairman of Thermoscan, Inc. and as president, CEO and chairman of the Regina Company. He was previously with Electrolux Corporation and General Electric Co. Mr. Jones was elected to the board in August 2000.[2]

**BARBARA ALLEN**, 48, is president and COO of Paladin Resources. Previously Ms. Allen was president of corporate supplier solutions for Corporate Express. She was with Quaker Oats Co. for 23 years where she held several senior positions including executive vice president of international foods, vice president of corporate strategic planning, president of the frozen foods division and vice president of marketing. Ms. Allen was elected to the board in November 2000.

[1] *Executive Committee*
[2] *Audit Committee*
[3] *Compensation Committee*
[4] *Special Committee*

## CORPORATE AND EXECUTIVE OFFICERS



**Mike Baker**
President, Production Services

**Les R. Baledge**
Executive Vice President
and General Counsel

**James Bell**
President, Cobb-Vantress, Inc.

**LaDonna Bornhoft**
Senior Vice President,
Asset and Risk Management

**Ellis Brunton**
Senior Vice President,
Food Safety and Quality Assurance

**Wayne B. Butler**
President, Prepared Foods Group

**Jim Cate**
President, Specialty Products Group

**Gary D. Cooper**
Vice President
and Chief Information Officer

**John D. Copeland**
Executive Vice President,
Ethics and Environmental Compliance

**Bob Corscadden**
Senior Vice President,
Corporate Advertising and
Marketing Services

**Michelle D. Eisner**
Senior Vice President,
Human Resources

**Louis C. Gottsponer, Jr.**
Assistant Secretary
and Director of Investor Relations

**Steven Hankins**
Executive Vice President
and Chief Financial Officer

**R. Read Hudson**
Secretary and Corporate Counsel

**Greg Huett**
President, International Group

**Clark Irwin**
Senior Vice President
and General Manager,
Food Service Distribution

**Carl G. Johnson**
Executive Vice President,
Administrative Services

**Donnie King**
Senior Vice President
and General Manager,
Food Service Commodities

**John S. Lea**
Executive Vice President
and Chief Marketing Officer

**Dennis Leatherby**
Senior Vice President, Finance
and Treasurer

**Greg W. Lee**
Chief Operating Officer

**Bernard Leonard**
Senior Vice President
and General Manager,
Food Service QSR Chain Division

**Bob E. Love**
Vice President,
Research and Development

**William W. Lovette**
President, Food Service Group

**Joe Moran**
Senior Vice President
and General Manager, Food Service
Refrigerated and Deli Division

**Wes Morris**
Senior Vice President
and General Manager, Wholesale Clubs

**Rodney S. Pless**
Vice President, Controller
and Chief Accounting Officer

**Cary D. Richardson**
Senior Vice President
and General Manager, Retail Division

**Donnie Smith**
Executive Vice President,
Supply Chain Management

**Randy Smith**
Senior Vice President
and General Manager, Food Service
QSR Chain Division

**John Thomas**
President, The Pork Group, Inc.

**John H. Tyson**
Chairman, President
and Chief Executive Officer

**David L. Van Bebber**
Senior Vice President, Legal Services

**William E. Whitfield III**
Senior Vice President
and General Manager of Accounting,
Poultry Operations

**James Young**
Senior Vice President,
Live Production Services

### CLOSING PRICE OF COMPANY'S COMMON STOCK

| | Fiscal Year 2000 | | Fiscal Year 1999 | |
|---|---|---|---|---|
| | **High** | **Low** | High | Low |
| First Quarter | **$18.00** | **$15.25** | $25.38 | $19.56 |
| Second Quarter | **17.19** | **9.00** | 21.75 | 18.56 |
| Third Quarter | **11.13** | **8.56** | 23.56 | 19.19 |
| Fourth Quarter | **10.00** | **8.88** | 23.31 | 15.00 |

As of September 30, 2000, the Company had 36,079 Class A common shareholders of record and 17 Class B common shareholders of record.

