SAVOR A WORLD OF DIFFERENCE

Tyson Foods, Inc. 2008 Annual Report

ABOUT TYSON

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, the second-largest food production company in the *Fortune* 500 and a member of the S&P 500. The Company produces a wide variety of protein-based and prepared food products and is the recognized market leader in the retail and foodservice markets it serves. Tyson provides products and service to customers throughout the United States and more than 90 countries. The Company has approximately 107,000 team members employed at more than 300 facilities and offices in the United States and around the world. Through its Core Values, Code of Conduct and Team Member Bill of Rights, Tyson strives to operate with integrity and trust and is committed to creating value for its shareholders, customers and team members. The Company also strives to be faith-friendly, provide a safe work environment and serve as stewards of the animals, land and environment entrusted to it.

2008 FINANCIAL HIGHLIGHTS

in millions, except per share data	**2008**	2007	2006
Sales	**$26,862**	$25,729	$24,589
Gross profit	**1,246**	1,429	950
Operating income (loss)	**331**	613	(50)
Income tax expense (benefit)	**68**	142	(94)
Loss from discontinued operation, net of tax	**–**	–	(17)
Cumulative effect of change in accounting principle, net of tax	**–**	–	(5)
Net income (loss)	**86**	268	(196)
Diluted earnings (loss) per share	**0.24**	0.75	(0.58)
Total assets	**10,850**	10,227	11,121
Total debt	**2,896**	2,779	3,979*
Shareholders' equity	**5,014**	4,731	4,440
Book value per share	**13.28**	13.31	12.51
Cash provided by operating activities	**288**	678	372
Depreciation and amortization	**493**	514	517
Capital expenditures	**$ 425**	$ 285	$ 531
Year end shares outstanding	**377**	356	355
Diluted average shares outstanding	**356**	355	345

*Total debt was $3.2 billion in 2006 when adjusted for a $750 million short-term investment held on deposit for payment of Notes due the first day of fiscal 2007.

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To Our Shareholders

“I believe we are in a good position, because we have the right strategy, a solid management team and a strong balance sheet. I don’t think there is another protein company better positioned than Tyson Foods.”

Tyson Foods, Inc.’s multi-protein business model proved to be a strategic advantage in the 2008 fiscal year. A record-setting year from our pork business and an improved performance by beef supported our chicken business as it struggled with high input costs and low prices. Our chicken segment incurred $600 million in additional grain costs this year, while total inputs were $900 million more than in 2007. We couldn’t raise prices enough to keep pace with these extraordinary input costs.

Despite the challenges in our chicken segment, we made significant progress in other areas. We continued to manage the Company for the long term by focusing on our four strategies:

1. Create innovative and insight-driven food solutions
2. Optimize commodity businesses and manage margins
3. Build a multinational enterprise
4. Revolutionize the conversion of raw materials and by-products into high-margin initiatives

This annual report will focus on the third and fourth strategies, because there have been several new developments this year. In our efforts to build a multinational enterprise, we acquired three poultry operations in Brazil, entered into majority ownership joint ventures in India and China and are awaiting government approval of our third joint venture in China. In the past when times were tough, we deferred our international expansion plans, but this time we are determined to keep moving forward.

We’re also moving ahead with our fourth strategy, which emphasizes renewable products, including the Dynamic Fuels joint venture to produce renewable diesel from by-products such as animal fat, cooking oil and grease. We’re just beginning this endeavor, but the potential is very exciting.

We will face more challenges early in the 2009 fiscal year, but we will handle market conditions as effectively as possible. I believe we are in a good position, because we have the right strategy, a solid management team and a strong balance sheet. I don’t think there is another protein company better positioned than Tyson Foods.

Richard L. Bond
President and Chief Executive Officer

THE STRATEGIC DIFFERENCE

Q&A with the CEO

Q: Why did you raise capital in September?

A: We raised more than $740 million in capital by issuing 22.4 million shares and $457.5 million in convertible debt. We had (and still have) a strong balance sheet, so it wasn't something we had to do, but we believed it was in the Company's long-term best interest. It enabled us to be comfortable in making several international acquisitions, which is where much of the Company's growth will occur. As for the timing, we thought credit markets would tighten and that it would be a long time before we could generate this amount of capital; however, we thought things would tighten up in the next few months or weeks, not the next few days, as was the case.

Q: How has the U.S. economy affected your business?

