



are you ready?

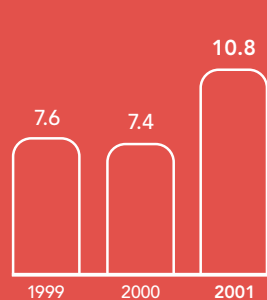
2001 FINANCIAL HIGHLIGHTS

TYSON FOODS, INC. 2001 ANNUAL REPORT

	in millions, except per share data		
	2001	2000	1999
Sales*	\$10,751	\$7,410	\$7,621
Gross profit*	1,090	957	1,151
Operating income	315	348	487
Income before income taxes and minority interest	165	234	371
Provision for income taxes	58	83	129
Net income	88	151	230
Diluted earnings per share	0.40	0.67	1.00
Diluted earnings per share before asset impairment and other charges	0.40	0.67	1.20
Asset impairment and other charges	0	0	77
Shareholders' equity	3,354	2,175	2,128
Book value per share	9.61	9.67	9.31
Total assets	10,632	4,841	5,083
Depreciation and amortization	335	294	291
Total debt	4,776	1,542	1,804
Cash provided by operating activities	511	587	547
Capital expenditures	\$ 261	\$ 196	\$ 363
Shares outstanding	349	225	229
Diluted average shares outstanding	222	226	231

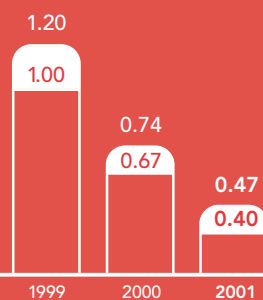
SALES

dollars in billions



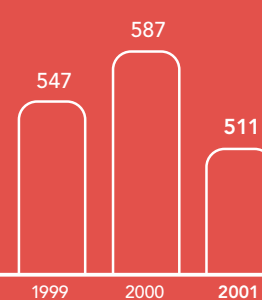
DILUTED EARNINGS PER SHARE

dollars



CASH PROVIDED BY OPERATING ACTIVITIES

dollars in millions



* Sales and gross profit have been reclassified to account for EITF 00-10, Accounting for Shipping and Handling Fees and Costs. ■ before pretax non-recurring charges of \$26 million, \$24 million and \$77 million in 2001, 2000 and 1999, respectively



Tyson Foods, Inc., founded in 1935 with headquarters in Springdale, Arkansas, is the world's largest processor and marketer of beef, chicken and pork. Tyson Foods produces a wide variety of brand name, processed food products and is the recognized market leader in almost every retail and foodservice market it serves. Tyson subsidiaries are world leaders in producing a variety of foods, including corn and flour tortillas, specialty items for the hospitality and catering industries, sauces, meat-based pizza toppings and deli meats. Tyson Foods has 120,000 team members and more than 300 facilities and offices in 32 states and 22 countries.

Tyson Shareholders:

This was a year of transformation at Tyson Foods, Inc. By combining Tyson and IBP, inc., we have created a new company that will be more than the sum of its two parts. As the world's leading protein provider, our shareholders, team members and customers will all benefit. I cannot begin to convey how excited and energized we are about the future of Tyson Foods!

One of Tyson's greatest strengths has been its position as the world's number one producer, processor and marketer of chicken. With the addition of IBP, Tyson is now the world's leading provider of beef, chicken and pork products.

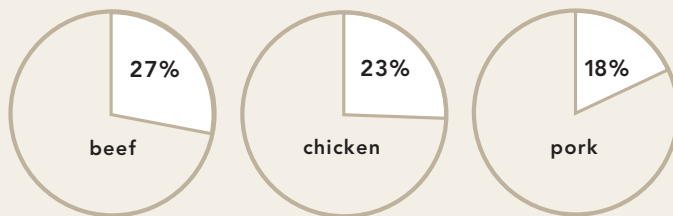
Uniting the two industry leaders will triple our revenue and is expected to be immediately accretive to earnings in fiscal 2002. We are already experiencing synergies and introducing new products. We can strengthen our relationships with our customers and create opportunities for our 120,000 team members through expanded roles and new opportunities for advancement. Combining these two companies intensifies Tyson Foods' position as a company focused on customer service, shareholders and team members, making the Tyson name much more valuable.

The new company has unrivaled scale, a diverse range of products and a broad customer base. As the meat case moves to case-ready, branded products for beef and pork, Tyson Foods is in the unique position to leverage its branding power. This is a tremendous opportunity to make the Thomas E. Wilson brand synonymous with value-added beef and pork products just as the Tyson brand is synonymous with value-added chicken.

Imagine, too, the possibilities in reaching every part of the country with fresh and frozen products. IBP has the industry's largest, most effective nationwide refrigerated distribution system for fresh meat products. Tyson has the premier frozen distribution system in the country. This unique capability enables us to fulfill all of our customers' protein needs, whether through the foodservice, retail or club store channel.



John Tyson
Chairman and Chief Executive Officer



MARKET POSITION

Source: Watt Poultry USA, Cattle Buyers Weekly and National Pork Producers Council

2001 RESULTS

It continued to be a difficult year for the chicken business. Energy and grain prices were up while ongoing oversupplies in the industry kept chicken prices depressed. In addition, Tyson suffered setbacks related to weather, a product recall and operational difficulties in Mexico early in the year.

Reported sales were \$10.8 billion in 2001 compared to \$7.4 billion in 2000. Reported diluted earnings per share were \$0.40 compared to \$0.67 last year. Diluted earnings per share, excluding non-recurring items, were \$0.47 compared to \$0.74 last year. This year's results included nine weeks of IBP's results in our fourth quarter. As we entered the fourth quarter, we began to see higher prices in our chicken business. This was due to seasonal price increases, improvement in industry fundamentals and improved pricing of our value-added products. Throughout the year, we worked to build on our position as the low-cost producer by improving efficiencies in production, supply chain and purchasing. We also worked hard to make a vast improvement in our internal supply and demand of chicken. This was an important goal, and a significant accomplishment that has allowed us to continue shifting our product mix to more highly value-added products with historically higher returns. To satisfy this growing demand, we made a significant investment in our further-processing capabilities.

LOOKING AHEAD

As we prepare to achieve the vision for the new company, we created an organizational structure based on our relationships with our customers and focused on their needs. We are aligned in two channels—Food Service and International headed by Co-Chief Operating Officer and Group President Greg Lee and Fresh Meats and Retail headed by Co-Chief Operating Officer and Group President Dick Bond.

The new company's management team identified three areas of potential synergies: consolidated purchasing, integration of general and administrative functions into a shared services infrastructure and transportation and logistics. We expect to achieve savings of \$50 million in 2002 and \$100 million by 2003. By fiscal 2004, we expect to recognize annual savings in excess of \$200 million.

Not only do we have the amazing presence of the Tyson brands, we now have a tremendous portfolio of additional fresh, frozen and processed meat brands that can service all channels of distribution with all types of products. We are evaluating how best to leverage these brands to complement the Tyson and Thomas E. Wilson brands both regionally and nationally.

Acquiring IBP was certainly a strategic step for our future. Financially, we will continue our focus on improving our return on invested capital while targeting average double digit EPS growth. In addition, we will be aggressive about paying down debt. Our intention is to have debt as a percentage of capital at 50 percent or below by the end of fiscal year 2004.



Dick Bond
Co-Chief Operating Officer and
Group President, Fresh Meats and Retail

John Tyson
Chairman and Chief Executive Officer

Greg Lee
Co-Chief Operating Officer and
Group President, Food Service and International

In addition to our business goals, I would like to emphasize our ongoing commitment to communities, helping children and supporting hunger and disaster relief efforts. We can never forget those in need, and as long as we are able, we will extend a helping hand to our neighbors.

Lastly, I'd like to welcome all the new shareholders, team members and customers from IBP. We have a lot of work ahead of us in 2002, but what an exciting challenge it is. All of us in the new Tyson Foods look to the future with optimism. We will go to work every day with our ultimate goal in mind: creating long-term shareholder value.

John Tyson
Chairman and Chief Executive Officer

we know what you want.



variety convenience quality taste brand



consumers and markets are ready

Tyson Foods offers products that fit the busy lifestyles of today's consumers. People want to feed their families nutritious meals, but they need those meals to be quick and easy to prepare and to taste great. Tyson Foods brings consumers quality and convenience in the three major proteins—beef, chicken and pork—by offering a wide array of value-added products.

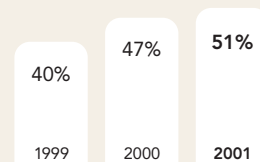
In addition to fresh chicken and Tyson's famous frozen chicken products, Tyson gives consumers choices for fully cooked refrigerated chicken that simplifies meal preparation. This new line of products can be used as the main ingredients in cold dishes, hot dishes, skillet meals, salads and more. The products include grilled chicken breast strips, grilled chicken breast fillets for sandwiches, chicken taco filling, diced chicken breast, ground chicken crumbles, shredded chicken breast and shredded barbecue chicken.

Branded convenience foods are not limited to chicken. In addition to its fresh and frozen beef and pork, the Thomas E. Wilson brand offers a new line of fully cooked family dinner meats nationally launched in September. Found in the refrigerated meat case, these products can be prepared in as little as five minutes, yet have the qualities of a home cooked "real meal." These traditional family favorites are seasoned, fully cooked and come in seven varieties—beef pot roast, Italian seasoned pork roast, beef in barbecue sauce, roast beef in brown gravy, lemon pepper pork roast, seasoned beef meatloaf and seasoned beef sirloin roast.

Fully cooked Tyson and Thomas E. Wilson products were developed with a major emphasis on food safety and extended shelf life, giving consumers peace of mind about the food they're eating. Food safety is an important aspect of Tyson Foods' relationship with consumers because they know they can trust the quality of Tyson products.

brands are ready

TOP OF MIND CONSUMER BRAND AWARENESS TREND*



With the combination of Tyson Foods and IBP, the new company has a tremendous portfolio of retail and food service brands to complement existing brands in chicken, prepared foods and tortilla products. Tyson Foods is the only nationally branded chicken company. When shown the Tyson logo, 91 percent of respondents said “chicken” in an unaided brand association study. A CRI tracking study shows when consumers are asked to name a brand of chicken, respondents said “Tyson” first 51 percent of the time, making Tyson one of the leading food and beverage brands in America.

In addition to its dominance as a brand in foodservice, IBP had already begun establishing the first national retail brand of case-ready red meat with Thomas E. Wilson fresh beef and pork. Individually quick frozen steaks and pork chops and a new line of seven fully cooked, refrigerated dinner meats also now appear under the Thomas E. Wilson brand.

Thomas E. Wilson was a meat industry innovator at the turn of the 20th century. He was a highly respected, hardworking individual who was a strong believer in family and community. He was well known as the founder of the Boys and Girls Clubs and as chairman

of the board for the 4-H Club. The Thomas E. Wilson signature and quality seal on the package convey a sense of trust. The logo evokes an image of dinner as the focal point of family life and meat as the centerpiece of dinner.

Tyson Foods will continue focusing on the Thomas E. Wilson and Tyson brands through radio, television and print advertising. We will also maintain strong regional consumer brands in chicken with Weaver and in processed meats with brands like Russer and Wright Brand bacon, as well as strong foodservice brands such as Dorskocil Foods, Jac Pac and TNT Crust for pizza toppings and crusts, fully cooked roast beef, meatballs and other fully prepared products.


Tyson Foods’ brand building strategy includes strong advertising campaigns emphasizing quality products made by Tyson team members, as well as programs designed to strengthen the Company’s reputation by demonstrating commitment to social and environmental responsibilities, food safety, nutrition, communities and growers, which all build on the Company’s promise, “Quality food you can trust.”

*Source: CRI, 2001 Competitive Tracking Study

the brands





A waiter in a blue shirt is holding a large black tray with several plates of food. The food includes a burger with fries, a large rack of ribs with fries and coleslaw, and a plate of fried wings with celery and onions. A glass of iced tea is also on the tray. The background shows a brick wall.

we know what's important to you.



service experience results leadership

ready where you are

Tyson Foods is ready to meet the needs of customers wherever they may be—around the corner, around the country or around the world. As the undisputed protein leader, Tyson has the products, services and distribution systems to give customers what they need, when they need it, where they need it.

Labor shortage is a key issue for customers. Tyson Foods is a leader in helping the foodservice and retail industries with these issues by providing further-processed, value-added beef, chicken and pork products. Tyson does the cutting, portioning, marinating, glazing, breading, stuffing and cooking so the foodservice operator can reduce labor or reallocate workers for other tasks. And by using value-added products, particularly fully cooked products, an operator can shift the critical steps in preparation to Tyson, reducing many food safety concerns. Case-ready beef and pork addresses labor issues for retail customers. Case-ready meat is just that—ready to put into the meat case as soon as it arrives at the store. It is cut, packaged and weighed at our processing facilities. IBP was the innovator of case-ready technology and the first to brand in what had traditionally been considered a pure commodity category.

Tyson Foods' innovation and customer service has been recognized by the industry. *Institutional Distributor* magazine readers voted Tyson the overall industry leader 12 of the past 14 years, the frozen category leader 13 of the past 14 years and the poultry category leader for 25 consecutive years. The past two years, Tyson Foods also earned the Silver Circle Pro Gro award, which

recognizes retail consumer products for excellence in service and quality. Voted on by industry leaders, the award from *Progressive Grocer* magazine puts Tyson Foods among the best of food, beverage and non-food companies.

Tyson's information technology group, which supports customer service through Internet, intranet and extranet programs, satellite tracking of shipments and electronic data interchange for processing orders, was named to the *Computerworld* Premier 100 list of information technology leaders.

With more than 300 facilities and offices in 32 states and 22 countries, Tyson Foods is prepared to meet the challenges of today's marketplace and to provide customers with the highest quality products and services.

READY AROUND THE WORLD

The combined presence of Tyson and IBP as the largest exporter of beef, chicken and pork to international markets is a tremendous base upon which to build. The two export groups are collaborating to maximize customer service, expand customer item penetration into all proteins, increase customer inventory turns, reduce logistics costs and optimize sales effectiveness. We will capitalize on our business processes, technological expertise and market oriented approach to business to expand our internationally based joint ventures to further strengthen our position as the world's protein powerhouse.

synergies

Early in the integration of Tyson Foods and IBP, team members from both companies were asked to identify the areas where the new company could operate more efficiently and save money over the course of three years.

