the main course

Tyson Foods, Inc. 2003 Annual Report

Tyson Foods, Inc.

Tyson Foods, Inc. [NYSE:TSN], founded in 1935 with headquarters in Springdale, Arkansas, is the world's largest processor and marketer of chicken, beef and pork and the second largest food company in the *Fortune* 500. Tyson Foods produces a wide variety of brand name protein-based and prepared food products marketed in the United States and more than 80 countries around the world. Tyson Foods is the recognized market leader in the retail and foodservice markets it serves. The Company has approximately 120,000 team members and 300 facilities and offices in 27 states and 22 countries.

2003 financial highlights

TYSON FOODS, INC. 2003 ANNUAL REPORT

in millions, except per share data	**2003**	2002	2001
Sales	**$24,549**	$23,367	$10,563
Gross profit	**1,744**	1,817	903
Operating income	**837**	887	316
Income before income taxes and minority interest	**523**	593	165
Provision for income taxes	**186**	210	58
Net income	**337**	383	88
Diluted earnings per share	**0.96**	1.08	0.40
Shareholders' equity	**3,954**	3,662	3,354
Book value per share	**11.21**	10.37	9.61
Total assets	**10,486**	10,372	10,632
Depreciation and amortization	**458**	467	335
Total debt	**3,604**	3,987	4,776
Cash provided by operating activities	**820**	1,174	511
Capital expenditures	**$ 402**	$ 433	$ 261
Shares outstanding	**353**	353	349
Diluted average shares outstanding	**352**	355	222

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the main course is Tyson.

Nearly one fourth of the chicken, beef and pork in the United States is produced by Tyson Foods.

John Tyson
Chairman and
Chief Executive Officer

The people of Tyson Foods, Inc. have made good progress on the goals we set for ourselves for fiscal 2003. The first half of the year was tough, but we improved our performance in the last two quarters. We managed outside factors to the best of our abilities while making decisions based on immediate goals and long-term strategies. We can and will strive to do better for the long-term success of the company. Our efforts were noticed this year when our company was named America's Most Admired Food Production Company by *Fortune* magazine.

Reported diluted earnings per share (EPS) were $0.96 compared to $1.08 last year. Reported sales were $24.5 billion in 2003 compared to $23.4 billion in 2002. Our strong cash flows have allowed us to pay down debt by $383 million this year and $1.3 billion since the cash tender offer in August 2001, and we have met our goal of having debt as a percentage of capital of 50 percent. Additionally, we met this year's synergies target of $100 million.

sales
dollars in billions

diluted earnings per share
dollars

cash provided by operating activities
dollars in millions

In the past two years, we have made huge strides. For a company of our size and complexity, I am extremely pleased with what the Tyson team has done in such a short time. We introduced 500 new value-added products, reduced debt, integrated systems, eliminated redundant positions and closed underperforming plants.

Value-Added Products In fiscal 2003 we embarked on an aggressive campaign to increase the percentage of sales from value-added products from 35 percent to 50 percent over the next three to five years. We've had successful product launches under the Tyson brand in categories where previously we did not have a presence, such as fully-cooked bacon, self-serve deli meats, luncheon meats, dinner meats, fresh pork, canned broths and bullions. These new products have added to an already unbeatable product portfolio.

Master Brand Simply put, our branding strategy is to focus on Tyson as our national brand for protein flanked by strong regional brands such as Wright bacon in the Southwest and Weaver chicken in the Northeast. We are leveraging the Tyson brand through co-promotions, co-merchandizing and endorser branding partnerships. The brand is supported with a $100 million marketing campaign including national print and broadcast advertising, consumer promotions and in-store events. Tyson Foods also produces private label products for customers under a two-tier strategy in which we provide both branded and private label products to manage the category for better overall growth.

Account Teams Our brand is about giving our customers quality foods they can trust as well as providing the service and expertise to back them up. Our customers remain our first priority, and we strive to give them "value beyond the box." To better serve our customers, we have expanded the account team strategy I told you about last year. The account team leaders manage the relationships one-on-one, giving our customers access to all of Tyson Foods' products and

"In fiscal 2003 we embarked on an aggressive campaign to increase the percentage of sales from value-added products from 35 percent to 50 percent over the next three to five years."

John Tyson

support. Our new approach has been successful in many distribution channels: national and regional retail grocery chains, club stores, casual dining, quick serve restaurants, industrial and government foodservice accounts.

The "one face to the customer" strategy has led to exciting new business opportunities and expanded relationships with existing customers. Ultimately, as we continue the integration process and refine our customer service, our goal is to serve our customers by providing "one order, one truck, one invoice."

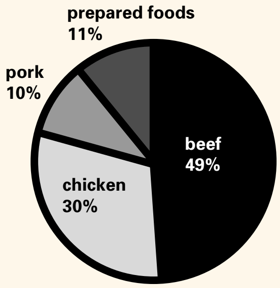
I am very proud of our team's accomplishments in customer service. Tyson Foods was recognized with the 2003 Cannondale Award, which identifies the top manufacturers and operators as evaluated by their trading partners. We ranked number one in several areas that focus on our ability to meet our customers' needs. Throughout the year our company has received awards too numerous to list from customers for quality, service and innovation.

Corporate Governance During the year we reduced the size of our Board of Directors from 15 to 10 members, giving us a higher percentage of independent directors than in the past, and we changed director compensation to include a portion in Tyson stock. Our independent directors continue to comprise the governance, audit and compensation committees.

Core Values Our core values are the cornerstone of our company. All our business decisions must and will align with these values. It is who we are and will be.

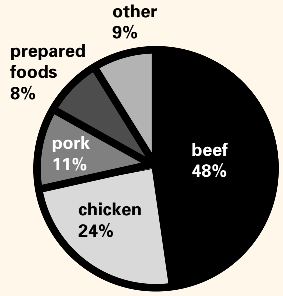
Great Neighbors Our communities are important to us, and we want to make sure we are good corporate citizens and good neighbors. All of us who earn our livelihoods off the land take very seriously our responsibility to protect the areas in which we live and work. I promise you, we work hard every day to live up to our responsibilities.

sales by segment
percentage



total sales: $24.5 billion

operating income by segment*
percentage



total operating income: $837 million

* Excluding $167 million received in connection with vitamin antitrust litigation

We also have a responsibility to feed people who aren't able to provide for themselves or their families. I am very proud of our relationship with Share Our Strength (SOS), one of the nation's largest anti-hunger organizations. Since our relationship with SOS began in May 2000, we have donated 15 million pounds of protein. That adds up to 75 million meals for people in need.

Goals for 2004 Our strong cash flow gives us the ability to pay down debt, expand our product offerings or reinvest in our existing business through capital expenditures. We will continue to exercise financial discipline by subjecting investment opportunities to rigorous return on invested capital requirements.

We have made some major steps forward this past year, but we still have work to do. Our goals for the coming year:

- Penetrate and execute the Tyson master brand initiative
- Continue expanding our "one face to the customer" approach
- Create more value-added products toward our goal of 35 to 50 percent in three to five years
- Develop our people
- Continue to evolve our approach to performance-based incentives
- Debt-to-capital of 45 percent in 12 to 18 months
- Average annual double-digit EPS growth
- Improve return on invested capital from 11.1 percent to 14 percent

"Tyson Foods is a value-added protein marketing company with a commodity production base. It is all these things and more ..."

John Tyson

I think it is sometimes difficult for people to understand what Tyson Foods really is. It is a value-added protein marketing company with a commodity production base. It is all these things and more, and that is why I believe we are uniquely positioned for the future. We have the brand, market share, product categories, distribution channels, size and scale. No other company can do what we do. And we have the strategies in place to grow shareholder value and strengthen Tyson Foods' position as the world's premier branded protein company.

It is very exciting for me as I see our vision for this company becoming a reality. And I can tell you this: There are great things ahead.

John Tyson

John Tyson

Chairman and Chief Executive Officer

on course

Since the cash tender offer to acquire IBP, inc. in August 2001, Tyson Foods has marked many milestones and accomplishments on the course to becoming the world's largest producer and marketer of chicken, beef and pork and the second largest food company in the *Fortune* 500.

Met first year target of $50 million in synergies. Acquisition was accretive to earnings in the first year. Reduced debt by $915 million. Tyson stock outperformed the S&P 500 Index.

To increase efficiency, transferred former Food Brands companies acquired with IBP to Tyson information systems. Announced plans to close or consolidate poultry operations in Stilwell, Oklahoma, Jacksonville, Florida, Berlin, Maryland, and Pine Bluff, Arkansas. Acquired a bacon processing facility and Choctaw Maid Farms.

Donations to Share Our Strength reached 7.5 million pounds of food, exceeding the 6.5 million pound goal a year and a half earlier than planned. Sent volunteers and products to the Pentagon and Ground Zero in New York to help feed workers and other volunteers.

Team members embrace Tyson's Core Values and How We Will Win strategy. Completed Being, Doing, Doing It Well initiative to "do what we do better." Initiated Project Plan-It to standardize planning across all poultry business units and Project Won to create processes and systems for the future.

Expanded the Tyson brand to beef and pork. Launched fresh pork and fully-cooked dinner meats under the Tyson brand along with new lines of ready-to-cook and fully-cooked bacon, self-serve deli meats, boxed and resealable bag lunchmeats and shelf-stable products, all supported by a $100 million marketing campaign to promote the Tyson brand.

Rolled out account team initiative for Consumer Products and Food Service customers. Met second year goals of 50 percent debt to capital and synergies of $100 million. Tyson stock outperformed the S&P 500 Index over two years.

2003 FORTUNE® AMERICA'S MOST ADMIRED COMPANIES

Fortune magazine ranked Tyson Foods as America's Most Admired Food Production Company. Tyson ranked #72 in the *Fortune* 500.

Opened state-of-the-art Quality Assurance lab dedicated to food safety.

From left: Elmer Vazquez, retail sales; Richard Irvin, prepared foods; Virawan Yawapongsiri, commodity and trading risk management; Jon Kathol, refrigerated processed meats; Wendy Davidson, food service sales.
Facing page: Hamilton Okoroafor, production.

people

Our vision is to be the world's first choice for protein solutions while maximizing shareholder value. Our mission is to produce and market trusted quality food products that fit today's changing lifestyles and to attract, reward and retain the best people in the food industry.

Tyson Foods is committed to leadership development and to helping everyone in the Company reach his or her potential. Team members have had new opportunities for advancement and even new career paths they never thought possible. One of Tyson Foods' core values is "Invest in Our People." To help team members develop in their work, Tyson Foods offers training for professional and personal growth.

A Little TLC In the past three years nearly 4,000 team members have taken part in the Tyson Leadership College. TLC provides training to develop management skills and to help team members grow professionally through classes in ethics, communication, coaching, problem solving and managing change.

Many team members are participating in a leadership enhancement program that identifies emerging leaders across the Tyson organization. It helps them improve their leadership skills while existing leaders brush up on their skills. Through this program, Tyson Foods is preparing team members and the Company for the future.

customers

Tyson Foods' account team strategy will drive exponential growth for customers and add "value beyond the box."

As the world's largest processor and marketer of chicken, beef and pork, Tyson Foods is the one source customers can turn to for trusted protein products to fulfill all their needs. By forming account teams, Tyson Foods will have "one face to the customer" – a single point of contact who will manage the relationship with the customer, if that is what the customer wants. The relationship manager is responsible for coordinating resources while experts on specific products and categories round out the account team.

Endless Possibilities By being the one source, Tyson Foods is creating synergies that will deliver a wide range of trusted products, expertise and lower supply chain costs to bring "value beyond the box" to customers. Many retail, club store and food service customers have account teams formed specifically for them. Success stories include a casual dining customer that purchased only chicken products is now using Tyson value-added beef and pork. A deli customer is testing pizza with Tyson toppings and a pot roast sandwich. By doing business with the second largest food company in the *Fortune* 500, customers can create endless menu combinations and retail sales opportunities.

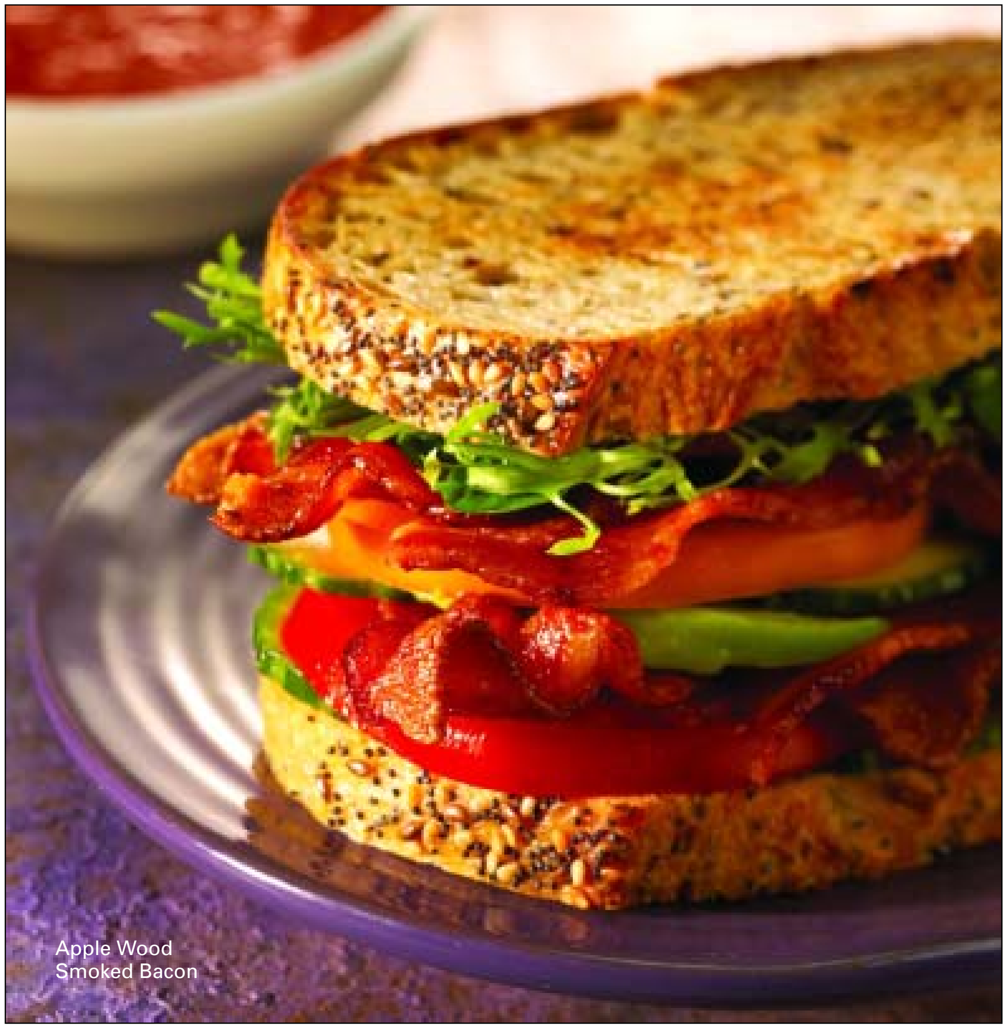
Home Style Pepper
Chicken Tenderloins

food service

Tyson Foods Food Service was ranked #1 in the Cannondale Benchmarking Study, 2003 FoodservicElite Manufacturer Rankings.