A: We have a diversified business model, and that means diversity in the proteins we sell and the channels in which we sell them. The economic downturn has caused many people to re-evaluate how they spend their food dollars. Our research indicates many consumers are opting for the value offered by quick service restaurants (QSRs) rather than mid-scale or family restaurant chains. QSRs are actually doing well, and we are a large supplier to the major national chains. They are promoting chicken on their menus – including their breakfast menus – and putting advertising dollars behind those promotions. Also, there are many consumers who are eating at home more often and taking their lunches to work to save money. We serve that segment as well through our fresh chicken, beef and pork, our value-added chicken products and our deli meats sold at retail. Wherever consumers choose to eat, and no matter what the current economic conditions are, Tyson is there to meet consumers' needs.

Q: The world economy isn't doing well either. With the stronger U.S. dollar, how concerned are you about exports in 2009?

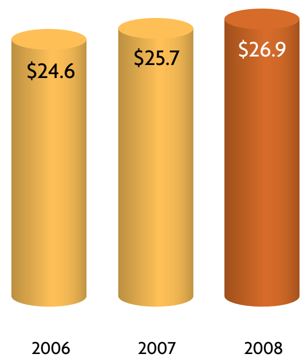
A: We benefited tremendously from exports in 2008, especially pork. As we begin the 2009 fiscal year, liquidity is a problem for some importers of our products. We think this is a short-term problem, and underlying demand will remain strong in the long term. We're not immune from the overall economic conditions, but countries import protein because they can't produce enough to feed their own people, and that hasn't changed.

Q: What can you tell us about your expectations for 2009?

A: We anticipate sales to be $28-$29 billion. Capital spending should be approximately $600-$650 million, with $425-$450 million going to our core business, $100-$120 million on post-acquisition spending related to our Brazil and China operations and $75-$80 million for the Dynamic Fuels plant. It will be a transition year for us as we integrate our international acquisitions, get our renewable products initiatives rolling and turn our chicken segment around.

Sales

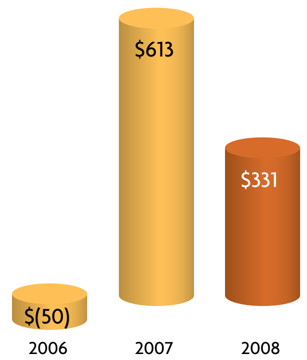
in billions



Tyson achieved record sales in 2008.

Operating Income (Loss)

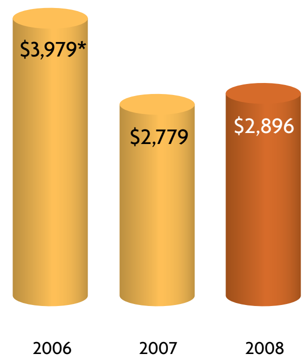
in millions



The beef and pork segments kept Tyson profitable in 2008 despite a $118 million loss in the chicken segment.

Total Debt

in millions



Debt increased slightly, although it is still near its lowest level since the IBP acquisition in 2001.

*Total debt was $3.2 billion in 2006 when adjusted for a $750 million short-term investment held on deposit for payment of Notes due the first day of fiscal 2007.

Q: What is the Tyson Discovery Center, and how is it contributing to the bottom line?

A: The Discovery Center is our state-of-the-art research and development facility, and it plays a vital role in our strategy to create innovative and insight-driven food solutions. It is the place where our team members develop and test new product ideas and where we collaborate with our customers to create products, menu ideas and strategies to build their businesses and ours. We must be doing something right, because for the sixth consecutive year, Tyson won the Cannondale and Cognitio awards. Cannondale identifies the elite manufacturers and operators as evaluated by their trading partners. Cognitio identifies the manufacturer that did the best job of bringing new products to foodservice operators. As for contributing to the bottom line, since the Discovery Center opened in March 2007, cumulative sales from new products were $963 million.

Q: If you have the Discovery Center to grow your value-added business, what are you doing for your commodity businesses?

A: Our commodity beef and pork businesses performed very well in 2008. Pork had its best year ever, with a 7.8% operating margin. Beef has made a tremendous turnaround. It went from a loss of $254 million in 2006 to a $106 million profit in 2008. We accomplished this by keeping costs down as much as possible and driving inefficiencies out of our operations – in other words, hard work and diligence. We're making similar improvements in our chicken business and have invested capital in several of our plants to make them more efficient and flexible. We're reducing the amount of chicken we move between plants for further processing, and we're identifying and refining processes to reduce our cost of goods.