CONSOLIDATED PURCHASING

Combining Tyson Foods and IBP created economies of scale that offer the greatest opportunities for synergies. Tyson will be able to negotiate new lower total cost of ownership for supplies purchased in huge quantities, including items such as the plastic film products are wrapped in, the corrugated boxes they are shipped in and the labels that go on those boxes.

The Company produces enormous quantities of products that are all wrapped in plastic and shipped in boxes. IBP's Foodbrands America division alone—a unit with half the sales of Tyson Foods before the merger—spent as much on those items as all of Tyson Foods last year. Tyson's new size and scale is having an immediate impact on purchasing power.

GENERAL AND ADMINISTRATIVE

By combining shared services such as human resources, accounting, information technology and others, Tyson can achieve synergies. Not only are these areas being combined for Tyson and IBP, but also for IBP's Foodbrands America division. Foodbrands was the result of 16 companies acquired over four years, and those staff functions had not yet been integrated into IBP. So in effect, combining Tyson Foods and IBP is equivalent to combining two large companies and 16 smaller

ones, creating more opportunities for savings in shared services. This situation had the added benefit of giving senior management a larger group of people from which to choose the best team members for the new management team.

TRANSPORTATION AND LOGISTICS

The integration of supply chain resources will increase service levels, responsiveness and custom capabilities for customers while providing significant savings through increased transportation and logistics efficiencies. Frozen and refrigerated distribution capabilities will enable us to deliver combined beef, chicken and pork loads for a single order on a single invoice. The aggregation of all transportation loads will enable more efficient truck routing for both internally and externally carried loads. Looking forward, we hope to increase the combined company's customer capabilities and pursue additional vendor managed inventory and collaborative planning, forecasting and replenishment opportunities.

By taking advantage of these synergy opportunities in purchasing, general and administration and transportation and logistics, Tyson Foods expects to recognize annual savings in excess of \$200 million by 2004. We will review our progress toward attaining these synergies and search for other opportunities.



we know how to take care of you.

ready and responsible – team members

One of the great traditions we have at Tyson Foods is we call each other “team members.” We use this term rather than “employee” or “worker” because we look, act and feel like a team. As team members, we recognize the contribution of every single member of our team is essential to achieving our goals of creating shareholder value, taking care of our people, serving our customers and producing the world’s finest protein products.

Combining Tyson Foods and IBP has created a new team built from the best team members of both companies and providing professional and personal opportunities for all levels of management. The Company’s new organization is based on our customers and their needs. Under this structure, we have two primary marketing groups: a Food Service and International Group led by Co-Chief Operating Officer and Group President Greg Lee from Tyson Foods and a Fresh Meats and Retail Group headed by Co-Chief Operating Officer and Group President Dick Bond from IBP.

Eugene Leman continues as head of the Fresh Meats Division. John Lea of Tyson Foods now leads the Consumer Products channel. Both report to Mr. Bond, who also has oversight of all warehousing, supply chain and transportation of the new company. Donnie Smith of Tyson leads this initiative.

Bill Lovette of Tyson continues to head Food Service Chicken. Don Rea of IBP remains in his role as head of the Food Service Prepared Foods Group. Both report to Mr. Lee. Greg Huett and Roel Andriessen, who led Tyson’s and IBP’s international groups, respectively, both remain in those roles and report to Mr. Lee. Purchasing for the new company is led by Kenneth Rose from IBP, who also reports to Mr. Lee.

The support services reporting to John Tyson include Human Resources, led by Kenneth Kimbro from IBP. Mike Baker from Tyson heads the Technical Services area, including Quality Assurance and Food Safety, Environmental Compliance and the Center for Operational Excellence. Additionally, Mr. Baker continues his oversight of the Tyson Cobb-Vantress subsidiary. Tyson’s Steve Hankins and Les Baledge serve as the chief financial officer and the general counsel, respectively. Also reporting to Mr. Tyson is Bob Corscadden from Tyson, who heads Marketing Services and Corporate Communications.

The combination of Tyson Foods and IBP is truly an integration of the two companies, taking the best team members and the best ideas and moving forward to increase shareholder value.

Members of the Tyson team: (clockwise from left) Hasen Usman, Amarillo, Texas; Minnie Sanders, Stilwell Oklahoma; William Whitfield, Springdale, Arkansas; Deb Mazurek, Dakota City, Nebraska; Charles Wheeler, Springdale, Arkansas; Fernando Maias, Noel, Missouri; Gloria Rodriguez, Finney County, Kansas; Barbara Berry Whitley, Dakota Dunes, South Dakota; Michael Falcon, Van Buren, Arkansas.

ready and responsible – Tyson Cares

Tyson Foods has always been a family oriented company. Now that our family is 120,000 strong, what a difference we are making in fighting hunger, helping children and bettering the communities in which we live and work. Throughout Tyson, you'll find team members who dedicate time and resources to everything from local Boys and Girls Clubs, to United Way, to fundraising walks for heart disease and cancer, to serving on chambers of commerce. The Company supports and encourages our team members' involvement in their communities.

When tragedy strikes, our team members are often among the first to help. In the aftermath of a tornado in Gadsden, Alabama, a crippling winter storm in Grannis, Arkansas, the misery of flooding in Houston, Texas, and the events of September 11th, Tyson team members were immediately on the scene to provide comfort, shelter and nourishment.

Through our Project A+ label redemption program, schools can receive cash rewards for books, equipment and programs. At the local level, our facility managers often host parent/teacher conferences on-site so team members can meet with their children's teachers. In addition, Tyson is a national sponsor of Watchdogs Across America, a non-profit organization that encourages fathers to spend time in schools to serve as mentors and positive role models for the students.

One of our most important contributions is through our three-year partnership with Share Our Strength, a leading national hunger relief agency. SOS works with Tyson to distribute nutritious protein to food banks and other organizations. Since May 2000, we have provided more than 37 million meals to more than 250 hunger relief organizations nationwide.

Because our communities are important to us, Tyson Foods sees being a good caretaker of the environment as a basic business responsibility. This year Tyson dedicated a new wastewater treatment plant at our Berlin, Maryland, production plant that uses ecologically friendly technology in the water treatment process. We also began construction on a gasification facility at our Temperanceville, Virginia, plant that will convert chicken litter and sludge into energy. Our Monett, Missouri, plant was named winner of the first U.S. Poultry and Egg Association's Clean Water Award for pretreatment facilities. And also this year, Southern Company, one of the nation's leading energy companies, gave Tyson Foods the Award for Excellence in Energy Efficiency – a prime example of how safeguarding natural resources makes good business sense.

Each person on the Tyson team is making a difference every day – by protecting the environment, by feeding the hungry, by volunteering, by trying to make the world better for someone else.

Tyson team members (from back to front) Ken Saurer, Sandy Cartmell, Brock White, Scott Elliott and Kelly Cusack lend a hand with food donations to June Self, founder of the Ozark Food Bank in Springdale, Arkansas.



commitment respect opportunity growth dignity



we know you deserve the best!

are you ready?

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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IBP ACQUISITION During the fourth quarter of fiscal 2001, the Company acquired IBP, inc. (IBP). Headquartered in Dakota Dunes, South Dakota, IBP is the world's largest supplier of premium fresh beef and pork products, with more than 60 production sites in North America, joint venture operations in China, Ireland and Russia and sales offices throughout the world. IBP generated annual sales of approximately \$17 billion in 2000 and employs approximately 52,000 people.

In August 2001, the Company acquired 50.1% of IBP by paying approximately \$1.7 billion in cash. In September 2001, the Company issued approximately 129 million shares of Class A stock, with a fair value of approximately \$1.2 billion, to acquire the remaining IBP shares, and assumed approximately \$1.7 billion of IBP debt. The total acquisition cost of approximately \$4.6 billion was accounted for as a purchase in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations." Accordingly, the tangible and identifiable intangible assets and liabilities have been adjusted to fair values with the remainder of the purchase price recorded as goodwill. The allocation of the purchase price has been completed.

RESULTS OF OPERATIONS Earnings for fiscal 2001 were \$88 million or \$0.40 per share compared to \$151 million or \$0.67 per share in fiscal 2000. The IBP results of operations for nine weeks ending September 29, 2001, are included in the Company's consolidated results of operations, with the 49.9% of IBP that was acquired on September 28, 2001, accounted for as minority interest. This information should be considered when comparing to previous years' results of operations.

Earnings in fiscal 2001 were adversely affected by an oversupply of chicken on the market for most of the year, causing an adverse effect on the average sales prices and margins of many of the Company's core value-added products. In addition, costs were adversely affected by weather conditions in the first half of the year along with higher grain and energy costs. However, fourth quarter earnings were favorably affected by improved prices in the Chicken segment, improvement in industry fundamentals and inclusion of IBP's operations for nine weeks.

The Company's accounting cycle resulted in a 52-week year for fiscal years 2001, 2000 and 1999. Additionally, the Company adopted new accounting guidance related to shipping and handling fees and costs (Emerging Issues Task Force 00-10). As a result, certain costs were reclassified for fiscal years 2001, 2000 and 1999, from sales and selling expenses to cost of sales.

2001 vs. 2000

Sales increased 45.1%, with a 29.8% increase in volume and an 11.8% increase in price. The increase in sales is due primarily to the inclusion of nine weeks of IBP's sales in 2001. Comparable sales increased 3.7% on a volume increase of 1.1%. Breast meat commodity market prices were pressured by an oversupply of chicken for much of the fiscal year causing an adverse effect on the average sales prices and margins of many of the Company's core value-added products. During the fourth quarter of 2001, the Company experienced improved pricing of value-added products and seasonal price increases.

Cost of sales increased 49.7%, primarily due to the added cost of sales for nine weeks of IBP's operations. As a percent of sales, cost of sales was 89.9% for 2001 compared to 87.1% for 2000. Excluding IBP, comparable cost of sales as a percent of sales was 88.0%. The increase in comparable cost of sales, as a percent of sales, was primarily due to weather-related effects combined with higher grain and energy costs, lower market prices and product mix changes.

Operating expenses increased 27.4%, primarily due to the inclusion of nine weeks of IBP's operations in 2001. As a percent of sales, operating expenses were 7.2% for 2001 compared to 8.2% in 2000. Excluding IBP, comparable operating expenses as a percent of sales were 8.8% for 2001. The increase is primarily due to an increase in sales promotional expenses and litigation costs related to the acquisition of IBP and ongoing employee practice matters. Included in the 2000 operating expenses was \$24 million in bad debt reserve resulting from the bankruptcy filing by AmeriServe Food Distribution, Inc. (AmeriServe).

Interest expense increased 24.9% compared to 2000. As a percent of sales, interest expense was 1.3% compared to 1.6% for 2000. The Company's average indebtedness increased by 24.3% over the same period last year as a result of the IBP acquisition. The Company's short-term interest rates were slightly lower than the same period last year, and the net average effective interest rate on total debt was 6.9% for 2001 and 2000.

The effective tax rate decreased minimally to 35.4% compared to 35.6% in 2000.

MANAGEMENT'S DISCUSSION AND ANALYSIS

TYSON FOODS, INC. 2001 ANNUAL REPORT

Segment Information

In connection with the IBP acquisition, the Company became the world's largest protein provider and as a result, the composition of its reportable segments changed. The Company operates in five business segments: Beef, Chicken, Pork, Prepared Foods and Other. The Company measures segment profit as operating income. The following information includes nine weeks results for the period ending September 29, 2001, related to the IBP acquisition, stated prior to adjustments for minority interest. Information on segments is as follows with prior periods restated to conform to the Company's new segment reporting.

Beef segment is primarily involved in the slaughter of live fed cattle and fabrication of dressed beef carcasses into primal and sub-primal meat cuts and case-ready products. It also involves deriving value from allied products such as hides and variety meats for sales to further processors and others. The Beef segment markets its products to food retailers, distributors, wholesalers, restaurants and hotel chains and other food processors in domestic and international markets. Allied products are also marketed to manufacturers of pharmaceuticals and technical products.

Chicken segment includes fresh, frozen and value-added chicken products sold through domestic food service, domestic retail markets for at-home consumption, wholesale club markets targeted to small foodservice operations, individuals and small business, specialty and commodity distributors who deliver to restaurants, schools and international markets throughout the world. Chicken also includes sales from allied products and its chicken breeding stock subsidiary.

Pork segment represents the Company's previously reported live swine group and IBP's hog slaughter and fabrication, case-ready products and related allied product processing activities. The Pork segment markets its products to food retailers, distributors, wholesalers, restaurants and hotel chains and other food processors in domestic and international markets. It also sells allied products to pharmaceutical and technical products manufacturers, as well as live swine to pork processors.

Prepared Foods segment includes the Company's existing prepared foods group along with most of IBP's previously reported Foodbrands America (Foodbrands) segment. The Prepared Foods segment produces flour and corn tortilla products and specialty pasta and meat dishes for restaurants, airlines and other major customers. With the addition of Foodbrands, the Prepared Foods segment also manufactures and markets frozen and refrigerated food products such as pepperoni, beef and pork toppings, pizza crusts, appetizers, hors d'oeuvres, desserts, prepared meals, Mexican and Italian foods, soups, sauces, side dishes and branded and processed meats.

Other segment includes the logistics group and other corporate groups not identified with specific protein groups.

Sales by Segment

	dollars in millions		
	2001	2000	Change
Beef	\$ 2,027	\$ -	\$2,027
Chicken	7,217	6,907	310
Pork	619	157	462
Prepared Foods	846	294	552
Other	42	52	(10)
Total	\$10,751	\$7,410	\$3,341

Operating Income (Loss) by Segment

	dollars in millions		
	2001	2000	Change
Beef	\$ 32	\$ -	\$ 32
Chicken	249	315	(66)
Pork	27	23	4
Prepared Foods	15	7	8
Other	(8)	3	(11)
Total	\$315	\$348	\$(33)

MANAGEMENT'S DISCUSSION AND ANALYSIS

TYSON FOODS, INC. 2001 ANNUAL REPORT

Beef segment sales, which include only the nine weeks of IBP results, were \$2 billion, including case-ready sales of \$116 million. Beef segment operating income totaled \$32 million. Beef sales and operating income are derived solely from the operations acquired from IBP, and as such have no comparative data since the Company did not have a beef group prior to the IBP acquisition.