- Best sales force and broker teams
- Best business partners
- Clearest company strategy
- Most innovative marketing
- Best products or brand names
- Leading information provider
- Best combination of growth and profitability

Flat Iron Beef Steak



Apple Wood
Smoked Bacon

Value Beyond the Box When foodservice operators and distributors buy Tyson chicken, beef, pork and prepared foods, they know they are getting more than high quality products. They are getting the expertise and experience of the Tyson Food Service team. Tyson Foods offers an unbeatable portfolio of protein products, marketing support, product research and development, proprietary category management and, of course, the strength of the Tyson brand.

A recent independent study of more than 700 foodservice operators, conducted by Cognitio, a leading foodservice product concept testing firm, found Tyson Foods was the #1 response when surveyors asked, "What manufacturer does the best job of bringing value to the market through new products?" Additionally, Tyson products held both first and second place in new products receiving the most mentions from foodservice operators.

Tyson Foods is the leading marketer of:

- Value-added chicken, beef and pork to national fast food and full service restaurant chains
- Value-added chicken, beef and pork to broadline foodservice distributors
- Fresh beef and pork
- Fully-cooked meat toppings to the U.S. pizza industry
- Chicken products to retail supermarket delis
- Value-added and frozen chicken to military commissaries
- Ground beef
- Frozen pizza crusts
- Flour tortillas

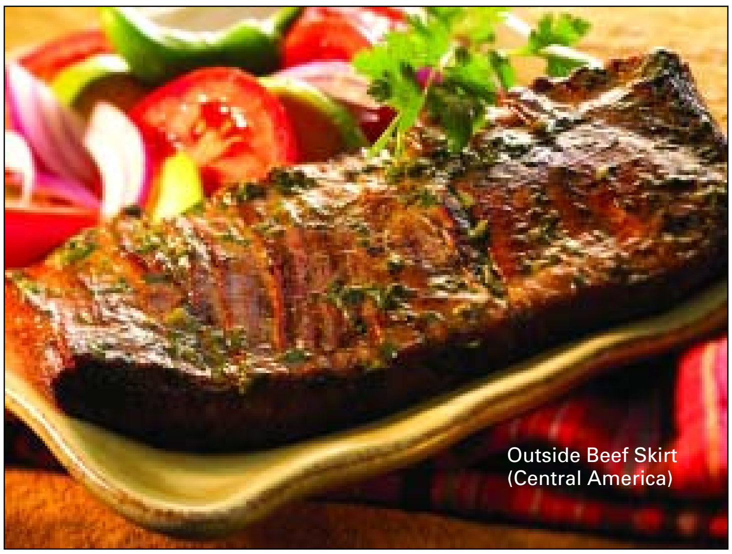
consumer products

The Tyson brand has a 95 percent recognition among consumers. It's even more visible with nearly 100 new retail products introduced in 2003 under the Tyson brand.

Tyson Foods' master branding strategy is focusing on Tyson as the national brand for chicken, beef, pork and prepared foods. The Tyson brand is supported by the most comprehensive marketing effort in the Company's history and is flanked by strong regional brands such as Weaver chicken in the Northeast and Wright bacon in the Southwest.

Want More? Tyson Foods took an already unbeatable portfolio of products that included fully-cooked dinner meats and roasted chicken, and added individually fresh frozen steaks and pork chops, fully-cooked bacon, ready-to-cook bacon, premium hams, self-serve deli meats, boxed and resealable bag lunchmeats, shelf-stable chunked chicken breast, chicken salad kits, broths and bullions – all under the Tyson brand.


Bulgogi Style
Pork Belly (Korea)

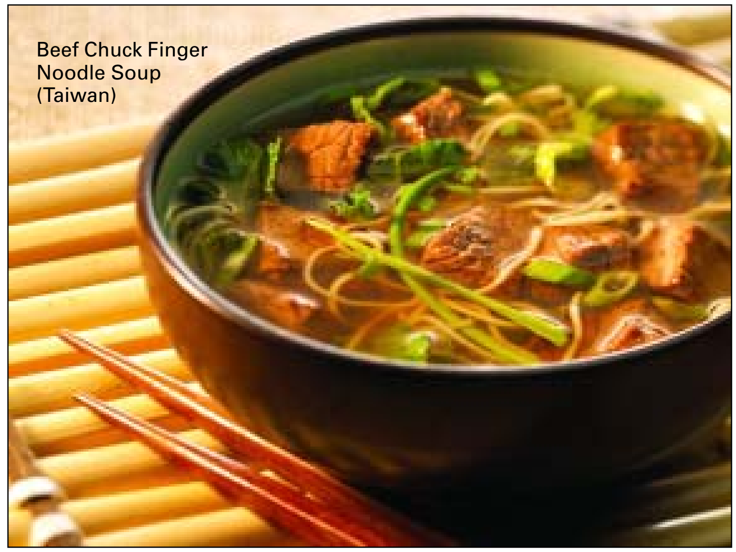

Outside Beef Skirt
(Central America)

international

Tyson Foods International is marketing Tyson chicken, beef, pork and prepared foods across the globe in a two-tiered strategy of exports and in-country production.

In the past two years Tyson International has developed a product-based sales training program and developed a team selling approach for all proteins to all major global customers. International sales are affected by changing trade regulations and market access issues; therefore, Tyson has focused on diversifying its international customer base. This strategy has reduced dependency on any one market and increased exports to a variety of markets including Cuba, Africa, Guatemala and the Middle East.

Approximately three-fourths of Tyson International's sales are exported from U.S.-based facilities. The International team continues to leverage existing



Beef Chuck Finger Noodle Soup (Taiwan)

Stew with Luncheon Meat and Corn King Hot Dogs (Korea)

production platforms when economically advantageous while also looking for opportunities to build or acquire facilities in key regions to better serve an expanding customer base.

Joint Ventures Through a variety of joint ventures, Tyson Foods is able to produce value-added products in other countries. This offers the dual advantage of entering emerging markets in a cost effective manner while enjoying the benefit of local partners. Tyson has three joint venture operations in China that produce either value-added chicken or pork products for both Chinese consumers and for export to other countries. Tyson also has a joint venture facility in Panama producing value-added chicken for the Central American marketplace and a joint venture facility in Russia producing sausage and processed meats for the Russian marketplace. Through a new joint venture arrangement, Tyson Foods will have a value-added chicken facility in Canada that will begin operating in late 2004.

Tyson's Mexican subsidiary, Tyson de Mexico, is the largest producer of value-added chicken for both retail and foodservice in Mexico.

The Company's Canadian subsidiary, Lakeside Farm Industries, produces boxed beef and has cattle feeding facilities.

Peter Luk Gatkouth of Council Bluffs, Iowa (from left), Sylvia Gonzalez of Emporia, Kansas and Randall Dickinson of Berryville, Arkansas are Tyson Heroes – team members who exemplify the Tyson spirit of community service, volunteerism and helping those in need.

core values

We are a company of people engaged in the production of food, seeking to pursue truth and integrity, and committed to creating value for our shareholders, our customers and our people in the process.

Who We Are:
We are a company of people gathered to produce food. We strive to be honorable people.
We strive to be a faith-friendly company.

What We Do:
We feed our families, the nation and the world with trusted food products.
We serve as stewards of the animals, land and environment entrusted to us.

How We Do It:
We strive to earn consistent and satisfactory profits for our shareholders and to invest in our people, products and processes. We strive to operate with integrity and trust in all we do.
We strive to honor God and be respectful of each other, our customers and other stakeholders.

Sharing Our Strength Tyson Foods not only produces food, it makes sure those in need get some to eat. As a national sponsor of Share Our Strength (SOS), one of the nation's leading anti-hunger organizations, Tyson Foods has donated 75 million protein-filled meals to feed the hungry. Team members companywide participated in the SOS Great American Bake Sale to end childhood hunger in America, and Tyson's FoodWise program promotes food safety to customers and consumers. Tyson also is a national sponsor of Watchdogs Across America, a non-profit organization encouraging fathers to spend time in schools and serve as mentors and positive role models for the students.

Since 2001, Tyson has taken the lead in supporting its men and women who are deployed with America's armed forces. Through its national headquarters and 300 facilities worldwide, Tyson Foods has been instrumental in recognizing team members who serve in the National Guard and Reserve. It addresses their needs by providing differential pay, implementing family support organizations and recognition programs. The National Employer Support of the Guard and Reserve has selected Tyson Foods as one of five organizations nationwide to receive its 2003 ESGR Freedom Award for supporting the Guard and Reserve.

A Sense of Community For a company to be part of a community it must do more than simply bring jobs to the local economy. And although Tyson Foods is an important economic factor in more than 150 towns across the country, it is the team members who make Tyson part of the community.

Joshua Parisi (front), Margarita Solorzano and Mike Taylor are active in organizations that benefit from Tyson Foods' community activism. As a supporter of United Way, Tyson helps groups including Boy Scouts, Girl Scouts and Joshua's Cub Scouts. Margarita is a member of the Hispanic Women's Organization of Arkansas, a group that advances educational opportunities for Hispanic women. And Mike is a disaster relief volunteer with a faith-based organization that cooks food – very often Tyson products – for the Red Cross to distribute.

Christy Whitney is one of more than 75 environmental compliance professionals who ensure Tyson Foods lives up to our responsibility as a steward of the environment and as a good neighbor.

Each year at the annual shareholders meeting, the Company recognizes a group of special people called Tyson Heroes. These are people who give of themselves – their time, their resources, their understanding – to make the world a better place. Their actions range from lending a hand to those in need, to volunteering for worthy causes to saving lives. Tyson Heroes exemplify the Tyson spirit of community service, volunteerism and helping those in need.

It is not only the Heroes who have an impact in their communities. Across the country Tyson team members are making a difference in their hometowns. But sometimes a tragedy is one that affects the entire country. In February, the tragic breakup of the space shuttle *Columbia* brought team members and others together to aid in the search for debris. In January and again in May, when tornadoes struck the Midwest, Tyson people immediately responded to the needs of their neighbors by providing meals for relief workers and people displaced by the storms, feeding nearly 1,000 people a day.

Tyson team members are active in churches, chambers of commerce, libraries, the March of Dimes, local food pantries, the United Way, Boys and Girls Clubs, Big Brothers, Big Sisters, blood drives, the American Cancer Society, the American Heart Association, the Race for the Cure and on and on. There are as many stories as there are team members – 120,000.

financial contents

TYSON FOODS, INC. 2003 ANNUAL REPORT

RESULTS OF OPERATIONS

Earnings for fiscal 2003 were $337 million or $0.96 per diluted share compared to $383 million or $1.08 per diluted share in fiscal 2002. Fiscal 2003 pretax earnings include $167 million received in connection with vitamin antitrust litigation and $76 million of costs related to the closing of poultry operations during the first, third and fourth quarters of fiscal 2003.

The Company's accounting cycle resulted in a 52-week year for fiscal years 2003, 2002 and 2001.

2003 vs. 2002

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

Sales increased $1.2 billion or 5.1%, with a slight increase in volume and a 5.0% increase in price.

Cost of sales increased $1.3 billion or 5.8%. As a percent of sales, cost of sales was 92.9% for 2003 compared to 92.2% for 2002. This increase is primarily due to higher live cattle prices in the Beef segment, increases in grain costs in the Chicken segment and increased accruals related to ongoing litigation, partially offset by $167 million received in connection with vitamin antitrust litigation.

Selling, general and administrative expenses decreased $46 million or 5.4%. As a percent of sales, selling, general and administrative expenses decreased from 3.8% to 3.4%. The decrease is primarily due to the expense reductions of approximately $42 million related to the sale of Specialty Brands in the fourth quarter of fiscal 2002, and approximately $16 million associated with the ongoing integration of Tyson and IBP, inc. (IBP) corporate functions. Additional decreases were due to favorable investment returns of approximately $18 million on Company owned life insurance, actuarial gains of $13 million related to changes in certain retiree medical benefit plans and decreased litigation costs of approximately $19 million resulting primarily from the reversal of certain legal accruals which are no longer required due to cases being closed. The decreases in selling, general and administrative expenses were partially offset by increased professional fees of approximately $26 million primarily related to the Company's ongoing integration and strategic initiatives and increased sales promotions and marketing costs of approximately $45 million primarily due to the introduction and rollout of several new products.

Other charges include $76 million of plant closing costs incurred in fiscal 2003, and $53 million of charges incurred in fiscal 2002 related to the discontinuation of the Thomas E. Wilson brand and the restructuring of the Company's live swine operations.

Interest expense decreased $9 million or 2.8% compared to 2002, primarily resulting from an 8.2% decrease in the Company's average indebtedness. As a percent of sales, interest expense was 1.2% compared to 1.3% for 2002. The overall weighted average borrowing rate increased to 7.4% from 7.0%, primarily resulting from premiums paid on bonds repurchased in the first and fourth quarters of fiscal 2003. Excluding the premiums paid, interest expense decreased $21 million.

Other expense increased $29 million from the same period last year, primarily resulting from the $10 million write-down related to the impairment of an equity interest in a live swine operation recorded in fiscal 2003, and the prior year gain of $22 million from the sale of the Specialty Brands, Inc. subsidiary.

The effective tax rate was 35.5% in both 2003 and 2002. Several factors impact the effective tax rate including average state income tax rates, the tax rates for international operations and the Extraterritorial Income Exclusion (ETI) for foreign sales. Taxes on international earnings were comparable for 2003 and 2002. Average state taxes added 2.2% and 3% to the effective tax rate for 2003 compared to 2002 and ETI reduced the effective rate by 1.9% in 2003 compared to a 1.4% reduction in 2002. Various legislative bills have been introduced in 2003 which would repeal the ETI exclusion over a period of time, and replace ETI with a partial tax exclusion for certain domestic production activities. If the ETI exclusion is repealed and replacement legislation is not enacted, the loss of the ETI tax benefit may adversely impact the Company's effective tax rate.

SEGMENT INFORMATION

Tyson operates in five business segments: Chicken, Beef, Pork, Prepared Foods and Other. The Company measures segment profit as operating income.

Chicken segment is primarily involved in the processing of live chickens into fresh, frozen and value-added chicken products sold through domestic foodservice, domestic food retailers, wholesale club markets that service small foodservice operations, small businesses and individuals, as well as specialty and commodity distributors who deliver to restaurants, schools and international markets throughout the world. The Chicken segment also includes sales from allied products and the chicken breeding stock subsidiary.