Jaime Barrenechea (left), Renewable Products Group, and Tim Ray, Research & Development, are researching new ideas for pet treats.

THE CREATIVE DIFFERENCE

Tyson is finding innovative ways to convert non-prime products into fuel, pet food products and other high-margin commercial products.

Tyson Renewable Products is leading Tyson Foods' strategy to turn non-prime products into high-margin initiatives through a variety of creative endeavors across four platforms – renewable energy, pet products, nutraceuticals and biotech.

Renewable Energy

In October 2008, Dynamic Fuels, a joint venture between Tyson Foods and Syntroleum Corporation, broke ground on a plant that will produce renewable diesel. The facility is currently scheduled to begin production in 2010, with a total capacity of 75 million gallons per year. Unlike the ethanol and biodiesel industries, which use food ingredients such as corn and soybean oil to produce fuel, the Dynamic Fuels project primarily will use non-food grade animal fats produced or procured by Tyson, such as beef tallow, pork lard, chicken fat and cooking grease. The fuel produced by the venture will offer the same benefits of synthetic fuels derived from coal or natural gas while providing substantial performance and environmental advantages over petroleum-based fuels.

Pet Products

Americans love their pets, and it matters where their protein comes from, especially following the serious problems caused by imported ingredients in 2007. In January 2008, we announced a strategic alliance with Kemin Industries, Inc. to develop, manufacture and market pet food flavor-enhancers, known as palatants, to the North American pet food market. We are researching a variety of different super premium dog treats made from chicken breasts, which we plan to test market in 2009. We hope to unlock additional opportunities in other high-end pet products as well, with non-prime products such as bones and pig ears having a great deal of potential.

Nutraceuticals

Foods containing nutritional supplements are growing in popularity as Baby Boomers age. With our bone and cartilage by-products, we are uniquely positioned to supply proprietary chondroitin and collagen products through our partnership with BioCell Technology, LLC. Finished products made with these ingredients are marketed by major nutritional supplement and food manufacturers. Additional opportunities are being explored to further expand this business platform during 2009 through other raw materials and value-added partnerships.

Biotech

There is a wide range of opportunities for biotech product development including keratin protein-based products for shampoo, skin care, nail care and lotions. Additionally, Tyson is exploring bioplastics, bio-adhesives and non-woven materials made from feathers. Disposable diapers made with keratin from the feathers of Tyson chickens could be a reality in the future. All of these products will bring added value to Tyson while supporting our sustainability efforts.


Tyson

The growing middle class in China and other countries represents growth opportunities for Tyson Foods.

THE GLOBAL DIFFERENCE

Tyson Foods has made significant progress toward building a multinational enterprise by moving into Brazil and India and expanding operations in China.

In 2008, Tyson Foods exported chicken, beef, pork and prepared foods to more than 90 countries. Increasing exports, diversifying our export markets and building in-country production are essential to the Company's long-term growth. We made several acquisitions and joint ventures in key locations that offer the right climate for poultry production, a large population, ample labor force, access to corn and soybean meal and a cost of production advantage. Another important feature of these markets is their emerging middle class. As their incomes rise, one of the first lifestyle changes people make is to add protein to their diets.

Since 2001, Tyson has had a presence in China with Tyson Da Long, a small chicken further processing joint venture. With a population of 1.3 billion and chain restaurants opening at a rate of one every 18 hours, the Chinese market needs more poultry production. Annual per capita meat consumption in China is about 20 pounds per person, compared to 89 pounds in the United States. If consumption increased by only 10 pounds per person, it would be equivalent to all of Tyson's annual U.S. production. To serve this growing market, Tyson entered into a joint venture to create Jiangsu Tyson Foods, which will produce fresh chicken sold under the Tyson brand for the Shanghai retail market. As of December 2008, we are awaiting government approval for a third joint venture, Shandong Tyson Xinchang Foods, a fully integrated chicken and duck operation. Tyson Xinchang will have a production capacity of more than 400,000 birds per day and further processing operations with export certifications for Japan, Southeast Asia and Europe.

At the end of fiscal 2008, Tyson announced the acquisition of three poultry companies in southern Brazil. Each is vertically integrated and can supply domestic growth in addition to serving as an export platform to Europe and other markets closed to U.S. chicken imports. Two of the facilities are brand new locations built with modern technology, and the third is a high-quality operation with more than 30 years of experience that will provide much of the human capital to our new combined operations in Brazil. When these three facilities are at our intended capacity, they will produce approximately 800,000 chickens per day, making us one of the top producers in Brazil.