Chicken segment sales increased \$310 million or 4.5% compared to 2000, with a 3.4% increase in average sales prices and a 1.0% increase in volume. Foodservice channel sales increased 1.8%, retail channel sales increased 1.2% and international channel sales including Tyson de Mexico increased 25.8%. Operating income for Chicken decreased \$66 million or 20.9% from 2000 primarily due to increased production costs and sales promotional expenses which more than offset increases in bulk leg quarter prices and certain other products.

Pork segment sales were \$619 million compared to \$157 million last year, with current year case-ready sales of \$43 million. Pork segment operating profit increased \$4 million from the same period last year. The increase in both Pork segment sales and operating income is primarily due to the inclusion of nine weeks results for IBP.

Prepared Foods segment sales totaled \$846 million compared to \$294 million last year. The Prepared Foods segment operating income increased \$8 million from the same period last year. The increase in both the Prepared Foods segment sales and segment operating income is primarily due to the inclusion of nine weeks results related to IBP.

2000 vs. 1999

Sales decreased 2.8% from sales for 1999. This decrease is primarily due to the sale of the seafood business in July 1999, and other divested non-core businesses. Comparable sales increased 0.5% 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.

Cost of sales decreased 0.3% as compared to 1999. This decrease is primarily the result of decreased sales. As a percent of sales, cost of sales was 87.1% for 2000 compared to 84.9% 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 cuts, losses incurred by the Company's Mexican subsidiary and higher grain costs.

Operating expenses decreased 8.4% from 1999, primarily due to impairment and other charges of \$77 million recorded in 1999 partially offset by a \$21 million increase in 2000. The increase in 2000 expenses is due primarily to a \$24 million bad debt write-off related to the January 2000 bankruptcy filing by AmeriServe and other increases related to ongoing litigation costs, partially offset by a \$12 million decrease in sales promotion expense.

Interest expense decreased 7.3% compared to 1999. As a percent of sales, interest expense was 1.6% in both 2000 and 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 for 1999, 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 increased minimally to 35.6% compared to 34.9% for 1999.

MANAGEMENT'S DISCUSSION AND ANALYSIS

TYSON FOODS, INC. 2001 ANNUAL REPORT

Segment Information

The IBP acquisition resulted in changes to reportable segments in 2001. The segments for 2000 and 1999 were restated to conform with the 2001 presentation. The Company did not have a Beef segment in periods prior to 2001.

Sales by Segment

	dollars in millions		
	2000	1999	Change
Chicken	\$6,907	\$6,906	\$ 1
Pork	157	109	48
Prepared Foods	294	301	(7)
Other	52	305	(253)
Total	\$7,410	\$7,621	\$(211)

Operating Income (Loss) by Segment

	dollars in millions		
	2000	1999	Change
Chicken	\$315	\$616	\$(301)
Pork	23	(98)	121
Prepared Foods	7	(31)	38
Other	3	-	3
Total	\$348	\$487	\$(139)

Chicken segment sales increased slightly compared to 1999 with a 0.4% increase in volume offset by a 0.3% decrease in average sales prices. Foodservice channel sales decreased \$34 million or 1.0%, retail channel sales remained level and international sales including Tyson de Mexico decreased \$5 million or 0.7% compared to 1999. The offsetting increase in sales resulted primarily from the Company's chicken breeding stock subsidiary and the Company's allied products. Operating income for Chicken

decreased \$301 million or 48.9% from 1999 primarily due to lower market prices, higher grain costs and changes in product mix. In addition, the Company's Mexican subsidiary suffered losses from the outbreak of Exotic Newcastle disease and resulting decreases in production, and the Chicken segment had a \$24 million bad debt writeoff related to the January 2000 bankruptcy filing by AmeriServe.

Pork segment sales increased \$48 million or 43.6% over 1999, with a 56.5% increase in average sales prices partially offset by an 8.3% decrease in volume. Pork segment operating income improved \$121 million or 123.1% over 1999 primarily due to the increase in average sales prices and the write-down of pork assets at the end of 1999 due to the anticipated sale of the pork business. The Company's Pork segment includes feeder pig finishing and marketing of swine to regional and national packers.

Prepared Foods segment sales totaled \$294 million compared to \$301 million for 1999. The Prepared Foods segment operating income increased \$38 million from 1999. The increase in operating income is primarily due to the 1999 impairment charge of \$23 million related to the write-down of Mallard's Food Products' property and equipment and goodwill. Also, in 1999, the Prepared Foods segment experienced losses related to product recalls.

Other segment sales decreased \$253 million or 83.2% from 1999 primarily due to the sale of the seafood and other non-core businesses during fiscal 1999.

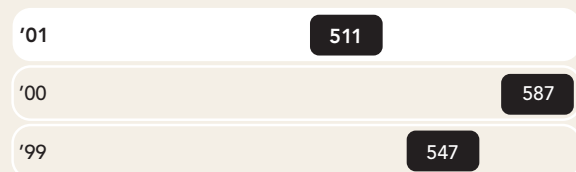
MANAGEMENT'S DISCUSSION AND ANALYSIS

TYSON FOODS, INC. 2001 ANNUAL REPORT

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 2001, net cash of \$511 million was provided by operating activities, a decrease of \$76 million from 2000. The Company's foreseeable cash needs for operations and capital expenditures are expected to continue to be met through cash flows provided by operating activities. At September 29, 2001, the Company had construction projects in progress that will require approximately \$182 million to complete.

CASH PROVIDED BY OPERATING ACTIVITIES

dollars in millions



Total debt at September 29, 2001, was \$4.8 billion, an increase of \$3.3 billion from September 30, 2000, due primarily to funding the IBP acquisition and assumption of IBP debt. The Company has unsecured revolving credit agreements totaling \$1 billion that support the Company's commercial paper program. These \$1 billion in facilities consist of \$500 million that expires in September 2002, and \$500 million that expires in September 2006. At September 29, 2001, \$210 million and \$500 million were outstanding under these facilities. Additional outstanding debt at September 29, 2001, included \$2.3 billion under a Bridge Facility, \$833 million of senior notes originally issued by Tyson, \$623 million of senior notes originally issued by IBP and subsequently guaranteed by Tyson and other indebtedness of \$292 million.

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.

In August 2001, the Company completed the financing for the acquisition of IBP by entering into two bridge revolving credit facilities consisting of a senior unsecured bridge credit agreement which provided for aggregate borrowings up to \$2.5 billion (the Bridge Facility) and a senior unsecured receivables bridge credit agreement which provided for aggregate borrowings up to \$350 million (the Receivables Bridge Facility). The Bridge Facility was to mature in January 2002, and the Receivables Bridge Facility matured in November 2001. At September 29, 2001, \$2.3 billion was outstanding under the Bridge Facility with an interest rate of 4.01%. There were no borrowings under the Receivables Bridge Facility.

Subsequent to September 29, 2001, the Company refinanced the Bridge Facility through the issuance of \$2.25 billion of senior notes sold in three tranches consisting of \$500 million of 6.625% notes due October 2004, \$750 million of 7.25% notes due October 2006 and \$1 billion of 8.25% notes due October 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS

TYSON FOODS, INC. 2001 ANNUAL REPORT

In October 2001, the Company entered into a receivables purchase agreement with three co-purchasers to sell up to \$750 million of trade receivables. The receivables purchase agreement has an interest rate based on commercial paper issued by the co-purchasers. Funds from the receivables purchase agreement were used to repay \$210 million and \$500 million outstanding under the \$1 billion revolving credit agreements.

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. If a derivative instrument is a hedge, depending on the nature of the hedge, changes in the fair value of the instrument will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings, or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of an instrument's change in fair value will be immediately recognized in earnings. Instruments that do not meet the criteria for hedge accounting are marked to fair value with unrealized gains or losses reported currently in earnings.

Commodities Risk The Company is a purchaser of certain commodities, primarily corn and soybeans, and livestock. 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 grains and livestock. 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 are highly effective at meeting this risk reduction and correlation criteria are recorded using hedge accounting.

The Company held hedge positions in various grain futures, primarily long positions, with net unrealized losses of \$1 million and \$9 million at September 29, 2001, and September 30, 2000, respectively. The Company also held hedge positions in livestock futures, primarily short positions, with a fair value of \$4 million at September 29, 2001. Additionally, at September 29, 2001, the Company held certain positions, primarily in livestock futures and options, for which it does not apply hedge accounting, but instead marks these positions to fair value through earnings at each reporting date. The Company had reflected a fair value liability of \$11 million on its balance sheet at September 29, 2001, related to these non-hedge positions.

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 6.0%.

The Company also periodically enters into foreign exchange forward contracts to hedge some of its foreign currency exposure. The Company enters into forward contracts to hedge exposure to United States currency fluctuations inherent in its receivables and purchase commitments. These contracts had a notional amount of \$94 million and a net unrealized loss of \$1 million recorded on the balance sheet. Foreign forward contracts generally have maturities or expirations not exceeding 12 months.

MANAGEMENT'S DISCUSSION AND ANALYSIS

TYSON FOODS, INC. 2001 ANNUAL REPORT

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							Fair value
	2002	2003	2004	2005	2006	Thereafter	Total	9/29/01
As of September 29, 2001								
Liabilities								
Long-term debt including current portion								
Fixed rate	\$ 27	\$179	\$ 31	\$181	\$284	\$ 955	\$1,657	\$1,639
Average interest rate	7.08%	6.16%	6.73%	6.78%	6.47%	7.29%	6.96%	
Variable rate	\$715	\$ 5	\$ 8	\$502	\$ 2	\$1,869	\$3,101	\$3,101
Average interest rate	4.06%	7.42%	7.53%	4.02%	6.56%	3.99%	4.03%	
Interest rate derivative financial instruments related to debt								
Interest rate swaps								
Pay fixed	\$ 20	\$ 21	\$ 21	\$ 16	\$ 9	\$ 4	\$ 91	\$ (6)
Average pay rate	6.72%	6.74%	6.71%	6.44%	6.62%	6.44%	6.65%	
Average receive rate – USD 6 month LIBOR								

	dollars in millions							Fair value
	2001	2002	2003	2004	2005	Thereafter	Total	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								

MANAGEMENT'S DISCUSSION AND ANALYSIS

TYSON FOODS, INC. 2001 ANNUAL REPORT

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 customer or customer group represents greater than 10% of total accounts receivable.

RECENTLY ISSUED ACCOUNTING STANDARDS In May 2000, the Emerging Issues Task Force (EITF) reached a consensus on Issue 00-14, "Accounting for Certain Sales Incentives." This issue involves the accounting and income statement classification for sales subject to rebates and revenue sharing arrangements as well as coupons and discounts. The EITF concluded that sales incentives offered to customers to buy a product should be classified as a reduction of sales. This issue is effective for fiscal quarters beginning after December 15, 2001. The Company anticipates implementing this issue in the first quarter of fiscal 2002.

In April 2001, the EITF released Issue 00-25, "Vendor Income Statement Characterization of Consideration from a Vendor to a Retailer," which provides guidance on the classification of payments such as slotting fees and cooperative advertising in the income statement. The EITF concluded that these payments are a reduction of the selling prices of the vendor's products and, therefore, should be classified as a reduction of revenue in the vendor's income statement, instead of as an expense. This issue is effective for fiscal quarters beginning after December 15, 2001. The Company anticipates implementing this issue in the first quarter of fiscal 2002.

In June 2001, the Financial Accounting Standards Board (FASB) issued Statements of Financial Accounting Standards No. 141, "Business Combinations" (SFAS 141), and No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations and requires any business combination completed after June 30, 2001, to be accounted for by the purchase method. Additionally, SFAS 141 changes the criteria to recognize intangible assets apart from goodwill. Under SFAS 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually, or more frequently if impairment indicators arise, for impairment. Separable intangible assets that have finite lives will continue to be amortized over their useful lives. Because of the different transition dates for goodwill and intangible assets acquired on or before June 30, 2001, and those acquired after that date, pre-existing goodwill and intangibles will be amortized during this transition period until adoption, whereas new goodwill and other indefinite lived intangible assets acquired after June 30, 2001, are not amortized. Companies are required to adopt SFAS 142 in their fiscal year beginning after December 15, 2001. The Company has applied SFAS 142 to the IBP transaction and anticipates complete adoption of SFAS 142 for its 2002 fiscal year beginning September 30, 2001. At that time goodwill will no longer be amortized.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144). SFAS 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of;" however, it retains the fundamental provisions of that Statement related to the recognition and measurement of the impairment of long-lived assets to be "held and used." In addition, the Statement provides more guidance on estimating cash flows when performing a recoverability test, requires that a long-lived asset to be disposed of other than by sale (e.g., abandoned) be classified as "held and used" until it is disposed of, and establishes more restrictive criteria to classify an asset as "held for sale." The Company is required to adopt SFAS 144 in fiscal year 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS

TYSON FOODS, INC. 2001 ANNUAL REPORT

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. The Company wishes to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. Tyson undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events 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 live cattle, live swine or feed grain costs; (ii) changes in the availability and relative costs of labor and contract growers; (iii) operating efficiencies of facilities; (iv) market conditions for finished products, including the supply and pricing of alternative proteins; (v) effectiveness of advertising and marketing programs; (vi) the ability of the Company to make effective acquisitions and successfully integrate newly acquired businesses into existing operations; (vii) risks associated with leverage, including cost increases due to rising interest rates; (viii) risks associated with effectively evaluating derivatives and hedging activities; (ix) changes in regulations and laws (both domestic and foreign), including changes in accounting standards, environmental laws and occupational, health and safety laws; (x) issues related to food safety, including costs resulting from product recalls, regulatory compliance and any related claims or litigation; (xi) adverse results from ongoing litigation; (xii) access to foreign markets together with foreign economic conditions, including currency fluctuations; and (xiii) the effect of, or changes in, general economic conditions.