Beef segment is primarily involved in the processing 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 sale to further processors and others. The Beef segment markets its products to food retailers, distributors, wholesalers, restaurants, hotel chains and other food processors in domestic and international markets. Allied products are also marketed to manufacturers of pharmaceuticals and technical products.

Pork segment is primarily involved in the processing of live market hogs and fabrication of pork carcasses into primal and sub-primal meat cuts and case-ready products. This segment also represents the Company's live swine group and related allied product processing activities. The Pork segment markets its products to food retailers, distributors, wholesalers, restaurants, 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 and weaned and feeder pigs to pork producers.

Prepared Foods segment includes the Company's operations that manufacture and market frozen and refrigerated food products. Products include pepperoni, beef and pork toppings, pizza crusts, flour and corn tortilla products, appetizers, hors d'oeuvres, desserts, prepared meals, ethnic foods, soups, sauces, side dishes, specialty pasta and meat dishes as well as branded and processed meats. The Prepared Foods segment markets its products to food retailers, distributors, wholesalers, restaurants and hotel chains.

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

Sales by Segment

in millions	2003	2002	Change
Chicken	$ 7,427	$ 7,222	$ 205
Beef	11,935	10,488	1,447
Pork	2,470	2,503	(33)
Prepared Foods	2,662	3,072	(410)
Other	55	82	(27)
Total	$24,549	$23,367	$1,182

Operating Income by Segment

in millions	2003	2002	Change
Chicken	$ 158	$ 428	$ (270)
Beef	320	220	100
Pork	75	25	50
Prepared Foods	57	158	(101)
Other	227	56	171
Total	$ 837	$ 887	$ (50)

Chicken segment sales increased $205 million or 2.8%, with a slight decrease in average sales prices and a 3.3% increase in volume. Foodservice chicken sales dollars increased 4.2%, retail chicken sales dollars increased 2.3% and international chicken sales dollars decreased 3.6%. Chicken segment operating income decreased $270 million from the same period last year primarily due to increased grain costs and plant closing costs.

Beef segment sales increased $1.4 billion or 13.8%, with a 13.2% increase in average sales prices and a slight increase in volume. Case-ready beef sales were $957 million and increased 20.4%, domestic fresh meat beef sales increased 11.8% and international beef sales increased 19.4%. Beef segment operating income increased $100 million. The Beef segment sales and operating income increases were caused by strong demand during the second half of fiscal 2003 caused in part by the U.S. ban on Canadian beef. However, these increases were partially offset by an increase in live cattle prices.

Pork segment sales decreased $33 million or 1.3%, with a 2.9% increase in average sales prices and a 4.1% decrease in volume. Case-ready pork sales were $221 million and increased 52.3%, domestic fresh meat pork sales decreased 3.5%, international pork sales increased 2.8% and live swine sales decreased 42.6%. Pork segment operating income increased $50 million. Excluding the fourth quarter 2002 live swine restructuring charge of $26 million, operating income increased $24 million. The decline in sales is primarily due to a reduction in live swine sales as a result of the prior year live swine restructuring and lower average selling prices for our finished product. Operating income was positively affected by the prior year restructuring of the live swine operation, partially offset by higher live hog prices.

Prepared Foods segment sales decreased $410 million or 13.4%, with a 5.9% decrease in average sales prices and an 8.0% decrease in volume. Excluding prior year Specialty Brands sales of $244 million, segment sales declined $166 million and volume declined slightly. Segment operating income decreased $101 million from the same period last year. Excluding the prior year Thomas E. Wilson brand write-down of $27 million, operating income declined $128 million. This decline results primarily from the increases during the year in raw material prices, lower average selling prices, increased costs related to the introduction of more than 75 new products this year and temporary operating inefficiencies at certain plants.

Other segment operating income increased $171 million primarily due to settlements received in connection with the vitamin antitrust litigation. Current year results include $167 million as compared to $30 million received in fiscal 2002. Additionally, operating income was positively affected by actuarial gains of $13 million resulting from changes to certain retiree medical benefit plans.

2002 vs. 2001

On August 3, 2001, the Company acquired 50.1% ownership of IBP and acquired the remaining 49.9% on September 28, 2001. Accordingly, fiscal 2002 earnings include 52 weeks of IBP's results of operations, while fiscal 2001 fourth quarter and 12 months results include 50.1% of IBP's results for the nine weeks ended September 29, 2001. This information should be considered when comparing to fiscal 2001 results of operations.

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

In accordance with the provisions issued in Financial Accounting Standards Board No. 142, "Goodwill and Other Intangible Assets," which the Company adopted at the beginning of fiscal 2002, goodwill and indefinite lived assets are no longer amortized. The effect on fiscal year 2001 results would have been an increase of approximately $0.14 cents per diluted share.

In accordance with the guidance provided in Emerging Issues Task Force (EITF) Issue No. 00-14, "Accounting for Certain Sales Incentives," and EITF Issue No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products," beginning in the first quarter of fiscal 2002, the Company classifies the costs associated with sales incentives provided to retailers and payments such as slotting fees and cooperative advertising to vendors as a reduction in sales. These costs were previously included in selling, general and administrative expense. These reclassifications resulted in a reduction to sales and selling, general and administrative expense of approximately $188 million for fiscal year 2001, and had no impact on reported income before income taxes and minority interest, net income or earnings per share amounts.

Sales increased $13 billion or 121.2%, with a 98.9% increase in volume and an 11.2% increase in price. The increase in sales volume and price is primarily due to the inclusion of IBP's sales in fiscal 2002. Despite lower commodity prices, sales prices increased due to product mix changes as the Company's value-added businesses grew.

Cost of sales increased $12 billion or 123.1%, primarily due to the inclusion of IBP's cost of sales in fiscal 2002. As a percent of sales, cost of sales was 92.2% for 2002 compared to 91.5% for 2001.

Selling, general and administrative expenses increased $290 million or 49.5%, primarily due to the inclusion of IBP's operations in fiscal 2002. As a percent of sales, operating expenses were 3.8% for 2002 compared to 5.6% in 2001. In its effort to integrate, restructure and reorganize, the Company improved efficiencies and lowered plant operating costs. These costs were also reduced through other cost-containment efforts and improved sales expense management.

Other charges include $27 million related to the discontinuation of the Thomas E. Wilson brand and $26 million related to the restructuring of the Company's live swine operation.

Interest expense increased 111.8% compared to 2001. As a percent of sales, interest expense was 1.3% compared to 1.4% for 2001. The Company's average indebtedness increased by 109.7% over fiscal 2001 due to debt incurred to purchase IBP. The Company's short-term interest rates decreased to 3.3% in fiscal 2002 as compared to 5.1% in fiscal 2001. The overall weighted average borrowing rate on total debt was 7.0% for fiscal 2002 compared to 6.9% for fiscal 2001.

Other income increased in the current year due to a gain of $22 million from the sale of the Specialty Brands, Inc. subsidiary.

The effective tax rate was 35.5% in 2002 compared to 35.4% in 2001. The Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142), at the beginning of 2002. Under SFAS No. 142 the Company no longer amortized goodwill which resulted in a decrease in the effective tax rate for 2002, offset primarily by a reduction in the foreign sales benefit.

SEGMENT INFORMATION

For the periods ending September 28, 2002, and September 29, 2001, the following information includes 100% of IBP results for 52 weeks and nine weeks, respectively. Information on segments is as follows:

Sales by Segment

in millions	2002	2001	Change
Chicken	$ 7,222	$ 7,057	$ 165
Beef	10,488	2,027	8,461
Pork	2,503	619	1,884
Prepared Foods	3,072	818	2,254
Other	82	42	40
Total	$23,367	$10,563	$12,804

Operating Income (Loss) by Segment

in millions	2002	2001	Change
Chicken	$428	$250	$178
Beef	220	32	188
Pork	25	27	(2)
Prepared Foods	158	15	143
Other	56	(8)	64
Total	$887	$316	$571

Chicken segment sales increased $165 million or 2.3% compared to 2001, with a 1.1% increase in average sale prices and a 1.2% increase in volume. Foodservice chicken sales increased 4.9%, retail chicken sales increased 2.0% and international chicken sales decreased 6.3%. In fiscal 2002, the Company's Mexican subsidiary sales increased 36.1% due to the acquisition of a production facility in Mexico in the third quarter of 2001. This increase was more than offset by decreases in other international sales demand as markets were impacted by import restrictions and political pressures primarily in Russia and China. Operating income for Chicken increased $178 million as compared to 2001, primarily due to decreases in live and production costs along with improvements in price and growth in value-added product mix. Additionally, fiscal 2001 costs were negatively impacted by weather related effects and higher grain and energy costs.

Beef segment sales were $10.5 billion, including beef case-ready sales of $795 million and international beef sales of $1.4 billion. Beef segment operating income totaled $220 million. The Beef segment resulted from the acquisition of IBP in the fourth quarter of fiscal 2001.

Pork segment sales including IBP's pork processing revenues were $2.5 billion compared to $619 million in 2001, including fiscal 2002 pork case-ready sales of $145 million and international pork sales of $248 million. Pork segment operating income decreased $2 million from 2001. Sales and operating income were positively affected by the inclusion of the IBP pork processing results in fiscal 2002. However, both were impacted by the negative results of the live swine operation. Operating income was also affected by the restructuring charge related to the Company's live swine operation of approximately $26 million in the fourth quarter of fiscal 2002.

Prepared Foods segment sales increased $2.3 billion compared to 2001. The Prepared Foods segment operating income increased $143 million. The increase in both sales and operating income is primarily due to the inclusion of IBP results. Operating income was also influenced by lower and more stable raw material prices and improvement in product mix. These increases were partially offset by the Thomas E. Wilson write-down of $27 million related to the discontinuation of the brand.

Other segment operating income increased $64 million primarily due to the partial settlement of approximately $30 million received in the third quarter of fiscal 2002 related to vitamin antitrust litigation combined with prior year IBP merger related expenses of $19 million.

ACQUISITIONS

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 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.

In May 2002, the Company acquired the assets of Millard Processing Services, a bacon processing operation, for approximately $73 million in cash. The acquisition has been accounted for as a purchase, and goodwill of approximately $14 million has been recorded.

DISPOSITION

In September 2002, the Company completed the sale of its Specialty Brands, Inc. subsidiary. The subsidiary had been acquired with the IBP acquisition and its results of operations were included in the Company's Prepared Foods segment. The Company received cash proceeds of approximately $131 million, which were used to reduce indebtedness, and recognized a pretax gain of $22 million. Specialty Brands, Inc.'s sales and operating income for the year ended September 28, 2002, were $244 million and $2 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations continues to be the Company's primary source of funds to finance operating requirements and capital expenditures. In 2003, net cash of $820 million was provided by operating activities, down $354 million from 2002. The decrease from fiscal 2002 is primarily due to a net change in working capital of $423 million and a decrease in net income of $46 million, partially offset by an increase in deferred taxes of $91 million. The change in working capital is primarily due to increased accounts receivable resulting from increased sales and increased inventory values, as well as the timing of cash receipts and payments related to other working capital items. 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. Additionally, at September 27, 2003, the Company had borrowing capacity of $1.5 billion consisting of $705 million available under its $1 billion unsecured revolving credit facilities and $750 million under its accounts receivable securitization. At September 27, 2003, the Company had construction projects in progress that will require approximately $175 million to complete. Capital spending for fiscal 2004 is expected to be in the range of $450 to $500 million, which includes spending on plant automation as well as information systems technology improvements. Additionally, on December 5, 2003, the Company announced that in order to further improve long-term manufacturing efficiencies, it will be closing facilities in Manchester, New Hampshire, and Augusta, Maine, in early 2004. The Company anticipates recording pretax charges related to these closings of approximately $23 to $27 million or $0.04 to $0.05 per diluted share in the first half of fiscal 2004.

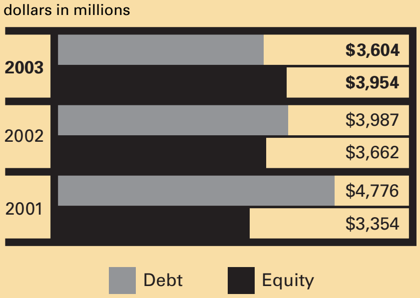
Cash Provided by Operating Activities

dollars in millions

Total debt at September 27, 2003, was $3,604 million, a decrease of approximately $383 million from September 28, 2002. The Company has unsecured revolving credit facilities totaling $1 billion that support the Company’s commercial paper program. These $1 billion in facilities consist of $200 million that expire in June 2004, $300 million that expire in June 2005 and $500 million that expire in September 2006. At September 27, 2003, there were no borrowings outstanding under these facilities. Additional outstanding debt at September 27, 2003, consisted of $3.3 billion of debt securities, $32 million of commercial paper and other indebtedness of $256 million.

Total Capitalization

dollars in millions



The revolving credit facilities, senior notes, notes and accounts receivable securitization contain various covenants, the more restrictive of which contain a maximum allowed leverage ratio and a minimum required interest coverage ratio. The Company is in compliance with these covenants at fiscal year end.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that are material to its financial position or results of operations. The off-balance sheet arrangements the Company has are guarantees of debt of outside third parties involving letters of credit, a lease, grower loans and residual value guarantees covering certain operating leases for various types of equipment. See Note 9 to the Consolidated Financial Statements for further discussions of these guarantees.

RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, “Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51” (the Interpretation). The Interpretation requires the consolidation of variable interest entities in which an enterprise absorbs a majority of the entity’s expected losses, receives a majority of the entity’s expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. Currently, entities are generally consolidated by an enterprise that has a controlling financial interest through ownership of a majority voting interest in the entity. The Interpretation was originally effective immediately for variable interest entities created after January 31, 2003, and effective in the fourth quarter of the Company’s fiscal 2003 for those created prior to February 1, 2003. However, in October 2003, the FASB deferred the effective date for those variable interest entities created prior to February 1, 2003, until the Company’s first quarter of fiscal 2004. The Company has substantially completed the process of evaluating the Interpretation and believes its adoption will not have a material impact on its financial position or results of operations.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement No.133 on Derivative Instruments and Hedging Activities" (SFAS No. 149). SFAS No. 149 amends SFAS No. 133 to provide clarification on the financial accounting and reporting of derivative instruments and hedging activities and requires that contracts with similar characteristics be accounted for on a comparable basis. The standard is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The Company's adoption of SFAS No. 149 did not have a material impact on its financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity" (SFAS No. 150). SFAS No. 150 establishes how an issuer classifies and measures certain freestanding financial instruments with characteristics of liabilities and equity and requires that such instruments be classified as liabilities. The standard is effective for financial instruments entered into or modified after May 31, 2003, and is otherwise effective in the fourth quarter of the Company's fiscal 2003. The Company's adoption of SFAS No. 150 did not have a material impact on its financial position or results of operations.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of certain accounting estimates considered critical by the Company.