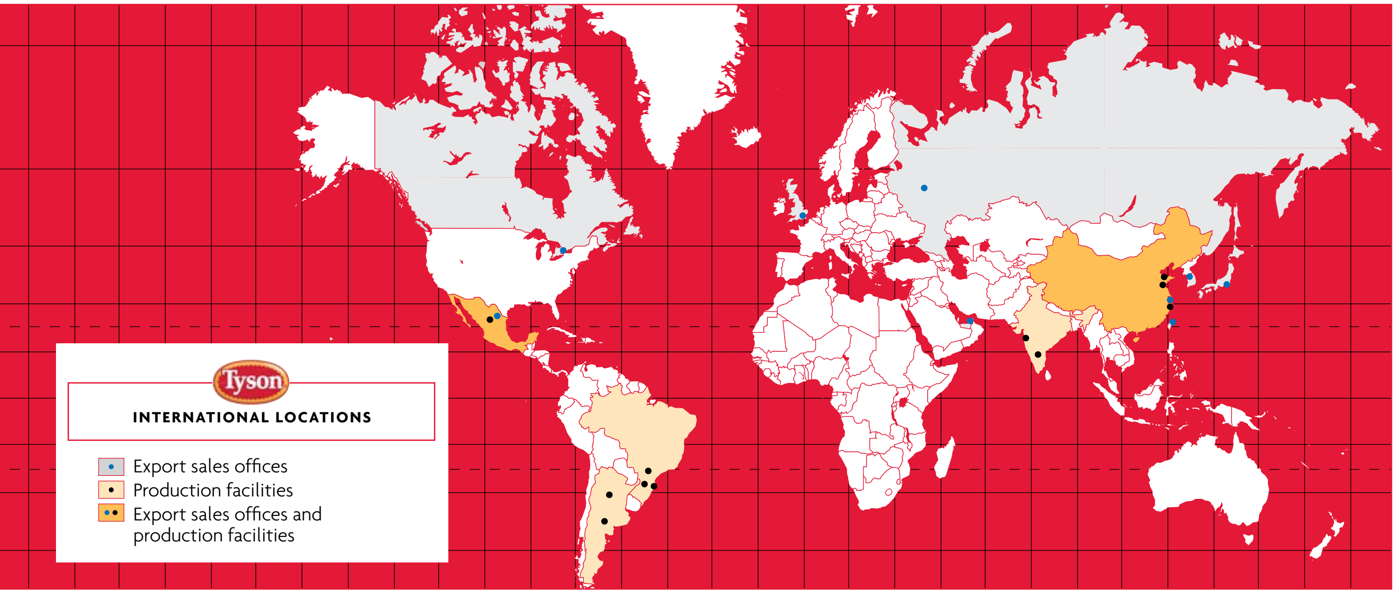
Diversifying exports: With chicken production in Brazil, Tyson can access European markets closed to the United States, and by selling to the Middle East and Africa, we lessen our dependency on Russian markets.

The third key location for Tyson's international growth is India, which has a population of more than one billion people. While per capita chicken consumption is less than five pounds a year, its annual growth rate of more than 10% is among the highest in the world. In June 2008, Tyson acquired majority ownership of one of India's leading branded chicken companies. In addition to serving the foodservice market, Godrej Tyson Foods produces retail fresh chicken under the Real Good Chicken brand and further processed chicken under the Yummiez brand. The combined production of the two plants in Mumbai and Bangalore is approximately 60,000 chickens per day. We plan to expand the production capacity of the existing operations and build additional processing facilities to better reach consumers in the northern and eastern regions of the country.

Tyson has had a presence in Mexico for 20 years and currently holds the #3 market share position. We are #1 in value-added chicken production and have reached full capacity in our plants in a market that continues to grow. Our longer-term strategy could include acquiring or building more assets to solidify our market position in northern Mexico and expand our business into the central part of the country.

Chicken isn't the only protein Tyson produces outside the United States. In 2007, we entered into a joint venture to create the first vertically integrated beef operation in Argentina. The South American country is the world's fifth leading beef producer and the second leading beef exporter. Argentina is known for its low beef production costs and high-quality breeds of cattle.

Although the state of the world economy and our domestic chicken business could cause us to be more conservative in fiscal 2009, Tyson Foods will continue with our strategy to build a multinational enterprise by integrating our recent acquisitions and maximizing those assets.