CONSOLIDATED STATEMENTS OF INCOME

TYSON FOODS, INC. 2001 ANNUAL REPORT

Three years ended September 29, 2001	in millions, except per share data		
	2001	2000	1999
Sales	\$10,751	\$7,410	\$7,621
Cost of Sales	9,661	6,453	6,470
	1,090	957	1,151
Operating Expenses:			
Selling, general and administrative	775	609	587
Asset impairment and other charges	-	-	77
	775	609	664
Operating Income	315	348	487
Other Expense (Income):			
Interest	144	115	124
Other	6	(1)	(8)
	150	114	116
Income Before Income Taxes and Minority Interest	165	234	371
Provision for Income Taxes	58	83	129
Minority Interest	19	-	12
Net Income	\$ 88	\$ 151	\$ 230
Weighted Average Shares Outstanding:			
Basic	221	225	230
Diluted	222	226	231
Earnings Per Share:			
Basic	\$ 0.40	\$ 0.67	\$ 1.00
Diluted	\$ 0.40	\$ 0.67	\$ 1.00

See accompanying notes.

CONSOLIDATED BALANCE SHEETS

TYSON FOODS, INC. 2001 ANNUAL REPORT

	in millions, except per share data	
September 29, 2001 and September 30, 2000	2001	2000
Assets		
Current Assets:		
Cash and cash equivalents	\$ 70	\$ 43
Accounts receivable, net	1,199	508
Inventories	1,911	965
Other current assets	110	47
Total Current Assets	3,290	1,563
Net Property, Plant and Equipment	4,085	2,141
Goodwill	2,756	937
Other Assets	501	200
Total Assets	\$10,632	\$4,841
Liabilities and Shareholders' Equity		
Current Liabilities:		
Notes payable	\$ 18	\$ 62
Current portion of long-term debt	742	123
Trade accounts payable	813	333
Other current liabilities	843	355
Total Current Liabilities	2,416	873
Long-Term Debt	4,016	1,357
Deferred Income Taxes	609	385
Other Liabilities	237	51
Shareholders' Equity:		
Common stock (\$0.10 par value):		
Class A-authorized 900 million shares:		
Issued 267 million shares in 2001 and 138 million shares in 2000	27	14
Class B-authorized 900 million shares:		
Issued 103 million shares in 2001 and 2000	10	10
Capital in excess of par value	1,920	735
Retained earnings	1,770	1,715
Accumulated other comprehensive loss	(35)	(5)
	3,692	2,469
Less treasury stock, at cost—21 million shares in 2001 and 16 million shares in 2000	333	284
Less unamortized deferred compensation	5	10
Total Shareholders' Equity	3,354	2,175
Total Liabilities and Shareholders' Equity	\$10,632	\$4,841

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

TYSON FOODS, INC. 2001 ANNUAL REPORT

in millions											
Three years ended September 29, 2001											
	Common Stock Class A		Common Stock Class B		Capital in Excess of Par Value	Retained Earnings	Treasury Stock		Unamortized Deferred Compensation	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			Shares	Amount			
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)											
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
Comprehensive Income:											
Net income						88					88
Other comprehensive income (loss) net of tax of \$(11) million											
Cumulative effect of SFAS 133 adoption										(6)	(6)
Derivative loss recognized in cost of sales										(5)	(5)
Derivative unrealized loss										(10)	(10)
Unrealized gain on investments										2	2
Currency translation adjustment										(11)	(11)
Total Comprehensive Income											58
Purchase of Treasury Shares							5	(48)			(48)
Restricted Shares Cancelled								(1)			(1)
Shares Issued in IBP Acquisition	129	13			1,185						1,198
Dividends Paid						(33)					(33)
Amortization of Deferred Compensation									5		5
Balance—September 29, 2001	267	\$27	103	\$10	\$1,920	\$1,770	21	\$(333)	\$ (5)	\$(35)	\$3,354

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

TYSON FOODS, INC. 2001 ANNUAL REPORT

	in millions		
Three years ended September 29, 2001	2001	2000	1999
Cash Flows From Operating Activities:			
Net income	\$ 88	\$ 151	\$ 230
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	294	257	255
Amortization	41	37	36
Asset impairment and other charges	-	-	77
Deferred income taxes	(47)	47	(13)
Minority interest	19	-	12
Other	-	29	12
(Increase) decrease in accounts receivable	(43)	57	9
(Increase) decrease in inventories	(15)	84	(99)
Increase (decrease) in trade accounts payable	89	(46)	21
Net change in other current assets and liabilities	85	(29)	7
Cash Provided by Operating Activities	511	587	547
Cash Flows From Investing Activities:			
Additions to property, plant and equipment	(261)	(196)	(363)
Proceeds from sale of assets	33	4	234
Net cash paid for IBP acquisition	(1,670)	-	-
Purchase of Tyson de Mexico minority interest	(19)	-	-
Net change in investment in commercial paper	(23)	(2)	(18)
Net change in other assets and liabilities	(78)	(12)	(19)
Cash Used for Investing Activities	(2,018)	(206)	(166)
Cash Flows From Financing Activities:			
Decrease in notes payable	(1,031)	(4)	(19)
Proceeds from long-term debt	3,047	7	76
Repayments of long-term debt	(432)	(266)	(382)
Purchase of treasury shares	(48)	(69)	(52)
Proceeds from exercise of IBP stock options	34	-	-
Dividends and other	(35)	(34)	(18)
Cash Provided by (Used for) Financing Activities	1,535	(366)	(395)
Effect of Exchange Rate Change on Cash	(1)	(2)	(2)
Increase (Decrease) in Cash and Cash Equivalents	27	13	(16)
Cash and Cash Equivalents at Beginning of Year	43	30	46
Cash and Cash Equivalents at End of Year	\$ 70	\$ 43	\$ 30

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TYSON FOODS, INC. 2001 ANNUAL REPORT

NOTE 1: BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business: Tyson Foods, Inc. (the Company or Tyson), with its acquisition of IBP, inc. (IBP), is the world's largest protein provider. Tyson's chicken operation, headquartered in Springdale, Arkansas, is the world's largest fully integrated producer, processor and marketer of chicken and chicken-based convenience foods, with 68,000 team members and 7,000 contract growers in 100 communities. Tyson has chicken operations in 18 states and 16 countries and exports to more than 75 countries worldwide. Tyson is the recognized market leader in almost every retail and foodservice market it serves and is a comprehensive supplier of value-added chicken products through foodservice, retail grocery stores, club stores and international distribution channels. Tyson's Cobb-Vantress subsidiary is 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.

Tyson's wholly owned subsidiary IBP, headquartered in Dakota Dunes, South Dakota, is the world's largest supplier of premium fresh beef and pork products, with more than 60 production sites in North America, joint venture operations in China, Ireland and Russia and sales offices throughout the world. IBP generated annual sales of approximately \$17 billion in 2000 and employs approximately 52,000 people.

The new Tyson Foods, Inc. is the world's largest processor and marketer of beef, chicken and pork products and produces a wide variety of brand name, processed food products. Tyson is the recognized market leader in almost every retail and foodservice market it serves. The Company has approximately 120,000 team members in more than 300 facilities and offices in 32 states and 22 countries worldwide.

Consolidation: The consolidated financial statements include the accounts of all wholly owned subsidiaries. The consolidated statements of income include IBP's operating results for the nine weeks ending September 29, 2001. 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 \$265 million at September 29, 2001, and \$126 million at September 30, 2000, are included in trade accounts payable and other current liabilities.

Inventories: Processed products, livestock (excluding breeders) and supplies and other are valued at the lower of cost (first-in, first-out) or market. Breeders are stated at cost less amortization. Livestock includes live cattle, live chicken and live swine. Live chicken consists of broilers and breeders.

Total inventory consists of:

	in millions	
	2001	2000
Processed products	\$1,095	\$460
Livestock	561	366
Supplies and other	255	139
Total inventory	\$1,911	\$965

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TYSON FOODS, INC. 2001 ANNUAL REPORT

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.

Impairment: The Company reviews the carrying value of long-lived assets at each balance sheet date if indication of impairment exists. Recoverability is assessed using undiscounted cash flows based upon historical results and current projections of earnings before interest and taxes. 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 discounted cash flows of future operations.

Goodwill: Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets" have been applied to the IBP transaction. Accordingly, the tangible and identifiable intangible assets and liabilities have been adjusted to fair values with the remainder of the purchase price recorded as goodwill. Additionally, goodwill and indefinite lived intangible assets are not amortized but are reviewed for impairment at least annually or more frequently if impairment indicators arise. Goodwill of \$926 million, net of accumulated amortization, arising prior to the IBP transaction has been amortized on a straight-line basis over periods ranging from 15 to 40 years. Upon complete adoption of SFAS 142, in the first quarter of 2002, this goodwill will no longer be amortized. At September 29, 2001, and September 30, 2000, the accumulated amortization of goodwill was \$286 and \$256 million, respectively.

Amount of goodwill by segment at September 29, 2001:

	in millions
Beef	\$1,306
Chicken	916
Pork	350
Prepared Foods	184
Total	\$2,756

Goodwill has been allocated to reporting units based on fair value of identifiable assets. Approximately \$29 million of this goodwill is deductible for income tax purposes.

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, \$0.16 and \$0.115 and Class B dividends per share of \$0.144, \$0.144 and \$0.104 in 2001, 2000 and 1999, 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. However, the Company does periodically hold positions as economic hedges for which hedge accounting is not applied. 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 are highly effective at meeting the risk reduction and correlation criteria are recorded using hedge accounting. If a derivative instrument is a hedge, depending on the nature of the hedge, changes in the fair value of the instrument will either be 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 an instrument's change in fair value will be immediately recognized in earnings. Instruments that do not meet the criteria for hedge accounting are marked to fair value with unrealized gains or losses reported currently in earnings. The Company generally does not hedge anticipated transactions beyond 12 months.

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Revenue Recognition: The Company recognizes revenue from product sales upon delivery to customers.

Freight Expense: Freight expense associated with products shipped to customers is recognized in cost of products sold. Prior to the fourth quarter 2001, various freight expenses had been classified as a reduction of net sales or as selling expense. The effect of this reclassification was to increase revenue by \$252 million and \$258 million, increase cost of sales by \$410 million and \$416 million and decrease selling expense by \$158 million and \$158 million in fiscal 2000 and 1999, respectively, with no changes to net income or related earnings per share.

Advertising and Promotion Expenses: Advertising and promotion expenses are charged to operations in the period incurred. Advertising and promotion expenses for 2001, 2000 and 1999 were \$337 million, \$280 million and \$301 million, respectively.

Minority Interest: The results of operations of IBP for the nine weeks ended September 29, 2001, are included in the Company's consolidated results of operations. Minority interest primarily consists of the 49.9% of IBP that was acquired on September 28, 2001.

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: In May 2000, the Emerging Issues Task Force (EITF) reached a consensus on Issue 00-14, "Accounting for Certain Sales Incentives." This issue involves the accounting and income statement classification for sales subject to rebates and revenue sharing arrangements as well as coupons and discounts. The EITF concluded that sales incentives offered to customers to buy a product should be classified as a reduction of sales. This issue is effective for fiscal quarters beginning after December 15, 2001. The Company anticipates implementing this issue in the first quarter of fiscal 2002.

In April 2001, the EITF released Issue 00-25, "Vendor Income Statement Characterization of Consideration from a Vendor to a Retailer," which provides guidance on the classification of payments such as slotting fees and cooperative advertising in the income statement. The EITF concluded that these payments are a reduction of the selling prices of the vendor's products and, therefore, should be classified as a reduction of revenue in the vendor's income statement, instead of as an expense. This issue is effective for fiscal quarters beginning after December 15, 2001. The Company anticipates implementing this issue in the first quarter of fiscal 2002.

In June 2001, the Financial Accounting Standards Board (FASB) issued Statements of Financial Accounting Standards No. 141, "Business Combinations" (SFAS 141), and No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations and requires any business combination completed after June 30, 2001, to be accounted for by the purchase method. Additionally, SFAS 141 changes the criteria to recognize intangible assets apart from goodwill. Under SFAS 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually, or more frequently if impairment indicators arise, for impairment. Separable intangible assets that have finite lives will continue to be amortized over their useful lives. Because of the different transition dates for goodwill and intangible assets acquired on or before June 30, 2001, and those acquired after that date, pre-existing goodwill and intangibles will be amortized during this transition period until adoption, whereas new goodwill and other indefinite lived intangible assets acquired after June 30, 2001, will not be amortized. Companies are required to adopt SFAS 142 in their fiscal year beginning after December 15, 2001. The Company has applied SFAS 142 to the IBP transaction and anticipates complete adoption in the first quarter of fiscal 2002. At that time goodwill will no longer be amortized.

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In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144). SFAS 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of;" however, it retains the fundamental provisions of that Statement related to the recognition and measurement of the impairment of long-lived assets to be "held and used." In addition, the Statement provides more guidance on estimating cash flows when performing a recoverability test, requires that a long-lived asset to be disposed of other than by sale (e.g., abandoned) be classified as "held and used" until it is disposed of, and establishes more restrictive criteria to classify an asset as "held for sale." The Company is required to adopt SFAS 144 in fiscal year 2003.

NOTE 2: ACQUISITIONS

In August 2001, the Company acquired 50.1% of IBP by paying approximately \$1.7 billion in cash representing \$30 per share for approximately 54 million shares of IBP's common shares. In September 2001, the Company issued approximately 129 million shares of Class A stock, with a fair value of approximately \$1.2 billion, to acquire the remaining IBP shares, and assumed approximately \$1.7 billion of IBP debt to complete the acquisition. The IBP shares were converted into Class A stock using an exchange ratio of 2.381. The total acquisition cost of approximately \$4.6 billion was accounted for as a purchase with a portion of the total purchase price allocated to assets acquired and liabilities assumed based on estimated fair market value at the date of acquisition.