Financial Instruments The Company uses derivative financial instruments to manage its exposure to various market risks, including certain livestock, natural gas, interest rates and grain and feed costs. The Company may hold positions as economic hedges for which hedge accounting is not applied. See Market Risk on page 29.

Contingent Liabilities The Company is subject to lawsuits, investigations and other claims related to wage and hour/labor, cattle procurement, securities, environmental, product and other matters, and is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies are made after considerable analysis of each individual issue. These reserves may change in the future due to changes in the Company's assumptions, the effectiveness of strategies or other factors beyond the Company's control. See Note 19 to the Consolidated Financial Statements.

Accrued Self Insurance Insurance expense for casualty claims and employee-related health care benefits are estimated using historical experience and actuarial estimates. The assumptions used to arrive at periodic expenses are reviewed regularly by management. However, actual expenses could differ from these estimates and could result in adjustments to be recognized.

Impairment of Long-Lived Assets The Company is required to assess potential impairments to its long-lived assets, which are primarily property, plant and equipment. If impairment indicators are present, the Company must measure the fair value of the assets in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment of Disposal of Long-Lived Assets," to determine if adjustments are to be recorded.

Goodwill and Intangible Asset Impairment In assessing the recoverability of the Company's goodwill and other intangible assets, management must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. If these estimates and related assumptions change in the future, the Company may be required to record impairment charges not previously recorded. On September 30, 2001, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," and was required to assess its goodwill for impairment issues upon adoption, and then at least annually thereafter. See Note 1 to the Consolidated Financial Statements.

CAUTIONARY STATEMENTS RELEVANT TO FORWARD-LOOKING INFORMATION FOR THE PURPOSE OF "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This 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, but not limited to, 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, but not limited to, changes in accounting standards, environmental laws and occupational, health and safety laws; (x) issues related to food safety, including, but not limited to, 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.

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 derivative transactions as described below. If a derivative instrument is a hedge, as defined by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), as amended, depending on the nature of the hedge, changes in the fair value of the instrument will be either offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of an instrument's change in fair value, as defined by SFAS No. 133, as amended, will be immediately recognized in earnings as a component of cost of sales. Instruments that do not meet the criteria for hedge accounting are marked to fair value with unrealized gains or losses reported currently in earnings. Additionally, the Company holds certain positions, primarily in grain and 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 sensitivity analyses presented on page 30 are the measures of potential losses of fair value resulting from hypothetical changes in market prices related to commodities and hypothetical changes in exchange rates related to interest rates. Sensitivity analyses do not consider the actions management may take to mitigate the Company's exposure to changes, nor do they consider the effects that such hypothetical adverse changes may have on overall economic activity. Actual changes in market prices may differ from hypothetical changes.

Commodities Risk The Company is a purchaser of certain commodities, such as corn, soybeans, livestock and natural gas in the course of normal operations. The Company uses commodity futures and options for hedging purposes to reduce the effect of changing prices and as a mechanism to procure the underlying commodity. 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 following table presents a sensitivity analysis resulting from a hypothetical change of 10% in market prices as of September 27, 2003, and September 28, 2002, respectively, on fair value of open positions. The fair value of such positions is a summation of the fair values calculated for each commodity by valuing each net position at quoted futures prices. The market risk exposure analysis includes hedge and non-hedge positions. The underlying commodities hedged have a correlation to price changes of the derivative positions such that the values of the commodities hedged based on differences between commitment prices and market prices and the value of the derivative positions used to hedge these commodity obligations are inversely correlated. The following sensitivity analysis reflects an inverse impact on earnings for changes in the fair value of open positions for livestock and natural gas and a direct impact on earnings for changes in the fair value of open positions for grain.

Effect of 10% change in fair value

in millions	2003	2002
Livestock:		
Cattle	$28	$12
Hogs	12	5
Grain	$26	$14
Natural Gas	$11	$ –

Interest Rate Risk The Company has exposure to changes in interest rates on its fixed-rate, long-term debt. Market risk for fixed-rate, long-term debt is estimated as the potential increase in fair value, resulting from a hypothetical 10% decrease in interest rates, and amounts to approximately $62 million at September 27, 2003. The fair values of the Company's long-term debt were estimated based upon quoted market prices and or published interest rates.

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%. Because of the positions taken with respect to these swap agreements, an increase in interest rates would have a minimal effect on the fair value for fiscal years 2003 and 2002.

Foreign Currency Risk 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 U.S. currency fluctuations inherent in its receivables and purchase commitments. There were no such contracts outstanding at September 27, 2003, and the fair value of forward contracts at September 28, 2002, was not significant. Foreign forward contracts generally have maturities or expirations not exceeding 12 months. A 10% change in the exchange rate of the currencies hedged at September 28, 2002, would have changed the fair value of the contracts by $4 million.

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. At September 27, 2003, approximately 10.3% of the Company's net accounts receivable balance was due from one customer. No other single customer or customer group represents greater than 10% of net accounts receivable.

consolidated statements of income

TYSON FOODS, INC. 2003 ANNUAL REPORT

in millions, except per share data

Three years ended September 27, 2003	2003	2002	2001
Sales	$ 24,549	$ 23,367	$ 10,563
Cost of Sales	22,805	21,550	9,660
	1,744	1,817	903
Operating Expenses:			
Selling, general and administrative	831	877	587
Other charges	76	53	–
Operating Income	837	887	316
Other Expense (Income):			
Interest	296	305	144
Other	18	(11)	7
	314	294	151
Income Before Income Taxes and Minority Interest	523	593	165
Provision for Income Taxes	186	210	58
Minority Interest	–	–	19
Net Income	$ 337	$ 383	$ 88
Weighted Average Shares Outstanding:			
Basic	346	348	221
Diluted	352	355	222
Earnings Per Share:			
Basic	$ 0.98	$ 1.10	$ 0.40
Diluted	$ 0.96	$ 1.08	$ 0.40

See accompanying notes.

consolidated balance sheets

TYSON FOODS, INC. 2003 ANNUAL REPORT

in millions, except per share data

September 27, 2003 and September 28, 2002	2003	2002
Assets		
Current Assets:		
Cash and cash equivalents	$ 25	$ 51
Accounts receivable, net	1,280	1,101
Inventories	1,994	1,885
Other current assets	72	107
Total Current Assets	3,371	3,144
Net Property, Plant and Equipment	4,039	4,038
Goodwill	2,652	2,633
Intangible Assets	182	190
Other Assets	242	367
Total Assets	$10,486	$10,372
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current debt	$ 490	$ 254
Trade accounts payable	838	755
Other current liabilities	1,147	1,084
Total Current Liabilities	2,475	2,093
Long-Term Debt	3,114	3,733
Deferred Income Taxes	722	643
Other Liabilities	221	241
Shareholders' Equity:		
Common stock ($0.10 par value):		
Class A-authorized 900 million shares:		
Issued 267 million shares in 2003 and 2002	27	27
Class B-authorized 900 million shares:		
Issued 102 million shares in 2003 and 2002	10	10
Capital in excess of par value	1,861	1,879
Retained earnings	2,380	2,097
Accumulated other comprehensive loss	(15)	(49)
	4,263	3,964
Less treasury stock, at cost–16 million shares in 2003 and 2002	252	265
Less unamortized deferred compensation	57	37
Total Shareholders' Equity	3,954	3,662
Total Liabilities and Shareholders' Equity	$10,486	$10,372

See accompanying notes.

consolidated statements of shareholders' equity

TYSON FOODS, INC. 2003 ANNUAL REPORT

Three years ended September 27, 2003, in millions	Common Stock Class A Shares	Common Stock Class A Amount	Common Stock Class B Shares	Common Stock Class B Amount	Capital In Excess Of Par Value	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Unamortized Deferred Compen-sation	Accumulated Other Compre-hensive Income (Loss)	Total Share-holders' Equity
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 No. 133 adoption (net of $(3) million tax)										(6)	(6)
Derivative loss recognized in cost of sales (net of $(3) million tax)										(5)	(5)
Derivative unrealized loss (net of $(6) million tax)										(10)	(10)
Unrealized gain on investments (net of $1 million tax)										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
Comprehensive Income:											
Net income						383					383
Other comprehensive income (loss) net of tax of $(5) million											
Derivative gain recognized in cost of sales (net of $2 million tax)										5	5
Derivative unrealized loss (net of $(1) million tax)										(2)	(2)
Unrealized loss on investments (net of $(1) million tax)										(2)	(2)
Currency translation adjustment										(7)	(7)
Additional pension liability (net of $(5) million tax)										(8)	(8)
Total Comprehensive Income											369
Purchase of Treasury Shares							1	(19)			(19)
Restricted Shares Issued					(41)		(6)	90	(50)		(1)
Restricted Shares Cancelled					2			(3)	3		2
Dividends Paid						(56)					(56)
Amortization of Deferred Compensation									15		15
Other			(1)		(2)						(2)
Balance–September 28, 2002	267	27	102	10	1,879	2,097	16	(265)	(37)	(49)	3,662
Comprehensive Income:											
Net income						337					337
Other comprehensive income (loss) net of tax of $8 million											
Derivative loss recognized in cost of sales (net of $(1) million tax)										(2)	(2)
Derivative unrealized gain (net of $7 million tax)										11	11
Unrealized gain on investments (net of $1 million tax)										1	1
Currency translation adjustment										21	21
Additional pension liability (net of $2 million tax)										3	3
Total Comprehensive Income											371
Purchase of Treasury Shares							4	(41)			(41)
Restricted Shares Issued					(19)		(4)	55	(37)		(1)
Restricted Shares Cancelled					1			(1)	1		1
Dividends Paid						(54)					(54)
Amortization of Deferred Compensation									16		16
Balance–September 27, 2003	267	$27	102	$10	$1,861	$2,380	16	$(252)	$(57)	$(15)	$3,954

See accompanying notes.

consolidated statements of cash flows

TYSON FOODS, INC. 2003 ANNUAL REPORT

Three years ended September 27, 2003	2003	2002	in millions 2001
Cash Flows From Operating Activities:			
Net income	$ 337	$ 383	$ 88
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	427	431	294
Amortization	31	36	41
Plant closing related charges	22	–	–
Write-down of intangible asset	–	27	–
Gain on sale of subsidiary	–	(22)	–
Deferred taxes	113	22	(47)
Other	36	20	21
(Increase) decrease in accounts receivable	(179)	44	(45)
Increase in inventories	(78)	(4)	(15)
Increase (decrease) in trade accounts payable	60	(30)	89
Net change in other current assets and liabilities	51	267	85
Cash Provided by Operating Activities	820	1,174	511
Cash Flows From Investing Activities:			
Additions to property, plant and equipment	(402)	(433)	(261)
Proceeds from sale of assets	30	14	33
Proceeds from sale of subsidiary	–	131	–
Net cash paid for IBP acquisition	–	–	(1,670)
Acquisitions of property, plant and equipment	–	(73)	(33)
Purchase of Tyson de Mexico minority interest	–	–	(19)
Net change in investment in commercial paper	4	94	(23)
Net change in other assets and liabilities	7	(61)	(45)
Cash Used for Investing Activities	(361)	(328)	(2,018)
Cash Flows From Financing Activities:			
Net change in debt	(387)	(789)	1,584
Purchase of treasury shares	(41)	(19)	(48)
Proceeds from exercise of IBP stock options	–	–	34
Dividends and other	(54)	(58)	(35)
Cash Provided by (Used for) Financing Activities	(482)	(866)	1,535
Effect of Exchange Rate Change on Cash	(3)	1	(1)
Increase (Decrease) in Cash and Cash Equivalents	(26)	(19)	27
Cash and Cash Equivalents at Beginning of Year	51	70	43
Cash and Cash Equivalents at End of Year	$ 25	$ 51	$ 70

See accompanying notes.

1 note 1: business and summary of significant accounting policies

Description of Business: Tyson Foods, Inc. (collectively, "the Company" or "Tyson"), founded in 1935 with world headquarters in Springdale, Arkansas, is the world's largest processor and marketer of chicken, beef and pork and the second largest food company in the *Fortune* 500. Tyson Foods produces a wide variety of brand name protein-based and prepared food products marketed in the United States and more than 80 countries around the world. Tyson is the recognized market leader in the retail and foodservice markets it serves. The Company has approximately 120,000 team members and 300 facilities and offices in 27 states and 22 countries.

Consolidation: The consolidated financial statements include the accounts of all majority-owned and wholly-owned subsidiaries. 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. The Company primarily utilizes a cash management system with a series of separate accounts consisting of lockbox accounts for receiving cash, concentration accounts that funds are moved to, and several "zero-balance" disbursement accounts for funding of payroll, accounts payable and grower payments. As a result of the Company's cash management system, checks issued, but not presented to the banks for payment, may create negative book cash balances. Checks outstanding in excess of related book cash balances totaling approximately $313 million at September 27, 2003, and $292 million at September 28, 2002, are included in trade accounts payable and accrued salaries, wages and benefits.

Inventories: Processed products, livestock (excluding breeders) and supplies and other are valued at the lower of cost (first-in, first-out) or market. Livestock includes live cattle, live chicken and live swine. Cost includes purchased raw materials, live purchase costs, grow-out costs (primarily feed, contract grower pay and catch and haul costs), labor and manufacturing and production overhead which are related to the purchase and production of inventories. Live chicken consists of broilers and breeders. Breeders are stated as cost less amortization. The costs associated with breeders, including breeder chicks, feed and medicine, are accumulated up to the production stage and amortized to broiler inventory over the productive life of the flock using a standard unit of production.

Total inventory consists of:

in millions	2003	2002
Processed products	$1,167	$1,112
Livestock	532	505
Supplies and other	295	268
Total inventory	$1,994	$1,885

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.

Long-Lived Assets: 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 and Other Intangible Assets: Goodwill and indefinite life intangible assets are recorded at fair value and not amortized, but are reviewed for impairment at least annually or more frequently if impairment indicators arise, as required by SFAS No. 142. Goodwill has been allocated to and tested for impairment by reporting unit based on fair value of identifiable assets. This goodwill is not deductible for income tax purposes. For fiscal year 2001, goodwill arising prior to the IBP transaction was amortized on a straight-line basis over periods ranging from 15 to 40 years. Had the provisions of SFAS No. 142 been in effect during fiscal year 2001, a reduction in amortization expense and an increase to net income of $30 million or $0.14 per diluted share, would have been recorded. At September 27, 2003, and September 28, 2002, the accumulated amortization of goodwill was $286 million.