### DIRECTSERVICE™ SHAREHOLDER INVESTMENT PROGRAM

Tyson has authorized First Chicago Trust Company to implement its program for dividend reinvestment and direct purchase of shares for current as well as new investors of Tyson Class A Common Stock. This program provides alternatives to traditional retail brokerage methods of purchasing, holding and selling Tyson stock. All inquiries concerning this program should be directed to:

DirectSERVICE™ Program for Shareholders
of Tyson Foods, Inc.
c/o First Chicago Trust Company
P.O. Box 2598
Jersey City, NJ 07303-2598
1-800-317-4445 (current shareholders)
1-800-822-7096 (non-shareholders)

### CHANGE OF ADDRESS

If your Tyson stock is registered in your own name(s), send change of address information to First Chicago Trust Company.

### MULTIPLE DIVIDEND CHECKS AND DUPLICATE MAILINGS

If your Tyson stock is registered in similar but different names (e.g., Jane A. Doe and J.A. Doe) we are required to create separate accounts and mail dividend checks and proxy materials separately, even if the mailing addresses are the same. To consolidate accounts, contact First Chicago Trust Company.

### LOST OR STOLEN STOCK CERTIFICATES OR LEGAL TRANSFERS

If your stock certificates are lost, stolen or in some way destroyed, or if you wish to transfer registration, notify First Chicago Trust Company in writing. Include the exact name(s) and Social Security or tax identification number(s) in which the stock is registered and, if possible, the numbers and issue dates of the certificates.

### STOCK EXCHANGE LISTINGS

The Class A common stock of the Company is traded on the New York Stock Exchange under the symbol TSN.

### CORPORATE HEADQUARTERS

2210 West Oaklawn Drive
Springdale, AR 72762-6999
Telephone (501) 290-4000

### AVAILABILITY OF FORM 10-K

A copy of the Company's Form 10-K, as filed with the Securities and Exchange Commission for fiscal 2000, may be obtained by Tyson shareholders by writing to:

Director of Investor Relations
Tyson Foods, Inc.
P.O. Box 2020
Springdale, AR 72765-2020
Telephone (501) 290-4826
Fax (501) 290-6577
E-mail: tysonir@tyson.com

# CORPORATE INFORMATION



## ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 10 a.m. Friday, January 12, 2001, at the Walton Arts Center, Fayetteville, Ark. A live audio webcast will be available at www.tyson.com/investorrel. To listen live via telephone, call (800) 450-0785. Outside the United States, call (612) 332-0418. Shareholders who cannot attend the meeting are urged to exercise their right to vote by proxy on the Internet, by phone or by mail.

## DIVIDENDS

Tyson currently pays dividends four times a year on March 15, June 15, September 15 and December 15. The dividend is paid to everyone who holds shares on the record date.

## INDEPENDENT AUDITORS

Ernst & Young LLP
425 West Capitol, Suite 3600
Little Rock, AR 72201
Telephone (501) 370-3000

## TRANSFER AGENT

First Chicago Trust Company of New York,
a division of EquiServe
P.O. Box 2500
Jersey City, NJ 07303
Telephone (800) 317-4445
Hearing Impaired Telephone TDD (201) 222-4955
Shareholders also may contact First Chicago Trust Company via the Internet at www.equiserve.com.

## INVESTOR RELATIONS

Financial analysts and others seeking investor-related information should contact:

Louis C. Gottsponer, Jr.
Director of Investor Relations
Tyson Foods, Inc.
P.O. Box 2020
Springdale, AR 72765-2020
Telephone (501) 290-4826
Fax (501) 290-6577
E-mail: tysonir@tyson.com

## MEDIA RELATIONS

Members of the news media seeking information about Tyson Foods should contact:

Ed Nicholson
Director of Media & Community Relations
Tyson Foods, Inc.
P.O. Box 2020
Springdale, AR 72765-2020
Telephone (501) 290-4591
Fax (501) 290-7984
E-mail: nicholsone@tyson.com

## NEWS RELEASES

News releases concerning Tyson Foods can be received by fax by calling PR Newswire at (800) 758-5804, ext. 113769.

## TYSON ON THE INTERNET

Information about Tyson Foods is available on the Internet at www.tyson.com.