IBP is the world's largest manufacturer of fresh meats and frozen and refrigerated food products, with 2000 annual sales of approximately \$17 billion. The acquisition of IBP will allow the Company to expand its business to include the processing and marketing of beef and pork products.

The transaction is being accounted for using the purchase method of accounting required by SFAS 141. Goodwill and identifiable intangible assets recorded in the acquisition will be tested periodically for impairment as required by SFAS 142. The allocation of the purchase price to specific assets and liabilities is based, in part, upon an outside appraisal of IBP's long-lived assets. The allocation of the purchase price has been completed.

Fair value of assets acquired and liabilities assumed at August 3, 2001:

	in millions
Cash and cash equivalents	\$ 37
Accounts receivable	641
Inventories	937
Other current assets	112
Property, plant and equipment	1,968
Goodwill	1,830
Other assets	247
Total Assets	\$5,772
Accounts payable and accruals	\$ 836
Other liabilities	227
Long-term debt	1,651
Deferred income taxes	221
Shareholders' equity	2,837
Total Liabilities and Shareholders' Equity	\$5,772

Identifiable intangible assets of \$242 million consist of trademarks of \$138 million (included in goodwill), patents of \$87 million and \$17 million of supply contracts (both of which are included in other assets). The amounts associated with trademarks are not subject to amortization as management believes their useful lives to be indefinite. The amounts associated with patents and supply contracts are being amortized over 15 and five years, respectively.

In August 2001, the Company completed the financing for the acquisition of IBP by entering into two bridge revolving credit facilities consisting of a senior unsecured bridge credit agreement which provided for aggregate borrowings up to \$2.5 billion (the Bridge Facility) and a senior unsecured receivables bridge credit agreement which provided for aggregate borrowings up to \$350 million (the Receivables Bridge Facility). Subsequent to September 29, 2001, the Company refinanced both facilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The pro forma unaudited results of operations for the years ended September 29, 2001, and September 30, 2000, assuming the purchase of IBP had been consummated as of October 1, 1999, follows. Pro forma adjustments have been made to reflect additional interest from debt associated with the acquisition and additional common shares issued.

	in millions, except per share data	
	2001	2000
Sales	\$24,975	\$24,085
Net income before extraordinary items	82	314
Net income	82	297
Earnings per share before extraordinary items:		
Basic	0.24	0.89
Diluted	0.24	0.89
Earnings per share:		
Basic	0.23	0.84
Diluted	0.23	0.84

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 fiscal 2000, or the results that may occur in the future.

In May 2001, the Company increased its ownership in Tyson de Mexico, S.A. de C.V. (TdM) by acquiring common shares of TdM from existing minority shareholders for cash and by a non-cash transaction whereby TdM exchanged minority shareholders' common stock for \$45 million of TdM redeemable preferred stock with an 8% coupon. In September 2001, the Company acquired the remaining common shares of TdM held by minority shareholders. Upon completion of these transactions, the Company now owns 100% of the common shares of TdM. The Company has entered into a call agreement with the holders of converted TdM redeemable preferred stock which allows the Company to purchase the converted redeemable preferred stock over five years. Additionally, in May 2001, TdM purchased the poultry assets of Nochistongo S.P.R. de R.L., a fully integrated broiler production operation that markets products under the "Kory" brand. The purchase price of both transactions was allocated based upon the estimated fair market values at the date of purchase.

NOTE 3: DISPOSITIONS

In July 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.

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 goodwill of Mallard's Food Products, and also recognized a pretax loss of approximately \$19 million on the sale of the Tyson Seafood Group assets.

NOTE 5: ALLOWANCE FOR DOUBTFUL ACCOUNTS

In fiscal 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 29, 2001, and September 30, 2000, the allowance for doubtful accounts, excluding the AmeriServe writeoff, was \$27 million and \$17 million, respectively.

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NOTE 6: FINANCIAL INSTRUMENTS

In October 2000, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," (SFAS 133) as amended. 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 earnings. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is recognized in earnings.

The adoption of SFAS 133 in October 2000 resulted in a cumulative effect of approximately \$6 million after tax (\$9 million pretax) being charged to other comprehensive income (loss).

At September 29, 2001, the Company had derivative related balances totaling \$5 million recorded in other current assets and \$20 million recorded in other current liabilities.

Cash flow hedges: The Company uses derivatives to moderate the financial and commodity market risks of its business operations. Derivative products, such as futures and option contracts, are considered to be a hedge against changes in the amount of future cash flows related to commodities procurement. The Company also enters into interest rate swap agreements to adjust the proportion of total long-term debt and leveraged equipment loans that are subject to variable interest rates. Under these interest rate swaps, the Company agrees to pay a fixed rate of interest times a notional principal amount and to receive in return an amount equal to a specified variable rate of interest times the same notional principal amount. These interest rate swaps are considered to be a hedge against changes in the amount of future cash flows associated with the Company's variable rate interest payments.

The effective portion of the cumulative gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) in shareholders' equity and recognized into earnings in the same period or periods during which the hedged transaction affects earnings (for commodity hedges when the chickens that consumed the hedged grain are sold).

The remaining cumulative gain or loss on the derivative instrument in excess of the cumulative change in the present value of the future cash flows of the hedged item, if any, is recognized in earnings during the period of change. No ineffectiveness was recognized on cash flow hedges during fiscal 2001. The Company expects that the after tax losses, net of gains, totaling approximately \$4 million recorded in other comprehensive income (loss) at September 29, 2001, related to cash flow hedges, will be recognized within the next 12 months. The Company generally does not hedge cash flows related to commodities beyond 12 months.

Fair value hedges: The Company designates certain futures contracts as fair value hedges of firm commitments to purchase livestock for slaughter. The Company enters into foreign currency forward contracts to hedge changes in fair value of receivables and purchase commitments arising from changes in the exchange rates of foreign currencies. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair value hedge, along with the loss or gain on the hedged asset or liability that is attributable to the hedged risk (including losses or gains on firm commitments), are recorded in current period earnings. Ineffectiveness results when the change in the fair value of the hedge instrument differs from the change in fair value of the hedged item. Ineffectiveness recorded related to the Company's fair value hedges was not significant during fiscal 2001.

Undesignated positions: The Company holds certain commodity futures contracts in the regular course of business to manage its exposure against commodity price fluctuations on anticipated purchases of raw materials and anticipated sales of finished inventories. The contracts are generally for short durations of less than one year. Although these instruments are economic hedges, the Company does not designate these contracts as hedges for accounting purposes. As a result, the Company marks these contracts to market and recognizes the change through earnings. At September 29, 2001, these contracts had a fair value liability of \$11 million recorded on the balance sheet.

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Fair Values of Financial Instruments

	in millions	
	2001	2000
Commodity derivative positions	\$ (8)	\$ (9)
Interest-rate derivative positions	(6)	–
Foreign currency derivative positions	(1)	–
Long-term debt	\$4,740	\$1,430

Fair values are based on quoted market prices or published forward interest rate curves. All other financial instruments approximate recorded values at September 29, 2001, and September 30, 2000.

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 customer or customer group represents greater than 10% of total accounts receivable.

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

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

	in millions	
	2001	2000
Land	\$ 114	\$ 61
Buildings and leasehold improvements	2,085	1,291
Machinery and equipment	3,218	2,219
Land improvements and other	174	110
Buildings and equipment under construction	379	103
	5,970	3,784
Less accumulated depreciation	1,885	1,643
Net property, plant and equipment	\$4,085	\$2,141

The Company capitalized interest costs of \$3 million in 2001, \$2 million in 2000 and \$5 million in 1999 as part of the cost of major asset construction projects. Approximately \$182 million will be required to complete construction projects in progress at September 29, 2001.

NOTE 8: OTHER CURRENT LIABILITIES

Other current liabilities at September 29, 2001 include:

	in millions	
	2001	2000
Accrued salaries, wages and benefits	\$222	\$104
Income taxes payable	109	60
Self insurance reserves	221	102
Property and other taxes	63	27
Other	228	62
Total other current liabilities	\$843	\$355

NOTE 9: COMMITMENTS

The Company leases certain farms and other properties and equipment for which the total rentals thereon approximated \$76 million in 2001, \$66 million in 2000 and \$64 million in 1999. 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 29, 2001, total \$193 million composed of \$62 million for 2002, \$42 million for 2003, \$28 million for 2004, \$19 million for 2005, \$15 million for 2006 and \$27 million for later years. These future commitments are expected to be offset by future minimum lease payments to be received under subleases of approximately \$9 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 \$69 million.

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NOTE 10: LONG-TERM DEBT

The Company has unsecured revolving credit agreements totaling \$1 billion that support the Company's commercial paper program. These facilities consist of \$500 million that expires in September 2002 and \$500 million that expires in September 2006. At September 29, 2001, the borrowings under these facilities totaled \$210 million and \$500 million, respectively.

In August 2001, the Company completed the financing for the acquisition of IBP by entering into two bridge revolving credit facilities consisting of a senior unsecured bridge credit agreement which provided for aggregate borrowings up to \$2.5 billion (the Bridge Facility) and a senior unsecured receivables bridge credit agreement which provided for aggregate borrowings up to \$350 million (the Receivables Bridge Facility). The Bridge Facility was to mature in January 2002, and the Receivables Bridge Facility matured in November 2001. At September 29, 2001, \$2.3 billion was outstanding under the Bridge Facility with an interest rate of 4.01%. There were no borrowings under the Receivables Bridge Facility.

Subsequent to September 29, 2001, the Company refinanced the Bridge Facility through the issuance of \$2.25 billion of senior notes. The senior notes were sold in three tranches consisting of \$500 million of 6.625% notes due October 2004, \$750 million of 7.25% notes due October 2006 and \$1 billion of 8.25% notes due October 2011.

In October 2001, the Company entered into a receivables purchase agreement with three co-purchasers to sell up to \$750 million of trade receivables. The receivables purchase agreement has been accounted for as a borrowing. The receivables purchase agreement has an interest rate based on commercial paper issued by the co-purchasers. Funds from the receivables purchase agreement were used to repay \$210 million and \$500 million outstanding under the \$1 billion revolving credit agreements.

At September 29, 2001, the Company had outstanding letters of credit totaling approximately \$124 million issued primarily in support of workers' compensation insurance programs, industrial revenue bonds and the leveraged equipment loans. There were no draw downs under these letters of credit at September 29, 2001.

Under the terms of the leveraged equipment loans, the Company had restricted cash totaling approximately \$50 million, which is included in other assets at September 29, 2001. 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 29, 2001, are: 2002—\$742 million; 2003—\$184 million; 2004—\$39 million; 2005—\$683 million and 2006—\$286 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 \$86 million at September 29, 2001. The weighted average interest rate on all outstanding short-term borrowing was 5.1% at September 29, 2001, and 6.8% at September 30, 2000.

Long-term debt consists of the following:

		in millions	
	Maturity	2001	2000
Commercial paper (4.01% effective rate at 9/29/01)	2002	\$ 210	\$ 260
Revolver (4.05% effective rate at 9/29/01)	2006	500	—
Bridge Facility (4.01% effective rate at 9/29/01)	2002	2,300	—
Debt securities issued by Tyson (rates ranging from 6% to 7%)	2001–2028	833	880
Senior notes issued by IBP, guaranteed by Tyson (rates ranging from 6.125% to 7.95%)	2006–2026	623	—
Institutional notes (rates ranging from 10.61% to 11.375%)	2001–2006	50	111
Leveraged equipment loans (rates ranging from 4.7% to 6.0%)	2005–2008	138	155
Other	Various	104	74
Total debt		\$4,758	\$1,480
Less current maturities		742	123
Total long-term debt		\$4,016	\$1,357

Additionally, the Company had short-term notes payable totaling \$18 million and \$62 million at September 29, 2001, and September 30, 2000, respectively.

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The Company has fully and unconditionally guaranteed \$623 million of senior notes issued by IBP, a wholly owned subsidiary of the Company.

The following condensed consolidating financial information is provided for the Company, as guarantor, and for IBP, as issuer, as an alternative to providing separate financial statements for the issuer.

Condensed Consolidating Statement of Income for the year ended September 29, 2001

	in millions			
	Tyson	IBP	Adjustments	Consolidated
Sales	\$7,687	\$3,069	\$ (5)	\$10,751
Cost of Sales	6,765	2,901	(5)	9,661
	922	168		1,090
Operating Expenses	677	98		775
Operating Income	245	70		315
Interest and Other Expense	134	16		150
Income Before Income Taxes and Minority Interest	111	54		165
Provision for Income Taxes	40	18		58
Minority Interest	1	18		19
Net Income	\$ 70	\$ 18	\$ -	\$ 88

Condensed Consolidating Balance Sheet as of September 29, 2001

	in millions			
	Tyson	IBP	Adjustments	Consolidated
Assets				
Current Assets:				
Cash and cash equivalents	\$ 47	\$ 23	\$ -	\$ 70
Accounts receivable, net	1,413	701	(915)	1,199
Inventories	1,007	912	(8)	1,911
Other current assets	26	85	(1)	110
Total Current Assets	2,493	1,721	(924)	3,290
Net Property, Plant and Equipment	2,105	1,756	224	4,085
Goodwill	926	940	890	2,756
Other Assets	3,161	171	(2,831)	501
Total Assets	\$8,685	\$4,588	\$(2,641)	\$10,632
Liabilities and Shareholders' Equity				
Current Liabilities:				
Notes payable	\$ 18	\$ -	\$ -	\$ 18
Current portion of long-term debt	737	5		742
Trade accounts payable	367	1,353	(907)	813
Other current liabilities	419	422	2	843
Total Current Liabilities	1,541	1,780	(905)	2,416
Long-Term Debt	3,359	686	(29)	4,016
Deferred Income Taxes	368	11	230	609
Other Liabilities	75	149	13	237
Shareholders' Equity	3,342	1,962	(1,950)	3,354
Total Liabilities and Shareholders' Equity	\$8,685	\$4,588	\$(2,641)	\$10,632