Amount of goodwill by segment at September 27, 2003, and September 28, 2002, was as follows:

in millions	2003	2002
Chicken	$ 936	$ 917
Beef	1,306	1,306
Pork	350	350
Prepared Foods	60	60
Total	$2,652	$2,633

At September 27, 2003, the gross carrying value of intangible assets consisted of $100 million of trademarks, $87 million of patents and $13 million of supply contracts with accumulated amortization of $12 million and $6 million for patents and supply contracts, respectively. At September 28, 2002, the gross carrying value of intangible assets consisted of $100 million of trademarks, $87 million of patents and $13 million of supply contracts with accumulated amortization of $6 million and $4 million for patents and supply contracts, respectively. Amortization expense on combined patents and supply contracts of $8 million and $9 million was recognized during 2003 and 2002, respectively. Amortization expense on intangible assets is estimated to be $8 million for 2004, 2005 and 2006, and $6 million for 2007 and 2008. Patents and supply contracts are amortized using the straight-line method over their estimated period of benefit of 15 years and five years, respectively.

Investments: The Company has investments in joint ventures and other entities. The Company uses the cost method of accounting where its voting interests are less than 20 percent, and the equity method of accounting where its voting interests are in excess of 20 percent but not greater than 50 percent. The Company's underlying share of each entity's equity is reported in the consolidated balance sheet in the line item Other Assets.

Accrued Self Insurance: Insurance expense for casualty claims and employee-related health care benefits are estimated using historical experience and actuarial estimates.

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 and Class B dividends per share of $0.144 in fiscal years 2003, 2002 and 2001.

Stock Options: On December 29, 2002, the Company adopted Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation–Transition and Disclosure" (SFAS No. 148). SFAS No. 148, which amended FASB Statement No. 123, "Accounting for Stock-Based Compensation," does not require use of the fair value method of accounting for stock-based employee compensation. 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	2003	2002	2001
Net income as reported	$ 337	$ 383	$ 88
Stock-based employee compensation expense included in net income, net of tax	16	15	5
Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(20)	(19)	(8)
Pro forma net income	$ 333	$ 379	$ 85
Earnings per share			
As reported			
Basic	$0.98	$1.10	$0.40
Diluted	0.96	1.08	0.40
Pro forma			
Basic	0.96	1.09	0.38
Diluted	$0.95	$1.07	$0.38

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 net income for future years.

Financial Instruments: The Company is a purchaser of certain commodities, such as corn, soybeans, livestock and natural gas in the course of normal operations. The Company uses derivative financial instruments to reduce its exposure to various market risks. 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, as defined by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), as amended. 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 as a component of cost of sales. Instruments the Company holds as economic hedges that do not meet the criteria for hedge accounting, as defined by SFAS No. 133, as amended, 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.

Revenue Recognition: The Company recognizes revenue when title and risk of loss are transferred to customers, which is generally upon delivery based upon terms of sale. Revenue is recognized as the net amount estimated to be received after deducting estimated amounts for discounts, trade allowances and product terms.

Litigation Reserves: There are a variety of legal proceedings pending or threatened against the Company. Accruals are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current law, progress of each case, opinions and views of legal counsel and other advisers, the Company's experience in similar matters and management's intended response to the litigation. These amounts, which are not discounted and are exclusive of claims against third parties, are adjusted periodically as assessment efforts progress or legal information becomes available. Accruals for legal proceedings are included in other current liabilities in the accompanying balance sheets.

Freight Expense: Freight expense associated with products shipped to customers is recognized in cost of products sold.

Advertising and Promotion Expenses: Advertising and promotion expenses are charged to operations in the period incurred. Advertising and promotion expenses for fiscal 2003, 2002 and 2001 were $504 million, $396 million and $337 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 in fiscal 2001 primarily consisted 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 January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51" (the Interpretation). The Interpretation requires the consolidation of variable interest entities in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. Currently, entities are generally consolidated by an enterprise that has a controlling financial interest through ownership of a majority voting interest in the entity. The Interpretation was originally immediately effective for variable interest entities created after January 31, 2003, and effective in the fourth quarter of the Company's fiscal 2003 for those created prior to February 1, 2003. However, in October 2003, the FASB deferred the effective date for those variable interest entities created prior to February 1, 2003, until the Company's first quarter of fiscal 2004. The Company has substantially completed the process of evaluating the Interpretation and believes its adoption will not have a material impact on its financial position or results of operations.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (SFAS No. 149). SFAS No. 149 amends SFAS No. 133 to provide clarification on the financial accounting and reporting of derivative instruments and hedging activities and requires that contracts with similar characteristics be accounted for on a comparable basis. The standard is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The Company's adoption of SFAS No. 149 did not have a material impact on its financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity" (SFAS No. 150). SFAS No. 150 establishes how an issuer classifies and measures certain freestanding financial instruments with characteristics of liabilities and equity and requires that such instruments be classified as liabilities. The standard is effective for financial instruments entered into or modified after May 31, 2003, and is otherwise effective in the fourth quarter of the Company's fiscal 2003. The Company's adoption of SFAS No. 150 did not have a material impact on its financial position or results of operations.

2 note 2: acquisitions

In September 2003, the Company purchased Choctaw Maid Farms, Inc. (Choctaw), an integrated poultry processor. Since 1992, Tyson had been purchasing all of Choctaw's production under a "cost plus" supply agreement, which was scheduled to expire in 2007. The Company had previously negotiated a purchase option with Choctaw's owners, which initially became exercisable in 2002. The Company decided to exercise its purchase option rather than continue under the "cost plus" arrangement of the supply agreement. The acquisition has been recorded as a purchase in accordance with SFAS No. 141, "Business Combinations." Accordingly, the assets and liabilities have been adjusted for fair values with the remainder of the purchase price, $18 million, recorded as goodwill. The purchase price consisted of $1 million cash to exercise the purchase option in Tyson's supply agreement with Choctaw and the settlement of $85 million owed to Tyson by Choctaw. In addition the Company assumed approximately $4 million of Choctaw's debt to a third party. In June 2003, the Company exercised a $74 million purchase option to acquire assets leased from a third party which the Company had subleased to Choctaw. Pro forma operating results reflecting the acquisition of Choctaw would not be materially different from the Company's actual results of operations.

In May 2002, the Company acquired the assets of Millard Processing Services, a bacon processing operation, for approximately $73 million in cash. The acquisition has been accounted for as a purchase and goodwill of approximately $14 million has been recorded.

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 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.

3 note 3: disposition

In September 2002, the Company completed the sale of its Specialty Brands, Inc. subsidiary. The subsidiary had been acquired with the IBP acquisition, and its results of operations were included in the Company's Prepared Foods segment. The Company received cash proceeds of approximately $131 million, which were used to reduce indebtedness, and recognized a pretax gain of $22 million, which is included in other income on the consolidated statement of income of fiscal 2002.

4 note 4: other charges

In April 2003, the Company announced its decision to close its Berlin, Maryland, poultry operation as part of its ongoing plant rationalization efforts. The Berlin poultry operation employed approximately 650 people and included a hatchery, a feed mill, live production and a processing facility. The facility ceased processing chickens November 12, 2003. As a result of this decision, the Company is anticipating total costs of $29 million that include $14 million of costs related to closing the plant and $15 million of estimated impairment charges for assets to be disposed of. The costs related to closing the plant include $9 million for estimated liabilities for the resolution of the Company's obligations under 209 grower contracts, and $5 million of other related costs associated with the closing of the plant including plant clean-up costs and employee termination benefits. The Company is accounting for the closing of the Berlin operations in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." In fiscal 2003, the Company recorded accruals of $25 million ($19 million in the third quarter and $6 million in the fourth quarter) that included $10 million of costs related to closing the plant and $15 million of estimated impairment charges for assets to be disposed. This amount is reflected in the Chicken segment as a reduction of operating income and included in the consolidated statements of income in other charges. The costs related to closing the plant that have been accrued as of September 27, 2003, include $7 million for estimated liabilities for the resolution of the Company's obligations under grower contracts and $3 million of other related costs associated with the closing of the plant, including plant clean-up costs and employee termination benefits. At September 27, 2003, the accrual balance was $16 million, as $4 million of obligations under grower contracts and $3 million of other closing costs had been paid, and losses related to the disposal of assets of $2 million were realized. The Company anticipates recording additional costs of approximately $4 million in the first quarter of fiscal 2004 related to closing the plant.

In the first quarter of fiscal 2003, the Company recorded a $47 million accrual of costs related to the closing of its Stilwell, Oklahoma, and Jacksonville, Florida, plants that includes $26 million of costs related to closing the plants and $21 million of estimated impairment charges for assets to be disposed. The costs related to closing the plants include $17 million for estimated liabilities for the resolution of the Company's obligations under grower contracts, and $9 million of other related costs associated with the closing of the plants including plant clean-up costs and employee termination benefits.

The costs are reflected in the Chicken segment as a reduction of operating income and included in the consolidated statements of income in other charges. At September 27, 2003, the remaining accrual balance for closing the two poultry operations was $2 million, as $16 million of obligations under grower contracts and $12 million of other closing costs had been paid, and losses related to the disposal of assets of $17 million were realized. No material adjustments to the total accrual are anticipated at this time.

In the fourth quarter of fiscal 2002, the Company recorded a $26 million accrual for restructuring its live swine operations that consists of $21 million of estimated liabilities for resolution of Company obligations under producer contracts and $5 million of other related costs associated with this restructuring including lagoon and pit closure costs and employee termination benefits. At September 27, 2003, the remaining accrual balance was $16 million, as $6 million of obligations under grower contracts and $4 million of other related costs had been paid. No material adjustments to the total accrual are anticipated at this time.

In August 2002, the Company made the decision to capitalize on the strong recognition of the Tyson brand by expanding the Tyson brand to beef and pork. Thus, in the fourth quarter of fiscal 2002 the Company recorded a write-down of $27 million related to the discontinuation of the Thomas E. Wilson brand. This amount is reflected in the Prepared Foods segment as a reduction to operating income and included on the consolidated statement of income in other charges.

5 note 5: allowance for doubtful accounts

At September 27, 2003, and September 28, 2002, the allowance for doubtful accounts was $16 million and $26 million, respectively.

6 note 6: financial instruments

The Company recognizes all derivatives on the balance sheet at fair value as required by SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended. 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 Company had derivative related balances totaling $20 million and $1 million recorded in other current assets at September 27, 2003, and September 28, 2002, respectively, and $37 million and $19 million recorded in other current liabilities at September 27, 2003, and September 28, 2002, respectively.

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 2003, 2002 or 2001. The Company expects that the after tax losses, net of gains, totaling approximately $6 million recorded in other comprehensive income (loss) at September 27, 2003, 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 and natural gas for the operation of its plants. From time to time, the Company also 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; however, the Company has not entered into any such contracts in fiscal years 2003 or 2002. 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 2003, 2002 or 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 27, 2003, these contracts had a fair value of $14 million recorded as assets on the consolidated balance sheet. At September 28, 2002, these contracts had a fair value liability of $11 million recorded on the consolidated balance sheet.

Fair Values of Financial Instruments:

in millions	2003	2002
Commodity derivative positions–liability	$ 13	$ 12
Interest-rate derivative positions–liability	4	6
Total debt	$4,011	$4,397

Fair values are based on quoted market prices or published forward interest rate and natural gas curves. All other financial instruments' fair values approximate recorded values at September 27, 2003, and September 28, 2002.

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. At September 27, 2003, approximately 10.3% of the Company's net accounts receivable balance was due from one customer. No other customer or customer group represents greater than 10% of net accounts receivable.

7 note 7: property, plant and equipment

The major categories of property, plant and equipment and accumulated depreciation at cost, at September 27, 2003, and September 28, 2002, are as follows:

in millions	2003	2002
Land	$ 113	$ 111
Buildings and leasehold improvements	2,293	2,154
Machinery and equipment	3,886	3,419
Land improvements and other	184	185
Buildings and equipment under construction	177	414
	6,653	6,283
Less accumulated depreciation	2,614	2,245
Net property, plant and equipment	$4,039	$4,038

The Company capitalized interest costs of $3 million in 2003, $9 million in 2002 and $3 million in 2001 as part of the cost of major asset construction projects. Approximately $175 million will be required to complete construction projects in progress at September 27, 2003.

8 note 8: other current liabilities

Other current liabilities at September 27, 2003, and September 28, 2002, include:

in millions	2003	2002
Accrued salaries, wages and benefits	$ 263	$ 308
Self insurance reserves	243	225
Income taxes payable	244	202
Property and other taxes	52	52
Other	345	297
Total other current liabilities	$1,147	$1,084

9 note 9: commitments

The Company leases certain farms and other properties and equipment for which the total rentals thereon approximated $104 million in 2003, $105 million in 2002 and $76 million in 2001. Most farm leases have terms ranging from one to 10 years with varying 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 non-cancelable leases at September 27, 2003, total $164 million composed of $61 million for fiscal 2004, $36 million for fiscal 2005, $30 million for fiscal 2006, $21 million for fiscal 2007, $11 million for fiscal 2008 and $5 million for later years.

The Company guarantees debt of outside third parties, which involve letters of credit, a lease and grower loans, all of which are substantially collateralized by the underlying assets. Terms of the underlying debt range from one to 12 years and the maximum potential amount of future payments as of September 27, 2003, was $68 million. The Company also maintains operating leases for various types of equipment, some of which contain residual value guarantees for the market value for assets at the end of the term of the lease. The terms of the lease maturities range from one to six years. The maximum potential amount of the residual value guarantees is approximately $104 million, of which approximately $31 million would be recoverable through various recourse provisions and an undeterminable recoverable amount based on the fair market value of the underlying leased assets. The likelihood of payments under these guarantees is not considered probable.

The Company enters into various future purchase commitments for finished live cattle and hogs at a market-derived price. These future purchase commitments include risk sharing and procurement arrangements with certain producers that help secure a supply of livestock. The commitments deliverable in any year are less than the operating requirements of that year.

10 note 10: long-term debt

The Company has unsecured revolving credit facilities totaling $1 billion that support the Company's commercial paper program, letters of credit and other short-term funding needs. These facilities consist of $200 million that expires in June 2004, $300 million that expires in June 2005 and $500 million that expires in September 2006. At September 27, 2003, and September 28, 2002, there were no amounts drawn under the revolving credit facilities.

The Company has a receivables purchase agreement with three co-purchasers to sell up to $750 million of trade receivables that consists of $375 million expiring in August 2004 and $375 million expiring in August 2005. The receivables purchase agreement has been accounted for as a borrowing and has an interest rate based on commercial paper issued by the co-purchasers. Under this agreement, substantially all of the Company's accounts receivable are sold to a special purpose entity, Tyson Receivables Corporation (TRC), which is a wholly-owned consolidated subsidiary of the Company. TRC has its own separate creditors that are entitled to be satisfied out of all of the assets of TRC prior to any value becoming available to the Company as TRC's equity holder. At September 29, 2003, and September 28, 2002, there was $0 and $75 million outstanding under the receivables purchase agreement, respectively.

At September 27, 2003, the Company had outstanding letters of credit totaling approximately $294 million issued primarily in support of workers' compensation insurance programs, industrial revenue bonds and leveraged equipment loans. There were no draw downs under these letters of credit at September 27, 2003.