FINANCIAL CONTENTS

Management's Discussion and Analysis

DESCRIPTION OF THE COMPANY

We are the world's largest meat company and the second-largest food production company in the *Fortune* 500 with one of the most recognized brand names in the food industry. We produce, distribute and market chicken, beef, pork, prepared foods and related allied products. Our operations are conducted in four segments: Chicken, Beef, Pork and Prepared Foods. Some of the key factors that influence our business are customer demand for our products, ability to maintain and grow relationships with customers and introduce new and innovative products to the marketplace, accessibility of international markets, market prices for our chicken, beef and pork products, cost of live cattle and hogs, raw materials and grain and operating efficiencies of our facilities.

OVERVIEW

- Chicken Segment – Fiscal 2008 operating results declined as compared to fiscal 2007 due largely to increased input costs of approximately $900 million, including increased grain costs, other feed ingredient costs and cooking ingredients. These increases were partially offset by increased average sales prices, as well as increased net gains of $127 million from our commodity risk management activities related to grain purchases, which exclude the impact from related physical purchase transactions that will impact future period operating results.

- Beef Segment – Fiscal 2008 operating results improved compared to fiscal 2007 as operating margins significantly improved in the latter half of the year, with an operating margin of 2.8% in the last six months of fiscal 2008. While sales volume was down with the closure of our Emporia, Kansas, slaughter operation, operating margins improved due to improved average sales prices and operational efficiencies.

- Pork Segment – We achieved record operating income of $280 million, an increase of $135 million as compared to fiscal 2007, due to adequate hog supplies and strong domestic and export demand.

- Prepared Foods Segment – Declines in operating income for fiscal 2008 compared to fiscal 2007 for our Prepared Foods segment were primarily due to increased raw material costs, partially offset by increased average sales prices.

- Acquisitions – In fiscal 2008, we announced the following transactions:

  - In December 2007, Cobb-Vantress, Inc. (Cobb), our wholly-owned poultry breeding subsidiary, formed an alliance with Hendrix Genetics B.V. (Hendrix). This alliance will strengthen Cobb's position in the broiler breeding industry, Hendrix' position in egg layer, turkey and swine genetics, and enable Cobb and Hendrix to explore other joint venture opportunities. In July 2008, Cobb acquired the Hybro poultry breeding and genetics business from Hendrix. The acquisition included genetic lines and facilities. At the same time, Cobb and Hendrix signed a Joint Development Agreement involving their respective Research & Development in livestock genetics.

  - In February 2008, we signed an agreement with the Jiangsu Jinghai Poultry Industry Group Co., Ltd., a Chinese poultry breeding company, to build a fully integrated poultry operation in Haimen City near Shanghai. The joint venture, Jiangsu Tyson Foods, will produce fresh, packaged chicken products that will be sold under the Tyson name. Jiangsu Tyson will become the first producer to deliver brand name, high quality fresh chicken to consumers in the eastern China market. We own 70 percent of the business and production is expected to begin in 2009.

  - In June 2008, we announced the acquisition of 51% ownership of Godrej Foods, Ltd., a poultry processing business in India. The joint venture is called Godrej Tyson Foods. We anticipate annual sales of approximately $50 million initially, and expect operations will expand later. Godrej Foods currently sells retail fresh and further processed chicken.

  - In September 2008, we announced a joint venture agreement was finalized with Shandong Xinchang Group, a vertically integrated poultry operation in eastern China. Once the agreement receives the necessary government approvals, which is expected in fiscal 2009, Tyson will have a 60% ownership. The joint venture will be called Shandong Tyson Xinchang Foods Company.

  - In September 2008, we signed purchase agreements with three poultry companies in southern Brazil, each vertically integrated. These companies include Macedo Agroindustrial, Avicola Itaiopolis and Frangobras. We closed on each of these transactions subsequent to fiscal 2008.

- In June 2008, we executed a letter of intent to sell Lakeside Farm Industries (Lakeside), our Canadian beef operation, to XL Foods, Inc., a Canadian-owned beef processing business. Under the terms of the letter of intent, Tyson will sell Lakeside for $104 million and retain the finished product inventory, accounts receivable and accounts payable of Lakeside as of the closing date. XL Foods will pay an additional amount for cattle inventory, fertilizer inventory and packaging assets, estimated to approximate $82 million. The transaction remains subject to government approvals and execution of a definitive agreement by the parties. The results of Lakeside are reported as a discontinued operation.