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Condensed Consolidating Statement of Cash Flows for the year ended September 29, 2001

in millions

	Tyson	IBP	Adjustments	Consolidated
Cash Flows From Operating Activities:				
Net income	\$ 70	\$ 18	\$ -	\$ 88
Net changes in working capital	130	(14)		116
Depreciation	264	30		294
Amortization	39	2		41
Deferred income taxes	(73)	26		(47)
Other	4	15		19
Cash Provided by Operating Activities	434	77		511
Cash Flows From Investing Activities:				
Additions to property, plant and equipment	(214)	(47)		(261)
Proceeds from sale of assets	32	1		33
Net cash paid for IBP acquisition	(1,707)	37		(1,670)
Purchase of Tyson de Mexico minority interest	(19)	-		(19)
Net change in other assets and liabilities	(95)	(6)		(101)
Cash Used for Investing Activities	(2,003)	(15)		(2,018)
Cash Flows From Financing Activities:				
Net change in debt	1,656	(72)		1,584
Purchase of treasury shares	(48)	-		(48)
Proceeds from exercise of IBP stock options	-	34		34
Dividends and other	(34)	(1)		(35)
Cash Provided by (Used for) Financing Activities	1,574	(39)		1,535
Effect of Exchange Rate Change on Cash	(1)	-		(1)
Increase (Decrease) in Cash and Cash Equivalents	4	23		27
Cash and Cash Equivalents at Beginning of Year	43	-		43
Cash and Cash Equivalents at End of Year	\$ 47	\$ 23	\$ -	\$ 70

NOTE 11: STOCK OPTIONS AND RESTRICTED STOCK

The shareholders approved the 2000 Stock Incentive Plan (Incentive Plan) in January 2001. The Incentive Plan is administered by the Compensation Subcommittee of the Board of Directors and permits awards of shares of Class A stock, awards of derivative securities related to the value of Class A stock and tax reimbursement payments to eligible persons. The Incentive Plan provides for the award of a variety of equity-based incentives such as incentive stock options, nonqualified stock options, stock appreciation rights, dividend equivalent rights, performance unit awards and phantom shares. The Incentive Plan provides for granting incentive stock options for shares of Class A stock at a price not less than the fair market value at the date of grant. Nonqualified stock options may be granted at a price equal to, less than or more than the fair market value of Class A stock on

the date that the option is granted. Stock options under the Incentive Plan generally become exercisable ratably over three to eight years from the date of grant and must be exercised within 10 years from the date of grant.

In May 2000, the Company cancelled approximately four million option shares and granted approximately one million restricted shares of Class A stock. The restriction expires over periods through December 1, 2003. At September 29, 2001, the Company had outstanding approximately 800,000 restricted shares of Class A 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. Additionally, the Company assumed the IBP officer long-term stock plan, subject to certain restrictions, which could result in delivery of approximately two million shares of Class A stock. The vested liability at September 29, 2001, has been classified as other liabilities.

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

	Shares under option	Weighted average exercise price per share
Outstanding, October 3, 1998	8,355,548	\$16.15
Exercised	(359,999)	14.23
Cancelled	(631,717)	16.35
Granted	4,722,500	15.00
Outstanding, October 2, 1999	12,086,332	15.74
Exercised	(88,332)	14.23
Cancelled	(5,199,995)	15.17
Outstanding, September 30, 2000	6,798,005	16.19
Exercised	—	—
Cancelled	(689,520)	15.57
Granted	4,291,650	11.50
Options assumed with IBP acquisition	5,918,068	8.70
Outstanding, September 29, 2001	16,318,203	\$12.27

The number of options exercisable was as follows:

September 29, 2001—9,644,323; September 30, 2000—2,926,980 and October 2, 1999—1,870,893. The remainder of the options outstanding at September 29, 2001, are exercisable ratably through November 2007. The number of shares available for future grants was 2,742,800 and 7,568,614 at September 29, 2001, and September 30, 2000, respectively. Subsequent to September 29, 2001, approximately 14 million shares were made available for future grants, subject to shareholder approval.

The following table summarizes information about stock options outstanding at September 29, 2001:

Range of exercise prices	Options outstanding			Options exercisable	
	Shares outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Shares exercisable	Weighted average exercise price
\$ 2.83– 6.69	1,139,682	5.2	\$ 5.28	1,139,682	\$ 5.28
6.72– 10.91	4,419,686	4.3	9.35	4,419,686	9.35
10.92– 13.86	358,700	7.3	11.60	358,700	11.60
11.50	4,257,200	6.5	11.50	—	—
14.33– 14.50	1,863,535	2.9	14.40	1,814,470	14.40
14.58– 15.17	1,319,275	5.0	15.04	784,755	15.03
17.92– 18.00	2,960,125	5.1	17.93	1,127,030	17.92
	16,318,203			9,644,323	

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The weighted average fair value of options granted during 2001 was approximately \$4.24. 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 six years, risk-free interest rate of 4.8%, expected volatility of 35.2% and dividend yield of 1.4% in 2001.

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		
	2001	2000	1999
Net Income			
As reported	\$ 88	\$ 151	\$ 230
Pro forma	85	148	226
Earnings per share			
As reported			
Basic	0.40	0.67	1.00
Diluted	0.40	0.67	1.00
Pro forma			
Basic	0.38	0.66	0.98
Diluted	0.38	0.65	0.98

Pro forma net income reflects only options granted after fiscal 1995. 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 \$35 million, \$32 million and \$33 million in 2001, 2000 and 1999, respectively.

NOTE 13: TRANSACTIONS WITH RELATED PARTIES

The Company has operating leases for farms, equipment and other facilities with the former 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 \$9 million in 2001, \$7 million in 2000 and \$7 million in 1999. Other facilities have been leased from other officers and directors for rentals totaling \$2 million in 2001, \$3 million in 2000 and \$3 million in 1999.

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 \$10 million in 2001, \$11 million in 2000 and \$10 million in 1999.

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 former 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		
	2001	2000	1999
Federal	\$ 50	\$73	\$113
State	5	5	8
Foreign	3	5	8
	\$ 58	\$83	\$129
Current	\$105	\$36	\$142
Deferred	(47)	47	(13)
	\$ 58	\$83	\$129

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

	2001	2000	1999
U.S. federal income tax rate	35.0%	35.0%	35.0%
Amortization of goodwill	6.5	4.3	5.3
State income taxes	2.1	1.4	1.6
Foreign sales corporation benefit	(6.2)	(5.2)	(6.3)
Other	(2.0)	0.1	(0.7)
	35.4%	35.6%	34.9%

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			
	2001		2000	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Property, plant and equipment	\$ 9	\$412	\$ 5	\$200
Suspended taxes from conversion to accrual method	-	114	-	121
Intangible assets	-	90	-	-
Inventory	9	67	2	91
Accrued expenses	146	13	25	9
Acquired net operating loss carryforwards	71	-	-	-
All other	71	109	26	82
	\$306	\$805	\$58	\$503
Valuation allowance	(48)	-	-	-
Net deferred tax liability		\$547		\$445

Net deferred tax liabilities are included in other current assets and deferred income taxes in 2001, and in other current liabilities and deferred income taxes in 2000, 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.

The valuation allowance totaling \$48 million consists of \$12 million state tax carryforwards, which have been fully reserved, and \$36 million for net operating loss carryforwards. The state tax credit carryforwards expire in the years 2004 through 2008. At September 29, 2001, after considering utilization restrictions, the Company's acquired tax loss carryforwards approximated \$178 million. The net operating loss carryforwards, which are subject to utilization limitations due to ownership changes, may be utilized to offset future taxable income. These carryforwards expire during the years 2002 through 2021.

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		
	2001	2000	1999
Numerator:			
Net Income	\$ 88	\$ 151	\$ 230
Denominator:			
Denominator for basic earnings per share – weighted average shares	221	225	230
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	222	226	231
Basic earnings per share	\$0.40	\$0.67	\$1.00
Diluted earnings per share	\$0.40	\$0.67	\$1.00

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Approximately 10 million shares of the Company's option shares outstanding at September 29, 2001, were antidilutive and were not included in the dilutive earnings per share calculation for the year ended September 29, 2001. On September 28, 2001, the Company issued approximately 129 million shares for the remaining IBP shares. These shares were excluded from the fiscal 2001 weighted average share calculation along with the dilutive effect of acquired stock options and restricted shares.

NOTE 16: SEGMENT REPORTING

In connection with the IBP acquisition, the Company became the world's largest protein provider and as a result, the composition of its reportable segments changed. The Company operates in five business segments: Beef, Chicken, Pork, Prepared Foods and Other. The Company measures segment profit as operating income. The following information includes nine weeks results for the period ending September 29, 2001, related to the IBP acquisition, stated prior to adjustment for minority interest.

Beef segment is primarily involved in the slaughter of live fed cattle and fabrication of dressed beef carcasses into primal and sub-primal meat cuts and case-ready products. It also involves deriving value from allied products such as hides and variety meats for sales to further processors and others. The Beef segment markets its products to food retailers, distributors, wholesalers, restaurants and hotel chains and other food processors in domestic and international markets. Allied products are also marketed to manufacturers of pharmaceuticals and technical products.

Chicken segment includes fresh, frozen and value-added chicken products sold through domestic food service, domestic retail markets for at-home consumption, wholesale club markets targeted to small foodservice operations, individuals and small business, specialty and commodity distributors who deliver to restaurants, schools and international markets throughout the world. Chicken also includes sales from allied products and its chicken breeding stock subsidiary.

Pork segment represents the Company's previously reported live swine group and IBP's hog slaughter and fabrication, case-ready products and related allied product processing activities. The Pork segment markets its products to food retailers, distributors, wholesalers, restaurants and hotel chains and other food processors in domestic and international markets. It also sells allied products to pharmaceutical and technical products manufacturers, as well as live swine to pork processors.

Prepared Foods segment includes the Company's existing prepared foods group along with most of IBP's previously reported Foodbrands America (Foodbrands) segment. The Prepared Foods segment produces flour and corn tortilla products and specialty pasta and meat dishes, for restaurants, airlines and other major customers. With the addition of Foodbrands, the Prepared Foods segment also manufactures and markets frozen and refrigerated food products such as pepperoni, beef and pork toppings, pizza crusts, appetizers, hors d'oeuvres, desserts, prepared meals, Mexican and Italian foods, soups, sauces, side dishes and branded and processed meats.

Other segment includes the logistics group and other corporate groups not identified with specific protein groups.

The impact on previously reported unaudited interim periods of the change in the composition of the reportable segments discussed above would be to report primarily one single business segment—chicken; therefore, the previously reported interim periods have not been restated.

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Information on segments and a reconciliation to income before taxes on income and minority interest are as follows, with prior periods restated to conform to the Company's new segment reporting:

	in millions					
	Beef	Chicken	Pork	Prepared Foods	Other	Consolidated
Fiscal year ended September 29, 2001						
Sales	\$2,027	\$7,217	\$619	\$ 846	\$ 42	\$10,751
Operating income (loss)	32	249	27	15	(8)	315
Other expense						150
Income before income taxes and minority interest						165
Depreciation	15	214	5	22	38	294
Total assets	3,203	4,084	944	1,406	995	10,632
Additions to property, plant and equipment	19	176	4	26	36	261
Fiscal year ended September 30, 2000						
Sales	\$ –	\$6,907	\$157	\$ 294	\$ 52	\$ 7,410
Operating income	–	315	23	7	3	348
Other expense						114
Income before income taxes and minority interest						234
Depreciation	–	209	3	14	31	257
Total assets	–	4,016	101	180	544	4,841
Additions to property, plant and equipment	–	139	–	8	49	196
Fiscal year ended October 2, 1999						
Sales	\$ –	\$6,906	\$109	\$ 301	\$305	\$ 7,621
Operating income (loss)	–	616	(98)	(31)	–	487
Other expense						116
Income before income taxes and minority interest						371
Depreciation	–	199	4	7	45	255
Asset impairment and other charges*	–	–	35	23	19	77
Total assets	–	4,286	70	191	536	5,083
Additions to property, plant and equipment	–	297	5	16	45	363

*Asset impairment and other charges also included in operating income

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 2001, 2000 and 1999 were sourced from the United States. Approximately \$6.6 billion, \$3.0 billion and \$3.1 billion of long-lived assets were located in the United States at fiscal years ended 2001, 2000 and 1999, respectively. Approximately \$204 million, \$74 million and \$74 million of long-lived assets were located in foreign countries, primarily Mexico and Canada, at fiscal years ended 2001, 2000 and 1999, respectively.

The Company sells certain of its products in foreign markets, primarily Canada, China, Japan, Mexico, Puerto Rico, Russia and South Korea. The Company's export sales for 2001, 2000 and 1999 totaled \$1.2 billion, \$550 million and \$546 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 2001, 2000 and 1999, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 17: SUPPLEMENTAL INFORMATION

	in millions		
	2001	2000	1999
Supplemental Cash Flow Information			
Cash paid during the period for:			
Interest	\$ 140	\$116	\$128
Income taxes	54	73	125

NOTE 18: QUARTERLY FINANCIAL DATA (UNAUDITED)

	in millions, except per share data			
	First quarter	Second quarter	Third quarter	Fourth quarter
2001				
Sales	\$1,809	\$1,895	\$1,959	\$5,088
Gross profit	222	174	241	453
Operating income	68	23	57	167
Net income (loss)	27	(6)	19	48
Basic earnings (loss) per share	0.12	(0.03)	0.09	0.22
Diluted earnings (loss) per share	0.12	(0.03)	0.09	0.22
2000				
Sales	\$1,843	\$1,852	\$1,871	\$1,844
Gross profit	274	256	230	197
Operating income	123	91	88	46
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

The quarterly financial data above has been reclassified for shipping and handling expenses as a result of the application of EITF 00-10.

NOTE 19: 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.

Wage and Hour/Labor Matters 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 (1) 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 (2) 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 5,000 consents have been filed with the court. Discovery in this case is ongoing. A hearing was held on March 6, 2000, to consider the plaintiffs' 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 several 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.

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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 had discussions with the DOL regarding its investigation and the possible resolution of potential claims that might be asserted by the DOL.