Under the terms of the leveraged equipment loans, the Company had cash deposits totaling approximately $54 million, which is included in other assets at September 27, 2003. 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 fiscal years subsequent to September 27, 2003, are: 2004–$490 million; 2005–$185 million; 2006–$295 million; 2007–$899 million and 2008–$16 million.

The revolving credit facilities, senior notes, notes and accounts receivable securitization contain various covenants, the more restrictive of which contain a maximum allowed leverage ratio and a minimum required interest coverage 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 $159 million at September 27, 2003. The weighted average interest rate on all outstanding short-term borrowing was 1.5% at September 27, 2003, and 3.3% at September 28, 2002.

Long-term debt consists of the following:

in millions	Maturity	2003	2002
Commercial paper (1.38% effective rate at 9/27/03 and 2.17% effective rate at 9/28/02)	2003	$ 32	$ 24
Revolving Credit Facilities	2004, 2005, 2006	–	–
Senior notes and Notes (rates ranging from 6.13% to 8.25%)	2004-2028	3,316	3,607
Accounts Receivable Securitization Debt (2.35% effective rate at 9/28/02)	2004, 2005	–	75
Institutional notes (10.84% effective rate at 9/27/03 and 9/28/02)	2004-2006	40	50
Leveraged equipment loans (rates ranging from 4.67% to 5.99%)	2005-2008	111	124
Other	Various	105	107
Total debt		3,604	3,987
Less current debt		490	254
Total long-term debt		$ 3,114	$ 3,733

Included in current debt are short-term notes payable totaling $23 million and $37 million at September 27, 2003, and September 28, 2002, respectively.

The Company's cash payments for interest were $269 million, $208 million and $140 million in fiscal years 2003, 2002 and 2001, respectively.

The Company has fully and unconditionally guaranteed $498 million of senior notes issued by IBP, now known as Tyson Fresh Meats, Inc., 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.

Financial results of the live swine operations, as well as interest expense related to the IBP acquisition are included in the Tyson amounts.

Condensed Consolidating Statement of Income for the year ended September 27, 2003

in millions	Tyson	IBP	Adjustments	Consolidated
Sales	$8,092	$16,477	$(20)	$24,549
Cost of Sales	7,135	15,690	(20)	22,805
	957	787	–	1,744
Operating Expenses:				
Selling, general and administrative	524	307		831
Other charges	76	–		76
Operating Income	357	480		837
Interest and Other Expense	226	88		314
Income Before Income Taxes and Minority Interest	131	392		523
Provision for Income Taxes	47	139		186
Net Income	$ 84	$ 253	$ –	$ 337

Condensed Consolidating Statement of Income for the year ended September 28, 2002

in millions	Tyson	IBP	Adjustments	Consolidated
Sales	$7,848	$15,563	$(44)	$23,367
Cost of Sales	6,900	14,694	(44)	21,550
	948	869	–	1,817
Operating Expenses:				
Selling, general and administrative	509	368		877
Other charges	26	27		53
Operating Income	413	474		887
Interest and Other Expense	243	51		294
Income Before Income Taxes and Minority Interest	170	423		593
Provision for Income Taxes	53	157		210
Minority Interest				–
Net Income	$ 117	$ 266	$ –	$ 383

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

in millions	Tyson	IBP	Adjustments	Consolidated
Sales	$7,520	$3,048	$ (5)	$10,563
Cost of Sales	6,764	2,901	(5)	9,660
	756	147	–	903
Selling, General and Administrative	510	77		587
Operating Income	246	70		316
Interest and Other Expense	135	16		151
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 27, 2003

in millions	Tyson	IBP	Adjustments	Consolidated
Assets				
Current Assets:				
Cash and cash equivalents	$ 15	$ 10	$ –	$ 25
Accounts receivable, net	699	747	(166)	1,280
Inventories	1,049	945		1,994
Other current assets	40	32		72
Total Current Assets	1,803	1,734	(166)	3,371
Net Property, Plant and Equipment	2,222	1,817		4,039
Goodwill	960	1,692		2,652
Intangible Assets	–	182		182
Other Assets	3,045	103	(2,906)	242
Total Assets	$ 8,030	$ 5,528	$ (3,072)	$10,486
Liabilities and Shareholders' Equity				
Current Liabilities:				
Current debt	$ 487	$ 3	$ –	$ 490
Trade accounts payable	401	437		838
Other current liabilities	611	2,394	(1,858)	1,147
Total Current Liabilities	1,499	2,834	(1,858)	2,475
Long-Term Debt	2,590	524		3,114
Deferred Income Taxes	486	236		722
Other Liabilities	55	166		221
Shareholders' Equity	3,400	1,768	(1,214)	3,954
Total Liabilities and Shareholders' Equity	$ 8,030	$ 5,528	$ (3,072)	$10,486

Condensed Consolidating Balance Sheet as of September 28, 2002

in millions	Tyson	IBP	Adjustments	Consolidated
Assets				
Current Assets:				
Cash and cash equivalents	$ 42	$ 9	$ –	$ 51
Accounts receivable, net	896	610	(405)	1,101
Inventories	1,078	807		1,885
Other current assets	28	79		107
Total Current Assets	2,044	1,505	(405)	3,144
Net Property, Plant and Equipment	2,138	1,900		4,038
Goodwill	941	1,692		2,633
Intangible Assets	–	190		190
Other Assets	3,118	155	(2,906)	367
Total Assets	$8,241	$5,442	$(3,311)	$10,372
Liabilities and Shareholders' Equity				
Current Liabilities:				
Current debt	$ 253	$ 1	$ –	$ 254
Trade accounts payable	352	403		755
Other current liabilities	635	2,546	(2,097)	1,084
Total Current Liabilities	1,240	2,950	(2,097)	2,093
Long-Term Debt	3,160	573		3,733
Deferred Income Taxes	378	265		643
Other Liabilities	70	171		241
Shareholders' Equity	3,393	1,483	(1,214)	3,662
Total Liabilities and Shareholders' Equity	$8,241	$5,442	$(3,311)	$10,372

Condensed Consolidating Statement of Cash Flows for year ended September 27, 2003

in millions	Tyson	IBP	Adjustments	Consolidated
Cash Flows From Operating Activities:				
Net income	$ 84	$ 253	$ –	$ 337
Depreciation and amortization	271	187		458
Plant closing related charges	22	–		22
Deferred taxes	82	31		113
Other	3	33		36
Net changes in working capital	265	(411)		(146)
Cash Provided by Operating Activities	727	93		820
Cash Flows From Investing Activities:				
Additions to property, plant and equipment	(316)	(86)		(402)
Proceeds from sale of assets	25	5		30
Net change in other assets and liabilities	(30)	41		11
Cash Used for Investing Activities	(321)	(40)		(361)
Cash Flows From Financing Activities:				
Net change in debt	(340)	(47)		(387)
Purchase of treasury shares	(41)	–		(41)
Dividends and other	(56)	2		(54)
Cash Used for Financing Activities	(437)	(45)		(482)
Effect of Exchange Rate Change on Cash	4	(7)		(3)
Decrease in Cash and Cash Equivalents	(27)	1		(26)
Cash and Cash Equivalents at Beginning of Year	42	9		51
Cash and Cash Equivalents at End of Year	$ 15	$ 10	$ –	$ 25

Condensed Consolidating Statement of Cash Flows for year ended September 28, 2002

in millions	Tyson	IBP	Adjustments	Consolidated
Cash Flows From Operating Activities:				
Net income	$ 117	$ 266	$ –	$ 383
Depreciation and amortization	295	172		467
Write-down of intangible asset	–	27		27
Gain on sale of subsidiary	–	(22)		(22)
Deferred taxes	(19)	41		22
Other	7	13		20
Net changes in working capital	680	(403)		277
Cash Provided by Operating Activities	1,080	94		1,174
Cash Flows From Investing Activities:				
Additions to property, plant and equipment	(272)	(161)		(433)
Proceeds from sale of assets	12	2		14
Proceeds from sale of subsidiary	–	131		131
Acquisitions of property, plant and equipment	(73)	–		(73)
Net change in investment in commercial paper	94	–		94
Net change in other assets and liabilities	(73)	12		(61)
Cash Used for Investing Activities	(312)	(16)		(328)
Cash Flows From Financing Activities:				
Net change in debt	(701)	(88)		(789)
Purchase of treasury shares	(19)	–		(19)
Dividends and other	(54)	(4)		(58)
Cash Used for Financing Activities	(774)	(92)		(866)
Effect of Exchange Rate Change on Cash	1	–		1
Decrease in Cash and Cash Equivalents	(5)	(14)		(19)
Cash and Cash Equivalents at Beginning of Year	47	23		70
Cash and Cash Equivalents at End of Year	$ 42	$ 9	$ –	$ 51

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

in millions	Tyson	IBP	Adjustments	Consolidated
Cash Flows From Operating Activities:				
Net income	$ 70	$ 18	$ –	$ 88
Depreciation and amortization	303	32		335
Deferred taxes	(73)	26		(47)
Other	6	15		21
Net changes in working capital	128	(14)		114
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 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

11 note 11: comprehensive income (loss)

The components of accumulated other comprehensive income (loss) include: foreign currency translation adjustment of $(2) million, $(23) million and $(16) million for 2003, 2002 and 2001, respectively; unrealized hedging gains (losses), net of taxes, of $(9) million, $(18) million and $(21) for 2003, 2002 and 2001, respectively; unrealized gain (loss) on investments, net of taxes, of $1, $0 and $2 million for 2003, 2002 and 2001, respectively; and minimum pension liability adjustment, net of taxes, of $(5) million and $(8) million for 2003 and 2002, respectively.

12 note 12: stock options and restricted stock

The shareholders approved the Tyson Foods, Inc. 2000 Stock Incentive Plan (Incentive Plan) in January 2001. The Incentive Plan is administered by the Compensation Committee 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 27, 2003, the Company had outstanding approximately nine million 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 unamortized deferred compensation in shareholders' equity. The Company issues restricted stock at the market value as of the date of grant. The weighted average fair value of restricted stock granted was $11.20 per share during 2003 and $9.52 per share during 2002.

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

	Shares under option	Weighted average exercise price per share
Outstanding, September 30, 2000	6,798,005	$16.19
Exercised	–	–
Canceled	(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
Exercised	(800,596)	9.50
Canceled	(997,816)	12.97
Granted	2,509,695	9.45
Outstanding, September 28, 2002	17,029,486	12.01
Exercised	(775,682)	8.99
Canceled	(1,697,581)	13.38
Granted	6,316,704	11.69
Outstanding, September 27, 2003	20,872,927	$11.94

The number of options exercisable was as follows: September 27, 2003–9,135,306, September 28, 2002–9,373,360 and September 29, 2001–9,644,323. The remainder of the options outstanding at September 27, 2003, are exercisable ratably through September 2008. The number of shares available for future grants was 21,327,929 and 10,536,763 at September 27, 2003, and September 28, 2002, respectively.

The following table summarizes information about stock options outstanding at September 27, 2003:

	Options outstanding			Options exercisable	
Range of exercise prices	Shares outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Shares excercisable	Weighted average exercise price
$ 4.93 – 6.69	665,219	4.9	$ 5.59	665,219	$ 5.59
6.71 – 10.91	3,275,013	4.1	9.32	3,275,013	9.32
10.92 – 13.85	232,206	4.7	11.71	232,206	11.71
9.30 – 9.75	4,194,022	8.5	9.49	44,731	9.47
11.23 – 11.63	4,919,286	9.6	11.45	961,548	11.50
13.33 – 15.17	4,950,981	7.3	13.89	1,893,069	14.77
17.92 – 18.00	2,636,200	3.1	17.92	2,063,520	17.92
	20,872,927			9,135,306	

The weighted average fair value of options granted during 2003 was approximately $4.32. 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 ranging from 2.56% to 3.30%, expected volatility ranging from 38.2% to 40.1% and dividend yield ranging from 1.20% to 1.72% in 2003.

13 note 13: benefit plans

The Company has defined contribution retirement and incentive benefit programs for various groups of Company personnel. Company contributions totaled $48 million, $50 million and $35 million in 2003, 2002 and 2001, respectively.

14 note 14: 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 $8 million in 2003, $9 million in 2002 and $9 million in 2001. Other facilities have been leased from other officers and directors for rentals totaling $2 million in fiscal years 2003, 2002 and 2001.

An entity owned by a former director that resigned from the Board of Directors during 2003 received from the sale of cattle to a subsidiary of the Company $10 million in 2003, $10 million in 2002 and $5 million in 2001.

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, which were discontinued during fiscal 2003, amounted to $10 million in fiscal years 2003, 2002 and 2001.

15 note 15: income taxes

Detail of the provision for income taxes consists of:

in millions	2003	2002	2001
Federal	$156	$173	$ 50
State	10	17	5
Foreign	20	20	3
	$186	$210	$ 58
Current	$ 73	$188	$105
Deferred	113	22	(47)
	$186	$210	$ 58

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

	2003	2002	2001
U.S. federal income tax rate	35.0%	35.0%	35.0%
Amortization of goodwill	–	–	6.5
State income taxes	2.2	3.0	2.1
Extraterritorial income exclusion[1]	(1.9)	(1.4)	(6.2)
Other	0.2	(1.1)	(2.0)
	35.5%	35.5%	35.4%

1 Extraterritorial income exclusion for 2003 and 2002 and foreign sales corporation benefit for 2001.

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:

	2003		2002	
	Deferred Tax		Deferred Tax	
in millions	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	$ 4	$543	$ 5	$417
Suspended taxes from conversion to accrual method	–	138	–	138
Intangible assets	28	28	1	64
Inventory	5	86	5	78
Accrued expenses	120	2	122	2
Net operating loss carryforwards	77	–	69	–
All other	93	190	137	155
	$327	$987	$339	$854
Valuation allowance	(49)		(49)	
Net deferred tax liability		$709		$564

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

The deferred tax liability for suspended taxes from conversion to accrual method represents the 1987 change from the cash to accrual method of accounting and will be paid down by 2017, subject to income limitations.

The valuation allowance totaling $49 million consists of $13 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 27, 2003, after considering utilization restrictions, the Company's acquired tax loss carryforwards approximated $192 million. The net operating loss carryforwards, which are subject to utilization limitations due to ownership changes, may be utilized to offset future taxable income subject to limitations. These carryforwards expire during the years 2004 through 2022.

The Company's cash payments for income taxes were $36 million, $90 million and $54 million in fiscal years 2003, 2002 and 2001, respectively.

16 note 16: 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	2003	2002	2001
Numerator:			
Net Income	$ 337	$ 383	$ 88
Denominator:			
Denominator for basic earnings per share–weighted average shares	346	348	221
Effect of dilutive securities:			
Stock options and restricted stock	6	7	1
Denominator for diluted earnings per share–adjusted weighted average shares and assumed conversions	352	355	222
Basic earnings per share	$0.98	$1.10	$0.40
Diluted earnings per share	$0.96	$1.08	$0.40

Approximately 8 million, 6 million and 10 million of the Company's option shares outstanding at September 27, 2003, September 28, 2002, and September 29, 2001, respectively, were antidilutive and were not included in the dilutive earnings per share calculation. 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.