- See Liquidity and Capital Resources for a summary of the impact of recent deterioration of credit and capital markets on our business.

in millions, except per share data	2008	2007	2006
Net income (loss)	**$ 86**	$ 268	$ (196)
Net income (loss) per diluted share	**0.24**	0.75	(0.58)

2008
Net income includes the following items:

- $33 million of charges related to asset impairments, including packaging equipment, intangible assets, unimproved real property and software;
- $17 million charge related to restructuring our Emporia, Kansas, beef operation;
- $13 million charge related to closing our Wilkesboro, North Carolina, Cooked Products poultry plant;
- $13 million of charges related to flood damage at our Jefferson, Wisconsin, plant and severance charges related to the FAST initiative; and
- $18 million non-operating gain related to sale of an investment.

2007
Net income includes the following item:

- $17 million of tax expense related to a fixed asset tax cost correction, primarily related to a fixed asset system conversion in 1999.

2006
Net loss includes the following items:

- $63 million of costs related to beef, prepared foods and poultry plant closings;
- $19 million of charges related to our Cost Management Initiative and other business consolidation efforts which included severance expense, product rationalization costs and related intangible asset impairment expenses;
- $15 million tax expense resulting from a review of our tax account balances; and
- $5 million charge related to the cumulative effect of a change in accounting principle due to adoption of Financial Accounting Standards Board Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations," an interpretation of FASB Statement No. 143 (FIN 47).

OUTLOOK
The following elements comprise our long-term strategic plan:

- Create innovative and insight-driven food solutions: Discover and sell market-leading products and services to grow Tyson's brand equity and help our customers succeed through our commitment to joint value creation.
- Optimize commodity business models: Emphasize cost focus in operations, manage margins and maximize revenue by capitalizing on scale, yield, pricing, product mix and services.
- Build a multi-national enterprise: Accelerate expansion in cost competitive regions and markets with the greatest growth potential as well as increase and diversify United States exports.
- Revolutionize conversion of raw materials and by-products into high-margin initiatives: Commercialize opportunities outside the core business, such as renewable energy from fat and developing other technologically-advanced platforms from materials such as feathers, viscera, blood and animal waste.

Our outlook for segments in fiscal 2009 includes:

- Chicken – Export markets, credit availability and the recent strengthening dollar have negatively impacted leg quarter pricing. International leg quarter sales will be difficult at least through the beginning of fiscal 2009. We have seen grain prices drop significantly from all-time highs this past summer that if sustained, will benefit us in the long run. However, we have some grain positions that could negatively impact us depending on corn and soybean meal closing prices at the end of the first quarter fiscal 2009.
- Beef – We expect cattle supplies will be down 1 – 2% in fiscal 2009, but there should be ample supply to run our plants efficiently. We will continue to focus on the operational efficiencies from fiscal 2008 and expect a successful fiscal 2009.
- Pork – While we anticipate fewer hog supplies in fiscal 2009, we expect we will have an adequate supply to achieve good operating results. This segment should continue to do well in fiscal 2009, but likely not at the record amounts we had in fiscal 2008.
- Prepared Foods – High input costs will likely continue in fiscal 2009. Demand for our products remains strong, which should provide for sales volume growth in fiscal 2009.

SUMMARY OF RESULTS – CONTINUING OPERATIONS

Sales

in millions	2008	2007	2006
Sales	**$26,862**	$25,729	$24,589
Change in average sales price	**5.1%**	5.8%	
Change in sales volume	**(0.7)%**	(1.1)%	
Sales growth	**4.4%**	4.6%	

2008 vs. 2007

- The improvement in sales was largely due to improved average sales prices, which accounted for an increase of approximately $1.5 billion. While all segments had improved average sales prices, the majority of the increase was driven by increases in the Chicken and Beef segments.

- Sales were negatively impacted by a decrease in sales volume, which accounted for a decrease of approximately $318 million. This was primarily due to a decrease in Beef volume and the sale of two poultry production facilities in fiscal 2007, partially offset by an increase in Pork volume.

2007 vs. 2006

- The improvement in sales was largely due to improved average sales prices, which accounted for an increase of approximately $1.4 billion in sales. The improvement was due to better market conditions in all segments, with the majority of the increase attributable to the Chicken and Beef segments.

- Sales were negatively impacted by a slight decrease in sales volume, which accounted for a decrease of approximately $226 million. The decrease was driven by decreases in the Chicken and Prepared Foods segments, offset by improvements in the Beef and Pork segments. The decrease included planned production cuts and the closure of production facilities, offset by improvements in the beef and pork export markets and improved domestic pork demand.