On August 22, 2000, seven employees of the Company filed the case of *De Asencio v. Tyson Foods, Inc.* in the U.S. District Court for the Eastern District of Pennsylvania. This lawsuit is similar to *Fox v. Tyson* in that the employees claim violations of the Fair Labor Standards Act for allegedly failing to pay for time taken to put on, take off and sanitize certain working supplies. Plaintiffs seek to represent themselves and all similarly situated current and former employees of the poultry processing plants in New Holland, Pennsylvania. Currently, there are approximately 500 additional current or former employees who have filed consents to join the lawsuit. The court, on January 30, 2001, ordered that notice of the lawsuit be issued to all potential plaintiffs at the New Holland facilities, but the class has not been ordered certified. The Company believes it has substantial defenses to the claims made and intends to defend the case vigorously; 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.

On November 5, 2001, a lawsuit entitled *Maria Chavez, et al. vs. IBP, Lasso Acquisition Corporation and Tyson Foods, Inc.* was filed in the U.S. District Court for the Eastern District of Washington against IBP and Tyson by several employees of IBP's Pasco, Washington, beef slaughter and processing facility alleging various violations of both the Fair Labor Standards Act, 29 U.S.C. Sections 201–219 (FLSA) claims, as well as violations of the Washington State Minimum Wage Act, RCW chapter 49.46, Industrial Welfare Act, RCW chapter 49.12, and the Wage Deductions-Contribution-Rebates Act, RCW chapter 49.52. The lawsuit alleges IBP and/or Tyson required employees to perform unpaid work related to the donning and doffing of certain personal protective clothing, both prior to and after their shifts, as well as during meal periods. Plaintiffs further allege that similar prior litigation entitled *Alvarez et al. vs. IBP* which resulted in a \$3.1 million final judgment against IBP, supports a claim of collateral estoppel and/or is res judicata as to the issues raised in this new litigation.

On January 26, 2000, a lawsuit entitled *Jose Jairo Gutierrez, et al. vs. Specialty Brands, Inc. and Foodbrands America, Inc.* was filed in the U.S. District Court for the District of New Mexico by 14 employees at the Specialty Brands' Albuquerque facility alleging violations of both the FLSA and the New Mexico wage and hour statutes. Initially, these plaintiffs sought to certify a class of all Foodbrands and Specialty Brands employees, but were allowed by the court to certify only a class of hourly production employees in Albuquerque. The complaint alleges that Specialty Brands failed to compensate employees for walking to and from their work stations and putting on and taking off protective clothing such as smocks, hard hats, hairnets and earplugs.

Environmental Matters On January 15, 1997, the Illinois EPA brought suit in the Circuit Court for the 14th Judicial Circuit, Rock Island, Illinois, Chancery Division against IBP at its Joslin, Illinois, facility alleging that IBP's operations at its Joslin, Illinois, facility are violating the "odor nuisance" regulations enacted in the State of Illinois. IBP has already completed additional improvements at its Joslin facility to further reduce odors from this operation, but denies Illinois EPA's contention that its operations at any time amounted to a "nuisance." IBP is in the midst of discussions aimed at a complete resolution of these issues, and reports this issue solely because of a recent determination that the penalties have the potential to exceed \$100,000.

On January 12, 2000, The U.S. Department of Justice (DOJ), on behalf of the Environmental Protection Agency (EPA), filed a lawsuit against IBP in U.S. District Court for the District of Nebraska, alleging violations of various environmental laws at IBP's Dakota City facility. This action alleges, among other things, violations of: (1) the Clean Air Act; (2) the Clean Water Act; (3) the Resource, Conservation and Recovery Act (RCRA); (4) the Comprehensive Environmental Response Compensation and Liability Act (CERCLA); and (5) the Emergency Planning and Community Right to Know Act (EPCRA). IBP determined to reserve \$3.5 million during 1999 for the claims raised in this lawsuit based upon the evaluation of a confidential settlement demand received from the DOJ, and review and evaluation of the resolution of comparable claims, in light of the company's assessment of the facts as known to the company and the legal theories

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advanced by the DOJ. On October 12, 2001, a Second and Final Partial Consent Decree was lodged with the U.S. District Court, which, combined with a Partial Consent Decree entered on May 19, 2000, would fully and finally resolve all allegations raised in this lawsuit for a total civil penalty of \$4.1 million. In addition, pursuant to the Second and Final Partial Consent Decree, IBP agreed to make additional wastewater improvements at its Dakota City facility including the installation of a full nitrification system. On the same date, an amended complaint was filed adding Clean Water Act and RCRA allegations involving IBP's former Palestine, Texas, facility, Clean Water Act allegations involving IBP's Gibbon, Nebraska, facility, as well as EPCRA/CERCLA alleged violations for other IBP facilities located in Region VII. These issues are fully resolved in the Second and Final Partial Consent Decree proposed to the court. Also on the same date, a separate administrative consent agreement with EPA was entered resolving alleged EPCRA/CERCLA claims at IBP's Joslin, Illinois, facility for a \$200,000 civil penalty. Notice of the Second and Final Partial Consent Decree was published in the Federal Register on November 15, 2001, for a 30-day comment period. After completion of the comment period, it is anticipated that the Second and Final Partial Consent Decree will be approved and entered by the U.S. District Court in Nebraska, which will end this litigation.

On October 23, 2001, a putative class action lawsuit was filed in the District Court for Mayes County, Oklahoma, against Tyson Foods, Inc. by R. Lynn Thompson and Deborah S. Thompson on behalf of all owners of Grand Lake O' the Cherokee's littoral (lake front) property. The suit alleges that the Company "or entities over which it has operational control" conducts operations in such a way as to interfere with the putative class action plaintiffs' use and enjoyment of their property, allegedly caused by diminished water quality in the lake. On November 1, 2001, the suit was removed to the U.S. District Court for the Northern District of Oklahoma. To date, the court has taken no action. The Company believes that the allegations in the complaint are unfounded and intends to vigorously defend the case.

The Company has been advised by the U.S. Attorney's Office for the Western District of Missouri that the government intends to seek an indictment of the Company for alleged violations of the Clean Water Act related to activities at its Sedalia, Missouri, facility. The Company is presently discussing the possible resolution of this matter but neither the likelihood of an unfavorable outcome nor the amount of the ultimate liability, if any, with respect to this matter can be determined at this time.

Securities Matters In February 2000, several lawsuits were filed against IBP by certain shareholders in the U.S. District Court for the District of Nebraska seeking to certify a class of all persons who purchased IBP stock between March 25, 1999, and January 12, 2000. The complaints allege that IBP violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder, and claims IBP issued materially false statements about the company's compliance with environmental laws in order to inflate the company's stock price. On February 14, 2001, lead plaintiffs filed a motion for leave to amend the amended consolidated complaint to add additional claims on behalf of all persons who purchased IBP stock between March 25, 1999, to January 25, 2001. The proposed new claims are substantially similar to those alleged in the South Dakota and New York actions described below alleging that IBP violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder. On May 21, 2001, the Magistrate Judge issued two opinions recommending (1) the denial of plaintiffs request to amend the amended consolidated complaint, and (2) dismissal of the complaint in its entirety for failure to state a claim. Plaintiffs' appeal to the District Court judge was denied, and a final judgment was entered dismissing the case. Plaintiffs appealed the decision, but on November 7, 2001, signed a Stipulation of Dismissal of Appeal, dismissing their appeal, with prejudice.

Between January and March 2001, a number of lawsuits were filed by certain shareholders in the U.S. District Court for the District of South Dakota and one suit filed in the U.S. District Court for the Southern District of New York seeking to certify a class of all persons who purchased IBP stock between February 7, 2000, and January 25, 2001. The plaintiff in the New York action has voluntarily dismissed and refiled its complaint in South Dakota. The complaints, seeking unspecified damages, allege that IBP and certain members of management violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder, and claims IBP issued materially false statements about the company's financial results in order to inflate the company's stock price. IBP intends to vigorously contest these claims.

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On or about June 6, 2001, IBP was advised the SEC has commenced a formal investigation of IBP related to the restatement of earnings made by IBP in March 2001. The investigation appears to relate primarily to certain improprieties in the financial statements of its DFG subsidiary which resulted in this restatement.

IBP Stockholder and Merger Agreement Related Litigation

Between October 2 and November 1, 2000, 14 class actions were filed in the Delaware Court of Chancery (the Delaware Court) against IBP, inc. (IBP) and the members of the IBP Board of Directors. On November 13, 2000, these actions were consolidated as *In re IBP, inc. Shareholders Litigation*, C.A. No. 18373 (the Consolidated Action).

On March 29, 2001, the Company filed an action in the Chancery Court of Washington County, Arkansas, entitled *Tyson Foods, Inc. et al. v. IBP, inc.*, Case No. E 2001-749-4 (the Arkansas Lawsuit), alleging that the Company had been inappropriately induced to enter into the Merger Agreement dated January 1, 2001, (the Merger Agreement) and that IBP was in breach of various representations and warranties made in the Merger Agreement.

On March 30, 2001, IBP filed an answer to the amended consolidated complaint and a cross-claim (amended on April 2, 2001) against the Company in the Consolidated Action. As amended, IBP's cross-claim sought a declaration that the Company could not rescind or terminate the Merger Agreement, specific enforcement of the Merger Agreement and damages for breach of a Confidentiality Agreement.

Following expedited discovery, the Delaware Court conducted a nine day trial, beginning on May 14, 2001, on IBP's and the plaintiffs' claims for specific performance with respect to the Terminated Cash Tender Offer and the Merger Agreement and the Company's counterclaims. On June 15, 2001, following expedited post-trial briefing, the Delaware Court issued a memorandum opinion, which was issued in revised form on June 18, 2001 (the Post-Trial Opinion), in which the Delaware Court concluded, among other things, that (1) the Merger Agreement is a valid and enforceable contract that was not induced by any material misrepresentation or omission, (2) the Company did not breach the Merger Agreement or any duty to IBP's stockholders by failing to close the Terminated Cash Tender Offer, (3) the Company did not have a basis to terminate the Merger

Agreement under its terms, and (4) specific performance of the Merger Agreement was the only method by which to adequately redress the harm threatened to IBP and its stockholders.

After negotiations and in accordance with the Post-Trial Opinion, the Company and IBP presented an Order, Judgment and Decree to the Delaware Court, entered on June 27, 2001, requiring the Company and its affiliates to specifically perform the Merger Agreement as modified by, and subject to the conditions contained in, the Stipulation, including making this Offer and effecting the Merger.

On August 3, 2001, the Delaware Court entered an order approving the settlement of the Consolidated Action and extinguished all claims that were or could have been asserted in the Consolidated Action in exchange for, among other things, the acceleration of the closing of a new Cash Tender Offer to August 3, 2001.

On June 19, 2001, a purported Company stockholder commenced a derivative action in the Delaware Court entitled *Alan Shapiro v. Barbara R. Allen, et al.*, C.A. No. 18967-NC seeking monetary damages on behalf of the Company, a nominal defendant, from the members of the Company's Board of Directors. The complaint alleges that the directors violated their fiduciary duties by attempting to terminate the Merger Agreement. The defendants intend to vigorously defend these claims and, on July 17, 2001, moved to dismiss the complaint. A briefing schedule for that motion has not yet been set.

Between June 22 and July 20, 2001, various plaintiffs commenced actions against the Company, Don Tyson, John Tyson and Les Baledge in the U.S. District Court for the District of Delaware, seeking monetary damages on behalf of a purported class of those who sold IBP stock or traded in certain IBP options from March 29, 2001, when the Company announced its intention to terminate the Merger Agreement with IBP, and June 15, 2001, when the Delaware Court rendered its Post-Trial Opinion in the Consolidated Action. The actions, entitled *Meyer v. Tyson Foods, Inc., et al.*, C.A. No. 01-425 SLR; *Banyan Equity Mgt. v. Tyson Foods, Inc. et al.*, C.A. No. 01-426 GMS; *Steiner v. Tyson Foods, Inc., et al.*, C.A. No. 01-462 GMS; *Aetos Corp. et al.*

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v. Tyson, et al., C.A. No. 01-463 GMS; *Meyers, et al. v. Tyson Foods, Inc., et al.*, C.A. No. 01-489; *Binsky v. Tyson Foods, Inc., et al.*, C.A. No. 01-495; *Management Risk Trading LP v. Tyson Foods, Inc., et al.*, C.A. No. 01-496; and *Stark Investments, L.P. et al. v. Tyson et al.*, C.A. No. 01-565 allege that the defendants violated federal securities laws by making, or causing to be made, false and misleading statements in connection with the Company's attempted termination of the Merger Agreement. The plaintiffs allege that, as a result of the defendants' alleged conduct, the purported class members were harmed. The defendants intend to vigorously defend these claims.

General Matters In July 1996, a lawsuit was filed against IBP by certain cattle producers in the U.S. District Court, Middle District of Alabama, seeking certification of a class of all cattle producers. The complaint alleges that IBP has used its market power and alleged "captive supply" agreements to reduce the prices paid to producers for cattle. Plaintiffs have disclosed that, in addition to declaratory relief, they seek actual and punitive damages. The original motion for class certification was denied by the District Court; plaintiffs then amended their motion, defining a narrower class consisting of only those cattle producers who sold cattle directly to IBP from 1994 through the date of certification. The District Court approved this narrower class in April 1999. The 11th Circuit Court of Appeals reversed the District Court decision to certify a class, on the basis that there were inherent conflicts amongst class members preventing the named plaintiffs from providing adequate representation to the class. The plaintiffs then filed pleadings seeking to certify an amended class. The Court denied the plaintiffs' motion on October 17, 2000. Plaintiffs' motion for reconsideration of the judge's decision was denied, and plaintiffs now seek to certify a class of cattle producers who have sold exclusively to IBP on a cash market basis. This motion, as well as the company's motions for summary judgment on both liability and damages, is now pending. Management continues to believe that the company has acted properly and lawfully in its dealings with cattle producers.

On August 8, 2000, the Company was served with a complaint filed in the U.S. District Court for the District of Arizona styled *Lemelson Medical, Education & Research Foundation, Limited Partnership v. Alcon Laboratories, et al.*, CIV00-0661 PHX PGR. The plaintiff sued the Company, along with approximately 100 other defendants in the food, beverage, drug, cosmetic and tobacco industries, claiming that the defendants infringed various patents held by the Foundation. The alleged patent infringement is based on the defendants' use of the Foundation's automatic identification patents that relate to the use of bar coding and/or the Foundation's patents that relate to machine vision. The Foundation seeks treble damages for the defendants' alleged infringement. The case is currently stayed pending the resolution of related litigation.