17 note 17: segment reporting

The Company operates in five business segments: Chicken, Beef, Pork, Prepared Foods and Other. The Company measures segment profit as operating income. The following information includes 52 weeks of IBP's operating results for the periods ending September 27, 2003, and September 28, 2002, and nine weeks for the period ending September 29, 2001.

Chicken segment is primarily involved in the processing of live chickens into fresh, frozen and value-added chicken products sold through domestic foodservice, domestic food retailers, wholesale club markets that service small foodservice operations, small businesses and individuals, as well as specialty and commodity distributors who deliver to restaurants, schools and international markets throughout the world. The Chicken segment also includes sales from allied products and the chicken breeding stock subsidiary.

Beef segment is primarily involved in the processing 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 sale to further processors and others. The Beef segment markets its products to food retailers, distributors, wholesalers, restaurants, hotel chains and other food processors in domestic and international markets. Allied products are also marketed to manufacturers of pharmaceuticals and technical products.

Pork segment is primarily involved in the processing of live market hogs and fabrication of pork carcasses into primal and sub-primal cuts and case-ready products. This segment also represents the Company's live swine group and related allied product processing activities. The Pork segment markets its products to food retailers, distributors, wholesalers, restaurants, 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 operations that manufacture and market frozen and refrigerated food products. Products include pepperoni, beef and pork toppings, pizza crusts, flour and corn tortilla products, appetizers, hors d'oeuvres, desserts, prepared meals, ethnic foods, soups, sauces, side dishes, specialty pasta and meat dishes as well as branded and processed meats. The Prepared Foods segment markets its products to food retailers, distributors, wholesalers, restaurants and hotel chains.

Other segment includes the logistics group and other corporate activities not identified with specific protein groups. This segment also includes proceeds of $167 million received in fiscal 2003 related to the settlement of the vitamin antitrust litigation, as compared to $30 million received in fiscal 2002.

in millions	Chicken	Beef	Pork	Prepared Foods	Other	Consolidated
Fiscal year ended September 27, 2003						
Sales	$7,427	$11,935	$2,470	$2,662	$ 55	$24,549
Operating income	158	320	75	57	227	837
Other expense						314
Income before income taxes and minority interest						523
Depreciation	217	90	26	54	40	427
Total assets	4,322	3,385	879	1,141	759	10,486
Additions to property, plant and equipment	286	40	9	15	52	402
Fiscal year ended September 28, 2002						
Sales	$7,222	$10,488	$2,503	$3,072	$ 82	$23,367
Operating income	428	220	25	158	56	887
Other expense						294
Income before income taxes and minority interest						593
Depreciation	226	80	26	48	51	431
Total assets	4,221	3,234	834	1,261	822	10,372
Additions to property, plant and equipment	229	82	19	53	50	433
Fiscal year ended September 29, 2001						
Sales	$7,057	$ 2,027	$ 619	$ 818	$ 42	$10,563
Operating income (loss)	250	32	27	15	(8)	316
Other expense						151
Income before income taxes and minority interest						165
Depreciation	214	15	5	22	38	294
Total assets	4,084	3,203	944	1,406	995	10,632
Additions to property, plant and equipment	176	19	4	26	36	261

The majority of the Company's operations are domiciled in the United States. Approximately 95%, 94% and 97% of sales to external customers for fiscal years ending 2003, 2002 and 2001, respectively, were sourced from the United States. Approximately $6.5 billion of long-lived assets were located in the United States at fiscal years ending 2003 and 2002, and $6.6 billion at fiscal year ending 2001. Approximately $185 million, $193 million and $204 million of long-lived assets were located in foreign countries, primarily Mexico and Canada, at fiscal years ended 2003, 2002 and 2001, respectively.

The Company sells certain of its products in foreign markets, primarily Canada, China, European Union, Japan, Mexico, Puerto Rico, Russia, Taiwan and South Korea. The Company's export sales for 2003, 2002 and 2001 totaled $2.6 billion, $2.0 billion and $1.2 billion, respectively. Substantially all of the Company's export sales are facilitated through unaffiliated brokers, marketing associations and foreign sales staffs. Foreign sales, which are sales of products produced in a country other than the United States, were less than 10% of total consolidated sales for 2003, 2002 and 2001, respectively. Approximately 15%, 11% and 15% for 2003, 2002 and 2001, respectively, of income before taxes were from foreign operations.

18 note 18: quarterly financial data (unaudited)

in millions, except per share data

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2003				
Sales	$5,802	$5,845	$6,330	$6,572
Gross profit	400	380	438	526
Operating income	145	183	201	308
Net income	39	72	79	147
Basic earnings per share	0.11	0.21	0.23	0.43
Diluted earnings per share	0.11	0.20	0.23	0.42
2002				
Sales	$5,865	$5,839	$5,902	$5,761
Gross profit	510	397	464	446
Operating income	273	179	247	188
Net income	127	65	107	84
Basic earnings per share	0.36	0.19	0.31	0.24
Diluted earnings per share	0.36	0.18	0.30	0.24

First quarter 2003 gross profit includes $28 million received in connection with vitamin antitrust litigation and operating income includes charges of $47 million related to the closing of poultry operations. Second quarter 2003 gross profit includes $94 million received in connection with vitamin antitrust litigation. Third quarter 2003 gross profit includes $42 million received in connection with vitamin antitrust litigation and operating income includes charges of $19 million related to the closing of poultry operations. Additionally, net income includes a pretax charge of $10 million related to the write-down of an equity interest in a live swine operation. Fourth quarter 2003 gross profit includes $3 million received in connection with vitamin antitrust litigation and operating income includes $10 million of charges related to the closing of poultry operations.

Third quarter 2002 gross profit includes $30 million received in connection with vitamin antitrust litigation. Fourth quarter 2002 operating income includes a $22 million gain related to the sale of Specialty Brands and charges of $27 million and $26 million related to the Thomas E. Wilson brand write-down and live swine restructuring, respectively.

19 note 19: contingencies

Listed below are certain claims made against the Company and its subsidiaries. In the Company's opinion, it has made appropriate and adequate reserves and accruals where necessary and the Company believes the probability of a material loss beyond the amounts accrued to be remote; however, the ultimate liability for these matters is uncertain, and if accruals and reserves are not adequate, an adverse outcome could have a material effect on the consolidated financial condition or results of operations of the Company. The Company believes it has substantial defenses to the claims made and intends to vigorously defend these cases.

Wage and Hour/Labor Matters In 2000, the Wage and Hour Division of the U.S. Department of Labor (DOL) conducted 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. On May 9, 2002, the Secretary of Labor filed a civil complaint against the Company in the U.S. District Court for the Northern District of Alabama. The complaint alleges that the Company violated the overtime provisions of the federal Fair Labor Standards Act (FLSA) at the Company's chicken-processing facility in Blountsville, Alabama. The complaint does not contain a definite statement of what acts constituted alleged violations of the statute. The Secretary of Labor seeks unspecified back wages for all employees at the Blountsville facility for a period of two years prior to the date of the filing of the Complaint, an additional amount in unspecified liquidated damages, and an injunction against future violations at that facility and all other facilities operated by the Company. The Company has filed its initial answer and discovery has commenced.

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 FLSA. The suit alleges the Company failed to pay employees for all hours worked and/or improperly paid them for overtime hours. The suit specifically 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, and plaintiffs seek reimbursement for an unspecified amount of unpaid wages, liquidated damages, attorney fees and costs. 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 plaintiff's request for collective action certification and court-supervised notice. No decision has been rendered.

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 FLSA for allegedly failing to pay for time taken to put on, take off and sanitize certain working supplies, and violations of the Pennsylvania Wage Payment and Collection Law. Plaintiffs seek to represent themselves and all similarly situated current and former employees of the poultry processing plant in New Holland, Pennsylvania, and plaintiffs seek reimbursement for an unspecified amount of unpaid wages, liquidated damages, attorney fees and costs. 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. On July 17, 2002, the court granted the plaintiffs' motion to certify the state law claims. On September 23, 2002, the Third Circuit Court of Appeals agreed to hear the Company's petition to review the court's decision to certify the state law claims. On September 8, 2003, the Court of Appeals reversed the district court's certification of a class under the Pennsylvania Wage Payment & Collection Law, ruling that those claims could not be pursued in federal court. The appellate court further ruled that the Company must reissue notice of their potential FLSA claims to approximately 1,500 employees who did not previously receive notice. The Court of Appeals remanded the matter to the district court to proceed accordingly on September 30, 2003.

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.

On November 5, 2001, a lawsuit entitled *Maria Chavez, et al. vs. IBP, Lasso Acquisition Corporation and Tyson Foods, Inc. (Chavez)* was filed in the U.S. District Court for the Eastern District of Washington against IBP, inc. (IBP; now known as Tyson Fresh Meats, Inc.) and the Company by several employees of IBP's Pasco, Washington, beef slaughter and processing facility alleging various violations of the FLSA, 29 U.S.C. Sections 201–219, 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 *Chavez* lawsuit alleges IBP and/or the Company 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 (Alvarez),* 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. Plaintiffs are seeking reimbursement for an unspecified amount of damages, exemplary damages, liquidated damages, prejudgment interest, attorney fees and costs. IBP filed a timely Notice of Appeal in *Alvarez* and plaintiffs filed a timely notice of Cross-Appeal. On August 5, 2003, the Ninth Circuit Court of Appeals affirmed the lower court's decision in part and reversed the lower court's decision in part, and remanded the case to the lower court for recalculation of damages. If the ruling of the Ninth Circuit Court of Appeals is upheld in its entirety, IBP will have additional exposure in *Alvarez* of approximately $5 million. IBP filed a petition for rehearing by the panel of the Ninth Circuit Court of Appeals that heard *Alvarez* or, in the alternative, a rehearing en banc, which was denied on December 2, 2003. It also filed a petition to certify state law claims to the Washington Supreme Court, which was denied on September 23, 2003. On December 5, 2003, IBP filed a Petition to Stay the Mandate indicating that it will be filing a Petition for a Certiorari with the U.S. Supreme Court seeking the Court's review of the Ninth Circuit's adverse opinion. *Chavez* initially was pursued as an opt-in, collective action under 29 U.S.C. 216(b), but the U.S. District Court for the Eastern District of Washington granted plaintiff's motion seeking certification of a class of opt-out, state law plaintiffs under Federal Rule of Civil Procedure 23 and notice has been sent to potential state law claim class members. A trial date of September 7, 2004, in *Chavez* has been set by the court.

On November 21, 2002, a lawsuit entitled *Emily D. Jordan, et al. v. IBP, Inc. and Tyson Foods, Inc.,* was filed in the U.S. District Court for the Middle District of Tennessee. Ten current and former hourly employees of IBP's case-ready facility in Goodlettsville, Tennessee, filed a complaint on behalf of themselves and other unspecified, allegedly "similarly situated" employees, claiming that the defendants have violated the overtime provisions of the FLSA. The suit alleges that the defendants have failed to pay employees for all hours worked from the plant's commencement of operations under IBP's control in April 2001. The Company acquired the plant as part of its acquisition of IBP. In particular, the suit alleges that employees should be paid for the time it takes to collect, assemble, and put on, take off and wash their health, safety and production gear at the beginning and end of their shifts and during their meal period. The suit also alleges that the defendants deduct 30 minutes per day from employees' paycheck regardless of whether employees obtain a full 30-minute period for their meal. Plaintiffs are seeking a declaration that the defendants did not comply with the FLSA, and an award for an unspecified amount of back pay compensation and benefits, unpaid entitlements, liquidated damages, prejudgment and post-judgment interest, attorney fees and costs. On January 10, 2003, another 31 employees from Tennessee filed consents to join the lawsuit as plaintiffs. On January 15, 2003, the defendants filed an answer to the complaint denying any liability. On January 14, 2003, the named plaintiffs filed a motion for expedited court-supervised notice to prospective class members. The motion sought to conditionally certify a class of similarly situated employees at all of IBP's non-unionized facilities that have not been the subject of FLSA litigation. Plaintiffs then withdrew a request for conditional certification of similarly situated employees at all of IBP's non-unionized facilities and rather sought to include all non-exempt employees that have worked at the Goodlettsville facility since its opening on April 1, 2001. On November 17, 2003, the district court conditionally certified a collective action composed of similarly situated current and former employees at the Goodlettsville facility based upon clothes changing and washing activities and unpaid production work during meal periods, since the plant operations began in April 2001. The parties are, under the supervision of the court, specifying the terms and conditions of the notice. An initial case management conference is scheduled for January 8, 2004.

Environmental Matters On October 23, 2001, a putative class action lawsuit was filed in the District Court for Mayes County, Oklahoma, against the Company 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" conduct 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. Plaintiffs are seeking injunctive relief and an unspecified amount of compensatory damages, punitive damages, attorney fees and costs. Simmons Foods, Inc. ("Simmons") and Peterson Farms, Inc. have been joined as defendants. The Company and Simmons are seeking leave to file a third party complaint against entities that contribute wastes and wastewater into Grand Lake. The class certification hearing was held in October 2003, and two classes were certified on December 11, 2003. The defendants are in the process of filing an interlocutory appeal of the class certification.

Securities Matters Between January and March 2001, a number of lawsuits were filed by certain stockholders 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 voluntarily dismissed and refiled its complaint in South Dakota, where the suits were consolidated under the name *In re IBP, inc. Securities Litigation* and a single, consolidated amended complaint was filed. The complaint, seeking unspecified compensatory damages, alleges 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 IBP's financial results in order to inflate its stock price. IBP filed a Motion to Dismiss on December 21, 2001, which was then fully briefed. While the motion was awaiting decision, IBP and the plaintiffs reached a tentative settlement of all claims, as reflected by a Memorandum of Understanding ("MOU") that was executed on March 19, 2003. The MOU set forth the essential terms of a settlement to be reflected in final settlement documents to be prepared and submitted to the court for approval, including, among other terms and conditions, the dismissal with prejudice of all claims against defendants, releases by class members, and a payment by IBP of a total amount of $8 million. In July 2003, a finalized Stipulation of Settlement consistent with the MOU was executed and submitted to the court for its preliminary approval. The tentative settlement is subject to various conditions, including among other things, execution of definitive documentation and receiving preliminary and final court approvals. In light of this tentative settlement, IBP was permitted by the court to withdraw its pending motion to dismiss, without prejudice. On July 31, 2003, the court issued an order preliminarily approving the settlement, preliminarily certifying a Settlement Class of all persons who purchased IBP common stock during the period from February 7, 2000, through January 25, 2001, and approving proposed notice to the Settlement Class members. The court also set December 8, 2003, as the date for a hearing as to whether the settlement should receive final court approval. The Company does not anticipate that effectuation of the tentative settlement will have any material impact on its financial condition, especially in view of IBP's insurance coverage for the matter.