Cost of Sales

in millions	2008	2007	2006
Cost of sales	**$25,616**	$24,300	$23,639
Gross margin	**$ 1,246**	$ 1,429	$ 950
Cost of sales as a percentage of sales	**95.4%**	94.4%	96.1%

2008 vs. 2007

- Cost of sales increased $1.3 billion. Cost per pound contributed to a $1.6 billion increase, offset partially by a decrease in sales volume reducing cost of sales $323 million.

  - Increase of over $1.0 billion in costs in the Chicken segment, which included increased input costs of approximately $900 million, including grain costs, other feed ingredient costs and cooking ingredients. Plant costs, including labor and logistics, increased by approximately $200 million. These increases were partially offset by increased net gains of $127 million from our commodity risk management activities related to grain purchases, which exclude the impact from related physical purchase transactions that will impact future period operating results.

  - Increase in average domestic live cattle costs of approximately $271 million.

  - Increase in operating costs in the Beef and Pork segments of approximately $180 million.

  - Decrease due to sales volume included lower Beef and Chicken sales volume, partially offset by higher Pork sales volume.

  - Decrease due to net gains of $173 million from our commodity risk management activities related to forward futures contracts for live cattle and hog purchases as compared to the same period of fiscal 2007. These amounts exclude the impact from related physical purchase transactions, which will impact future period operating results.

  - Decrease in average live hog costs of approximately $117 million.

2007 vs. 2006

- Decrease in cost of sales as a percentage of sales primarily was due to the increase in average sales prices, while average live prices and production costs did not increase at the same rate.

- Cost of sales increased by $661 million, with an increase in cost per pound contributing to an $853 million increase, offset by a decrease in sales volume reducing cost of sales by $192 million.

  - Increase in net grain costs of $256 million, which included $334 million of increased grain costs, partially offset by increased net gains of $78 million from our commodity risk management activities related to grain purchases.

  - Increase in average domestic live cattle and hog costs, as well as an increase in domestic pork sales volume, increased cost of sales by approximately $682 million.

  - Decrease in Chicken segment sales volume decreased cost of sales by approximately $346 million, primarily due to planned production cuts, the sale of two poultry plants and the closure of a poultry plant in fiscal 2006 due to a fire.

Selling, General and Administrative

in millions	**2008**	2007	2006
Selling, general and administrative	**$879**	$814	$930
As a percentage of sales	**3.3%**	3.2%	3.8%

2008 vs. 2007

- Increase of $29 million related to unfavorable investment returns on company-owned life insurance, which is used to fund non-qualified retirement plans.

- Increase of $16 million related to advertising and sales promotions.

- Increase of $14 million due to a favorable actuarial adjustment related to retiree healthcare plan recorded in fiscal 2007.

- Increase of $9 million due to a gain recorded in fiscal 2007 on the disposition of an aircraft.

2007 vs. 2006

- Decrease of $39 million in advertising and sales promotion expenses.

- Decrease of $27 million due to a favorable actuarial adjustment related to retiree healthcare plan recorded in fiscal 2007 compared to an unfavorable adjustment recorded in fiscal 2006.

- Decrease of $15 million in other professional fees.

- Decrease of $18 million due to a gain recorded in fiscal 2007 on the disposition of an aircraft, as well as favorable investment returns on company-owned life insurance.

- We had various other savings recognized as part of our Cost Management Initiative. These savings are in addition to some of the decreases above and include management salaries, travel, relocation and recruiting, personnel awards, as well as other various savings.

- Increase of $18 million in earnings-based incentive compensation.

Other Charges

in millions	**2008**	2007	2006
	$36	$2	$70

2008

- Included $17 million charge related to restructuring our Emporia, Kansas, beef operation.

- Included $13 million charge related to closing our Wilkesboro, North Carolina, Cooked Products poultry plant.

- Included $6 million of severance charges related to the FAST initiative.

2006

- Included $47 million of charges related to closing our Norfolk and West Point, Nebraska, operations.

- Included $14 million of charges related to closing our Independence and Oelwein, Iowa, operations.

- Included $9 million of severance accruals related to our Cost Management Initiative announced in July 2006.

Interest Income

in millions	2008	2007	2006
	$9	$8	$30

2006
Included $20 million of interest earned on the $750 million short-term investment held on deposit with a trustee used for the repayment of the 7.25% Notes maturing on October 1, 2006.