The Company has been indicted in the Eastern District of Tennessee for alleged violations of the Immigration and Naturalization Act at several of the Company's locations. The Company will vigorously defend this matter and believes it has meritorious defenses to the government's theories of recovery; however, the outcome of this matter and any potential liability on the part of the Company cannot be determined at this time.

On October 17, 2000, a Washington County (Arkansas) Chancery Court awarded the Company approximately \$20 million in its lawsuit alleging trade secret misappropriation by ConAgra, Inc. and ConAgra Poultry Company. Subsequently, on December 4, 2000, as a result of an opinion issued by the Arkansas Supreme Court, the Chancery Court reversed its finding that the Company's nutrient profile was a trade secret and reversed the jury's \$20 million verdict against the ConAgra entities. On January 3, 2001, the Company filed a notice of appeal appealing the Chancery Court's reversal of the trade secret determination and of the jury verdict. This appeal is still pending.

REPORT OF INDEPENDENT AUDITORS

TYSON FOODS, INC. 2001 ANNUAL REPORT

BOARD OF DIRECTORS AND SHAREHOLDERS

We have audited the accompanying consolidated balance sheets of Tyson Foods, Inc., as of September 29, 2001, and September 30, 2000, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended September 29, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 29, 2001, and September 30, 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 29, 2001, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

Little Rock, Arkansas
November 12, 2001

REPORT OF MANAGEMENT

TYSON FOODS, INC. 2001 ANNUAL REPORT

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 12, 2001



John Tyson
Chairman of the Board
and Chief Executive Officer

Steven Hankins
Executive Vice President
and Chief Financial Officer

ELEVEN-YEAR FINANCIAL SUMMARY

TYSON FOODS, INC. 2001 ANNUAL REPORT

in millions, except per share data

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Summary of Operations											
Sales	\$10,751	\$7,410	\$7,621	\$7,414	\$6,356	\$6,454	\$5,511	\$5,110	\$4,707	\$4,169	\$3,922
Cost of sales	9,661	6,453	6,470	6,260	5,318	5,506	4,423	4,149	3,797	3,390	3,148
Gross profit	1,090	957	1,151	1,154	1,038	948	1,088	961	911	779	775
Operating income	315	348	487	204	400	269	472	195	376	332	334
Interest expense	144	115	124	139	110	133	115	86	73	77	96
Provision for income taxes	58	83	129	46	144	49	131	121	129	101	97
Net income (loss)	\$ 88	\$ 151	\$ 230	\$ 25	\$ 186	\$ 87	\$ 219	\$ (2)	\$ 180	\$ 161	\$ 146
Year end shares outstanding	349	225	229	231	213	217	217	218	221	206	206
Diluted average shares outstanding	222	226	231	228	218	218	218	222	223	208	207
Diluted earnings (loss) per share	\$ 0.40	\$ 0.67	\$ 1.00	\$ 0.11	\$ 0.85	\$ 0.40	\$ 1.01	\$ (0.01)	\$ 0.81	\$ 0.77	\$ 0.70
Basic earnings (loss) per share	0.40	0.67	1.00	0.11	0.86	0.40	1.01	(0.01)	0.82	0.78	0.71
Dividends per share:											
Class A	0.160	0.160	0.115	0.100	0.095	0.080	0.053	0.047	0.027	0.027	0.020
Class B	0.144	0.144	0.104	0.090	0.086	0.072	0.044	0.039	0.022	0.022	0.017
Depreciation and amortization	\$ 335	\$ 294	\$ 291	\$ 276	\$ 230	\$ 239	\$ 205	\$ 188	\$ 177	\$ 149	\$ 136
Balance Sheet Data											
Capital expenditures	\$ 261	\$ 196	\$ 363	\$ 310	\$ 291	\$ 214	\$ 347	\$ 232	\$ 225	\$ 108	\$ 214
Total assets	10,632	4,841	5,083	5,242	4,411	4,544	4,444	3,668	3,254	2,618	2,646
Net property, plant and equipment	4,085	2,141	2,185	2,257	1,925	1,869	2,014	1,610	1,435	1,142	1,162
Total debt	4,776	1,542	1,804	2,129	1,690	1,975	1,985	1,455	1,024	826	984
Shareholders' equity	\$ 3,354	\$2,175	\$2,128	\$1,970	\$1,621	\$1,542	\$1,468	\$1,289	\$1,361	\$ 980	\$ 823
Other Key Financial Measures											
Return on sales	0.8%	2.0%	3.0%	0.3%	2.9%	1.4%	4.0%	0.0%	3.8%	3.9%	3.7%
Annual sales growth (decline)	45.1%	(2.8)%	2.8%	16.7%	(1.5)%	17.1%	7.9%	8.6%	12.9%	6.3%	2.5%
Gross margin	10.1%	12.9%	15.1%	15.6%	16.3%	14.7%	19.7%	18.8%	19.4%	18.7%	19.8%
Return on beginning shareholders' equity	4.0%	7.1%	11.7%	1.5%	12.1%	5.9%	17.0%	(0.2)%	18.4%	19.5%	22.0%
Effective tax rate	35.4%	35.6%	34.9%	64.7%	43.6%	37.0%	38.1%	101.8%	41.8%	38.5%	40.0%
Total debt to capitalization	58.7%	41.5%	45.9%	51.9%	51.0%	56.2%	57.5%	53.0%	42.9%	45.7%	54.5%
Book value per share	\$ 9.61	\$ 9.67	\$ 9.31	\$ 8.53	\$ 7.60	\$ 7.09	\$ 6.76	\$ 5.92	\$ 6.16	\$ 4.75	\$ 3.99
Closing stock price high	14.19	18.00	25.38	24.44	23.63	18.58	18.17	16.67	18.08	15.08	15.58
Closing stock price low	\$ 8.35	\$ 8.56	\$15.00	\$16.50	\$17.75	\$13.83	\$13.83	\$12.50	\$12.83	\$10.17	\$ 8.46

1. The results for 2001, 2000 and 1999 have been reclassified for shipping and handling expenses as a result of the application of EITF 00-10. It is not practical to reclassify amounts prior to 1999.

2. The results for 2001 include \$26 million in pretax charges for expenses related to the IBP acquisition, loss on sale of swine assets, and product recall losses.

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

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

5. Significant business combinations accounted for as purchases: IBP, inc., Hudson Foods, Inc. and Arctic Alaska Fisheries Corporation in August 2001 and September 2001, January 1998 and October 1992, respectively. See Note 2 to the Consolidated Financial Statements for acquisitions during the three-year period ended September 29, 2001.

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

7. The results for 1997 include a \$41 million pretax gain (\$4 million after tax) from the sale of the beef division assets.

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

BOARD OF DIRECTORS

TYSON FOODS, INC. 2001 ANNUAL REPORT



Don Tyson



John Tyson



Joe F. Starr



Leland E. Tollett



Shelby D. Massey



Barbara A. Tyson



Lloyd V. Hackley



Donald E. Wray



Gerald M. Johnston



Jim Keever



David A. Jones



Barbara Allen



Robert L. Peterson



Richard L. Bond



Jo Ann R. Smith

Don Tyson, 71, retired as Senior Chairman of the Board in October 2001. He served as Senior Chairman since 1995, as Chairman from 1991 to 1995 and as Chairman and Chief Executive Officer from 1967 to 1991. Mr. Tyson has been a member of the Board since 1952.¹

John Tyson, 48, is Chairman of the Board and Chief Executive Officer of the Company and has held his current title since October 2001. He served as Chairman, President and CEO since April 2000, as Chairman since 1998, as Vice Chairman since 1997 and previously as President of the Company's Beef and Pork division. Mr. Tyson has been a member of the Board since 1984.¹

Joe F. Starr, 68, a private investor, served as a Vice President of the Company until 1996. Mr. Starr has been a member of the Board since 1969.

Leland E. Tollett, 64, a private investor, served as Chairman of the Board and CEO from 1995 to 1998. An employee of the Company since 1959, he was President and CEO from 1991 to 1995. Mr. Tollett has been a member of the Board since 1984.¹

Shelby D. Massey, 68, is a farmer and a private investor. He served as Senior Vice Chairman of the Board from 1985 to 1988 and has been a member of the Board since 1985.^{3,4}

Barbara A. Tyson, 52, is a Vice President of the Company and has served in related capacities since 1988. Ms. Tyson has been a member of the Board since 1988.

Lloyd V. Hackley, 61, is President and CEO of Lloyd V. Hackley and Associates, Inc. and was President of the North Carolina Community College System. Mr. Hackley has been a member of the Board since 1992.^{2,3,4}

Donald E. Wray, 64, a private investor, retired as President of the Company in 2000. An employee of the Company since 1961, Mr. Wray was President and Chief Operating Officer from 1995 to 1999 after serving as COO since 1991. Mr. Wray has been a member of the Board since 1994.

Gerald M. Johnston, 59, a private investor, was Executive Vice President of Finance for the Company from 1981 to 1996 when he retired and became a consultant to the Company. Mr. Johnston has been a member of the Board since 1996.

Jim Keever, 49, is the Founding Partner of Voyant Partners, LLC, an investment partnership. Previously, Mr. Keever served as a director of Quintiles Transnational and had served as CEO of Envoy Corporation, a subsidiary of Quintiles. Mr. Keever has been a member of the Board since 1999.^{2,4}

David A. Jones, 52, is Chairman and CEO of Rayovac Corp. Previously, Mr. Jones served as President, CEO and Chairman of Thermoscan, Inc. and as President, CEO and Chairman of Regina Co. He was previously with Electrolux Corp. and General Electric Co. Mr. Jones was elected to the Board in 2000.^{2,4}

Barbara Allen, 49, is Advisory Support for the Women's United Soccer Association and had served as its CEO. Previously, Ms. Allen was President and COO of Paladin Resources, LLC, was President of Corporate Supplier Solutions for Corporate Express and was with Quaker Oats Co. for 23 years where she held several senior positions. Ms. Allen was elected to the Board in November 2000.^{2,3}

Robert L. Peterson, 69, served as Chairman of the Board and CEO of IBP, inc. from 1981 to 2001. In 1977 he was elected IBP's President and COO. Mr. Peterson was elected to the Board in November 2001.

Richard L. Bond, 53, is Co-Chief Operating Officer and Group President, Fresh Meats and Retail of the Company. Mr. Bond served as President and COO of IBP from 1997 until the merger of IBP into the Company; as President, IBP Fresh Meats; Executive Vice President, IBP Beef Division; and IBP Group Vice President, Beef Sales and Marketing. He was a director of IBP from 1995 to 2001. Mr. Bond was elected to the Board in November 2001.

Jo Ann R. Smith, 61, is President of Smith Associates, an agricultural marketing business. Previously, Ms. Smith served as Assistant Secretary for Marketing and Inspection Services for the U.S. Department of Agriculture. She is a former President of the National Cattlemen's Beef Association and has chaired the Cattlemen's Beef Promotion and Research Board. She was a director of IBP from 1993 to 2001. Ms. Smith was elected to the Board in November 2001.²

CORPORATE AND EXECUTIVE OFFICERS

TYSON FOODS, INC. 2001 ANNUAL REPORT

Roel G.M. Andriessen
Senior Vice President, IBP International

Mike Baker
Senior Vice President, Technical Services

Les R. Baledge
Executive Vice President
and General Counsel

Richard L. Bond
Co-Chief Operating Officer and Group
President, Fresh Meats and Retail

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
Senior Vice President, Tyson International

Kenneth J. Kimbro
Senior Vice President, Human Resources

John S. Lea
Group Vice President, Consumer Products

Dennis Leatherby
Senior Vice President,
Finance and Treasurer

Greg W. Lee
Co-Chief Operating Officer and Group
President, Food Service and International

Eugene D. Leman
Senior Group Vice President,
IBP Fresh Meats

James V. Lochner
Group Vice President, IBP Fresh Meats

William W. Lovette
Group Vice President,
Food Service Poultry

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

Donald W. Rea
Group Vice President,
Prepared Foods Group

Kenneth L. Rose
Senior Vice President, Indirect Purchasing,
Aviation and Travel

Donnie Smith
Senior Vice President,
Supply Chain Management

John Tyson
Chairman and Chief Executive Officer

David L. Van Bebber
Senior Vice President, Legal Services

CORPORATE INFORMATION

TYSON FOODS, INC. 2001 ANNUAL REPORT

CLOSING PRICE OF COMPANY'S COMMON STOCK

	Fiscal Year 2001		Fiscal Year 2000	
	High	Low	High	Low
First Quarter	\$14.19	\$ 9.62	\$18.00	\$15.25
Second Quarter	13.80	10.70	17.19	9.00
Third Quarter	13.90	8.69	11.13	8.56
Fourth Quarter	10.71	8.35	10.00	8.88

As of October 31, 2001, the Company had approximately 37,700 Class A common shareholders of record and 18 Class B common shareholders of record.

DIRECTSERVICE™ SHAREHOLDER INVESTMENT PROGRAM

Tyson has authorized EquiServe 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 EquiServe
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 EquiServe.

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 EquiServe.

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 EquiServe 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, Arkansas 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 2001, may be obtained by Tyson shareholders by writing to:

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

CORPORATE INFORMATION

TYSON FOODS, INC. 2001 ANNUAL REPORT

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 10 a.m. Friday, February 1, 2002, at the Walton Arts Center, Fayetteville, Arkansas. A live audio webcast will be available at www.tyson.com/investorrel. To listen via telephone, call (800) 450-0785. 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

EquiServe
P.O. Box 2500
Jersey City, NJ 07303
Telephone (800) 317-4445
Hearing Impaired Telephone TDD (201) 222-4955
Shareholders also may contact EquiServe 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: ed.nicholson@tyson.com


TYSON ON THE INTERNET

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

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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Tyson Foods, Inc.

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www.tyson.com