Between June 22 and July 20, 2001, various plaintiffs commenced actions (the Delaware Federal 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, through 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. v. Tyson, et al.*, C.A. No. 01-463 GMS; *Meyers, et al. v. Tyson Foods, Inc., et al.*, C.A. No. 01-480; *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 alleged that the defendants violated federal securities laws by making, or causing to be made, certain false and misleading statements in connection with the Company's attempted termination of the Merger Agreement. Plaintiffs are seeking an unspecified amount of compensatory damages, interest, attorney fees and costs. The various actions were subsequently consolidated under the caption *In re Tyson Foods, Inc. Securities Litigation*. On December 4, 2001, the plaintiffs in the consolidated action filed a Consolidated Class

Action Complaint. The plaintiffs allege that, as a result of the defendants' alleged conduct, the purported class members were harmed. On January 22, 2002, the defendants filed a motion to dismiss the consolidated complaint. By memorandum order dated October 23, 2002, the court granted in part and denied in part the defendants' motion to dismiss. On October 6, 2003, the court certified the class proposed by plaintiffs. Factual discovery in the case is in the process of concluding.

General Matters In July 1996, certain cattle producers filed *Henry Lee Pickett, et al. vs. IBP, inc.* in the U.S. District Court, Middle District of Alabama, seeking certification of a class of all cattle producers. The complaint alleged that IBP used its market power and alleged "captive supply" agreements to reduce the prices paid by IBP on purchases of cattle in the cash market in alleged violation of the Packers and Stockyards Act ("PSA"). Plaintiffs are seeking injunctive and declaratory relief, as well as actual and punitive damages. After Plaintiffs failed a number of times to get a class certified, the District Court in December 2001 certified a class of cattle producers who have sold to IBP exclusively on a cash market basis from approximately 1994 to 2002. IBP sought permission to appeal the class certification to the 11th Circuit Court of Appeals, but the Court of Appeals denied that appeal on March 5, 2002. IBP's motions for summary judgment on both liability and damages were denied on April 29, 2003. On November 19, 2003, the District Court judge upheld the admissibility of an amended Plaintiffs' expert report which calculates total class damages, exclusive of prejudgment interest, in excess of $2.1 billion. Management believes IBP's use of marketing agreements and other contracts for the purchase of cattle do not violate the PSA and that IBP has acted properly and lawfully in its dealings with cattle producers. The case is set for trial on January 12, 2004.

On September 12, 2002, 82 individual plaintiffs filed *Michael Archer, et al. v. Tyson Foods, Inc. and The Pork Group, Inc.*, CIV 2002-497, in the Circuit Court of Pope County, Arkansas. On August 18, 2002, the Company announced a restructuring of its live swine operations which, among other things, will result in the discontinuance of relationships with 132 contract hog producers, including the plaintiffs. In their complaint, the plaintiffs allege that the Company committed fraud and should be promissorily estopped from terminating the parties' relationship. The plaintiffs seek an unspecified amount of compensatory damages, punitive damages, attorney fees and costs. The Company has filed a motion to Stay All Proceedings and Compel Arbitration which was denied, and briefing has begun in the Arkansas Court of Appeals. Oral argument has not yet been set.

The Company is pursuing various antitrust claims relating to vitamins, methionine and choline. In partial settlement of these claims, the Company received approximately $167 million in 2003. Additional settlements of much lesser amounts are anticipated in fiscal 2004. Amounts received for these claims are recorded as income only upon receipt of settlement proceeds.

report of independent auditors

BOARD OF DIRECTORS AND SHAREHOLDERS

We have audited the accompanying consolidated balance sheets of Tyson Foods, Inc. as of September 27, 2003, and September 28, 2002, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended September 27, 2003. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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 27, 2003, and September 28, 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 27, 2003, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

Little Rock, Arkansas
November 19, 2003

REPORT OF MANAGEMENT

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

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

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

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

November 19, 2003

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. 2003 ANNUAL REPORT

in millions, except per share and ratio data	2003	2002	2001	2000
Summary of Operations				
Sales	$24,549	$23,367	$10,563	$ 7,268
Cost of sales	22,805	21,550	9,660	6,453
Gross profit	1,744	1,817	903	815
Operating income	837	887	316	349
Interest expense	296	305	144	116
Provision for income taxes	186	210	58	83
Net income (loss)	$ 337	$ 383	$ 88	$ 151
Year end shares outstanding	353	353	349	225
Diluted average shares outstanding	352	355	222	226
Diluted earnings (loss) per share	$ 0.96	$ 1.08	$ 0.40	$ 0.67
Basic earnings (loss) per share	0.98	1.10	0.40	0.67
Dividends per share				
Class A	0.160	0.160	0.160	0.160
Class B	0.144	0.144	0.144	0.144
Depreciation and amortization	$ 458	$ 467	$ 335	$ 294
Balance Sheet Data				
Capital expenditures	$ 402	$ 433	$ 261	$ 196
Total assets	10,486	10,372	10,632	4,841
Net property, plant and equipment	4,039	4,038	4,085	2,141
Total debt	3,604	3,987	4,776	1,542
Shareholders' equity	$ 3,954	$ 3,662	$ 3,354	$ 2,175
Other Key Financial Measures				
Return on sales	1.4%	1.6%	0.8%	2.0%
Annual sales growth (decline)	5.1%	121.2%	45.3%	(4.6)%
Gross margin	7.1%	7.8%	8.5%	11.2%
Return on beginning shareholders' equity	9.2%	11.4%	4.0%	7.1%
Effective tax rate	35.5%	35.5%	35.4%	35.6%
Total debt to capitalization	47.7%	52.1%	58.7%	41.5%
Book value per share	$ 11.21	$ 10.37	$ 9.61	$ 9.67
Closing stock price high	14.42	15.56	14.19	18.00
Closing stock price low	$ 7.28	$ 8.75	$ 8.35	$ 8.56

Notes to Eleven-Year Financial Summary

1. The results for 2003 include $167 million of pretax gains related to vitamin antitrust litigation settlements received and $76 million of pretax charges related to the closing of four poultry operations.
2. The results for 2002 include a $27 million pretax charge related to the identifiable intangible asset write-down of the Thomas E. Wilson brand, $26 million pretax charge for live swine restructuring charge, $22 million pretax gain related to the sale of Specialty Brands and $30 million pretax gain related to vitamin antitrust litigation settlements received.
3. 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.
4. 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.
5. Certain costs for years 1999 and prior have not been reclassified as the result of the application of EITF 00-14 and EITF 00-25.
6. The results for 1999 include a $77 million pretax charge for loss on sale of assets and impairment write-downs.
7. 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 27, 2003.
8. The results for 1998 include a $215 million pretax charge for asset impairment and other charges.
9. The results for 1997 include a $41 million pretax gain ($4 million after tax) from the sale of the beef division assets.
10. 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.

eleven-year financial summary

TYSON FOODS, INC. 2003 ANNUAL REPORT

1999	1998	1997	1996	1995	1994	1993
$7,621	$7,414	$6,356	$6,454	$5,511	$5,110	$4,707
6,470	6,260	5,318	5,506	4,423	4,149	3,797
1,151	1,154	1,038	948	1,088	961	911
487	204	400	269	472	195	376
124	139	110	133	115	86	73
129	46	144	49	131	121	129
$ 230	$ 25	$ 186	$ 87	$ 219	$ (2)	$ 180
229	231	213	217	217	218	221
231	228	218	218	218	222	223
$ 1.00	$ 0.11	$ 0.85	$ 0.40	$ 1.01	$ (0.01)	$ 0.81
1.00	0.11	0.86	0.40	1.01	(0.01)	0.82
0.115	0.100	0.095	0.080	0.053	0.047	0.027
0.104	0.090	0.086	0.072	0.044	0.039	0.022
$ 291	$ 276	$ 230	$ 239	$ 205	$ 188	$ 177
$ 363	$ 310	$ 291	$ 214	$ 347	$ 232	$ 225
5,083	5,242	4,411	4,544	4,444	3,668	3,254
2,185	2,257	1,925	1,869	2,014	1,610	1,435
1,804	2,129	1,690	1,975	1,985	1,455	1,024
$2,128	$1,970	$1,621	$1,542	$1,468	$1,289	$1,361
3.0%	0.3%	2.9%	1.4%	4.0%	0.0%	3.8%
2.8%	16.7%	(1.5)%	17.1%	7.9%	8.6%	12.9%
15.1%	15.6%	16.3%	14.7%	19.7%	18.8%	19.4%
11.7%	1.5%	12.1%	5.9%	17.0%	(0.2)%	18.4%
34.9%	64.7%	43.6%	37.0%	38.1%	101.8%	41.8%
45.9%	51.9%	51.0%	56.2%	57.5%	53.0%	42.9%
$ 9.31	$ 8.53	$ 7.60	$ 7.09	$ 6.76	$ 5.92	$ 6.16
25.38	24.44	23.63	18.58	18.17	16.67	18.08
$15.00	$16.50	$17.75	$13.83	$13.83	$12.50	$12.83

corporate information

TYSON FOODS, INC. 2003 ANNUAL REPORT

CLOSING PRICE OF COMPANY'S COMMON STOCK

	Fiscal Year 2003		Fiscal Year 2002	
	High	Low	High	Low
First Quarter	$12.77	$ 9.64	$12.13	$ 8.75
Second Quarter	11.85	7.28	13.05	11.28
Third Quarter	10.90	7.75	15.56	12.20
Fourth Quarter	14.42	10.62	15.18	10.06

As of October 31, 2003, the Company had approximately 42,000 Class A common shareholders of record and 15 Class B common shareholders of record.

DIRECTSERVICE™ SHAREHOLDER INVESTMENT PROGRAM

Tyson has authorized EquiServe Trust Co., N.A. 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 Trust Co., N.A.
P.O. Box 43081
Providence, RI 02940-3081
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 the Company's transfer agent, EquiServe Trust Co., N.A.

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 the Company's transfer agent, EquiServe Trust Co., N.A.

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 the Company's transfer agent, EquiServe Trust Co., N.A., 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 (479) 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 2003, may be obtained by Tyson shareholders by writing to:

Vice President of Investor Relations
Tyson Foods, Inc.
P.O. Box 2020
Springdale, Arkansas 72765-2020
Telephone (479) 290-4826
Fax (479) 757-6577
E-mail: tysonir@tyson.com

board of directors

TYSON FOODS, INC. 2003 ANNUAL REPORT

1. Don Tyson, 73, retired as Senior Chairman of the Board in October 2001. He served as Senior Chairman from 1995 until 2001. Mr. Tyson has been a member of the Board since 1952.[1]

2. John Tyson, 50, 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 from April 2000 to October 2001, as Chairman from 1998 to April 2000 and in other executive capacities prior to 1998. Mr. Tyson has been a member of the Board since 1984.[1]

3. Leland E. Tollett, 66, a private investor, served as Chairman of the Board and CEO from 1995 to 1998 when he retired after employment with the Company since 1959. Mr. Tollett has been a member of the Board since 1984.[1]

4. Barbara A. Tyson, 54, was a Vice President of the Company from 1988 until 2002. Ms. Tyson has been a member of the Board since 1988.

5. Lloyd V. Hackley, 63, 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.[3,4]

6. Jim Kever, 51, is the Founding Partner of Voyent Partners, LLC, an investment partnership. Previously, Mr. Kever served as a director of Quintiles Transnational and had served as CEO of Envoy Corporation, a subsidiary of Quintiles. Mr. Kever has been a member of the Board since 1999.[2,4]

7. David A. Jones, 54, is Chairman and CEO of Rayovac Corp. Previously, Mr. Jones served as President, CEO and Chairman of Thermoscan, Inc. and President, CEO and Chairman of Regina Co. He was previously with Electrolux Corp. and General Electric Co. Mr. Jones has been a member of the Board since 2000.[2,3]

8. Richard L. Bond, 56, is President and Chief Operating Officer of the Company. Mr. Bond served as Co-Chief Operating Officer and Group President, Fresh Meats and Retail of the Company from 2001 to 2003 and as President and COO of IBP, inc. from 1997 until the merger of IBP into the Company. He was a director of IBP from 1995 to 2001. Mr. Bond has been a member of the Board since 2001.

9. Jo Ann R. Smith, 63, 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 has been a member of the Board since 2001.[2,3,4]

1 Executive Committee 2 Audit Committee 3 Compensation Committee 4 Governance Committee

corporate and executive officers

TYSON FOODS, INC. 2003 ANNUAL REPORT

Mike Baker
Group Vice President,
Technical Services

Les R. Baledge
Executive Vice President and
General Counsel

Jean Mrha Beach
Senior Vice President,
Commodity and Trading
Risk Management

Richard L. Bond
President and
Chief Operating Officer

Howell P. Carper
Senior Vice President,
Corporate Research and Development

Bob Corscadden
Senior Vice President and
Chief Marketing Officer

Jeri R. Dunn
Senior Vice President and
Chief Information Officer

Louis C. Gottsponer, Jr.
Vice President,
Investor Relations and
Assistant Secretary

Steven Hankins
Executive Vice President and
Chief Financial Officer

R. Read Hudson
Secretary and
Senior 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
Chief Administrative Officer and
President, International

Eugene D. Leman
Senior Group Vice President,
Fresh Meats

James V. Lochner
Group Vice President,
Fresh Meats

William W. Lovette
Group Vice President,
Food Service

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

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

Archie Shaffer III
Senior Vice President,
Government Affairs

Donnie Smith
Senior Vice President,
Supply Chain Management

John Tyson
Chairman and
Chief Executive Officer

David L. Van Bebber
Senior Vice President,
Legal Services and
Assistant Secretary

corporate information

TYSON FOODS, INC. 2003 ANNUAL REPORT

Annual Meeting

The Annual Meeting of Shareholders will be held at 10 a.m. Friday, February 6, 2004, at the Walton Arts Center, Fayetteville, Arkansas. A live audio webcast will be available at:
www.tysonfoodsinc.com/IR/publications/presentations.asp

To listen live via telephone, call (888) 566-0007. International callers dial (630) 395-0017. (The passcode is Tyson Foods, and the leader's name is Louis Gottsponer.) 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
1701 Centerview Drive
Suite 301
Little Rock, AR 72211
Telephone (501) 370-3000

Transfer Agent

EquiServe Trust Co., N.A.
P.O. Box 43069
Providence, RI 02940-3069
Telephone (800) 317-4445
Hearing Impaired Telephone TDD (201) 222-5599
E-mail: equiserve@equiserve.com
www.equiserve.com

Investor Relations

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

Louis C. Gottsponer, Jr.
Vice President of Investor Relations
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Information about Tyson Foods, Inc. is available on the Internet at www.tysonfoodsinc.com. Information about Tyson products is available at www.tyson.com.

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