## REGISTERED TRADEMARKS

Tyson®, Weaver®, Mexican Original®, Delightful Farms®, Prospect Farms®, Tastybird®, Mallard's®, Lady Aster®, McCarty Foods®, Wings of Fire®, Specialties™, Chicken 2Go™, Extreme Chicken™, Chik Ribs™, Tyson. It's what your family deserves.™, Tyson For Families™, Food Wise™, Cooking Smart™

## USE OF TERMS

The term "Tyson" and such terms as "the Company," "our," "we" and "us" may refer to Tyson Foods, Inc., to one or more of its consolidated subsidiaries or to all of them taken as a whole. These terms are used for convenience only and are not intended as a precise description of any of the separate companies, each of which manages its own affairs.



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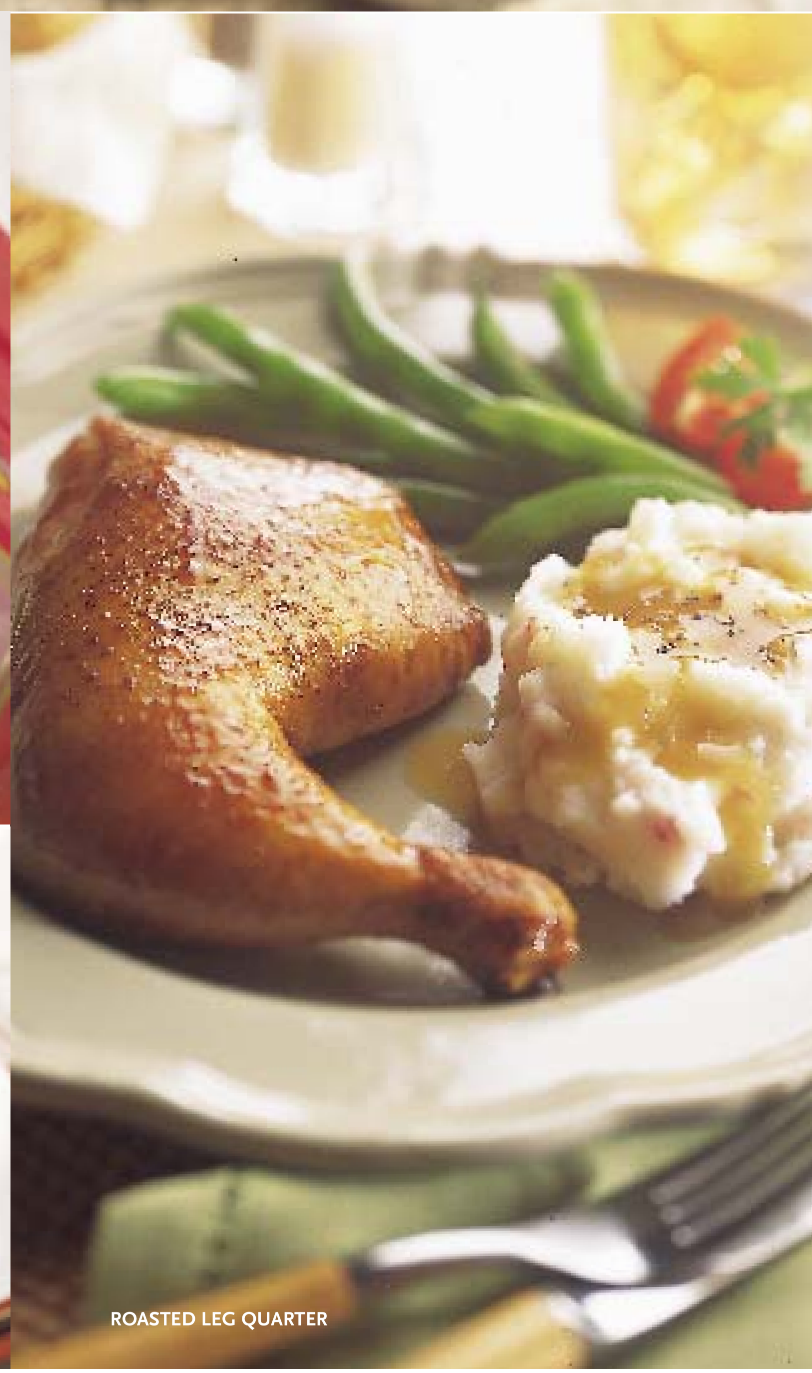
GRILLED BREAST STRIPS



CHICKEN CORDON BLEU


ROASTED LEG QUARTER

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Springdale, Arkansas 72762-6999
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