Interest Expense

in millions	2008	2007	2006
Interest expense	**$ 215**	$ 232	$268
Average borrowing rate	**7.0%**	7.4%	7.4%
Change in average weekly debt	**(1.7)%**	(15.9)%	

2007 vs. 2006
The decrease in interest expense primarily was due to the $1.0 billion senior unsecured notes borrowing at the end of the second quarter of fiscal 2006. We used $750 million of the proceeds from the borrowing for the repayment of the 7.25% Notes maturing on October 1, 2006.

Other Income, net

in millions	2008	2007	2006
	$29	$21	$20

2008
- Included $18 million non-operating gain related to the sale of an investment.

2007
- Included $14 million in foreign currency exchange gain.

2006
- Included $7 million gain recorded on the write-off of a capital lease obligation related to a legal settlement.

- Included $5 million in foreign currency exchange gain.

Effective Tax Rate

	2008	2007	2006
	44.6%	34.6%	35.0%

2008
- Increased the effective tax rate 5.0% due to increase in state valuation allowances.

- Increased the effective tax rate 4.4% due to increase in FIN 48 unrecognized tax benefits.

- Increased the effective tax rate 3.8% due to net negative returns on company-owned life insurance policies, which is not deductible for federal income tax purposes.

- Reduced the effective tax rate 3.8% due to general business credits.

2007
- Increased the effective tax rate 4.2% due to a fixed asset tax cost correction, primarily related to a fixed asset system conversion in 1999.

- Increased the effective tax rate 3.2% due to the federal income tax effect of the reductions in estimated Medicare Part D subsidy in fiscal 2007, which is not deductible for federal income tax purposes.

- Reduced the effective tax rate 4.6% due to the reduction of income tax reserves based on favorable settlement of disputed matters.

2006
- Reduced the effective tax rate 5.1% due to expense recorded in fiscal 2006 as a result of the tax account balance review.

- Reduced the effective tax rate 1.8% due to the federal income tax effect of the reductions in estimated Medicare Part D subsidy in fiscal 2006, which is not deductible for federal income tax purposes.

SEGMENT RESULTS

We operate in four segments: Chicken, Beef, Pork and Prepared Foods. The following table is a summary of sales and operating income (loss), which is how we measure segment income (loss).

In the fourth quarter fiscal 2008, we began to manage and report the operating results and identifiable assets of our logistics operations in the segment in which the product being moved relates. As a result, our operating segments now reflect logistics operations which were previously included in Other. All prior periods have been restated to reflect this change.

Segment results exclude the results of our discontinued operation, Lakeside.

	Sales			Operating Income (Loss)		
in millions	**2008**	2007	2006	**2008**	2007	2006
Chicken	**$ 8,900**	$ 8,210	$ 7,958	**$(118)**	$325	$ 94
Beef	**11,664**	11,540	10,866	**106**	51	(254)
Pork	**3,587**	3,314	3,067	**280**	145	55
Prepared Foods	**2,711**	2,665	2,698	**63**	92	55
Total	**$26,862**	$25,729	$24,589	**$ 331**	$613	$ (50)

Chicken Segment Results

in millions	**2008**	2007	**Change 2008 vs. 2007**	2006	Change 2007 vs. 2006
Sales	**$8,900**	$8,210	**$ 690**	$7,958	$252
Sales Volume Change			**(0.4)%**		(4.7)%
Average Sales Price Change			**8.9%**		8.3%
Operating Income (Loss)	**$ (118)**	$ 325	**$(443)**	$ 94	$231
Operating Margin	**(1.3)%**	4.0%		1.2%	

2008 – Operating loss included $26 million of charges related to: plant closings; impairments of unimproved real property and software; and severance.

2007 – Operating income included a $10 million gain on the sale of two poultry plants and related support facilities.

2006 – Operating income included $9 million of charges related to our Cost Management Initiative, other business consolidation efforts and plant closing costs.

2008 vs. 2007

- Sales and Operating Income (Loss) – Sales increased as a result of an increase in average sales prices, partially offset by a decrease in sales volume due to the sale of two poultry plants in fiscal 2007. Operating results were adversely impacted by increased input costs of approximately $900 million, including grain costs, other feed ingredient costs and cooking ingredients. Plant costs, including labor and logistics, increased by approximately $200 million. This was partially offset by increased net gains of $127 million from our commodity trading risk management activities related to grain purchases, which exclude the impact from related physical purchase transactions that will impact future period operating results. Operating results were also negatively impacted by increased selling, general and administrative expenses of $43 million.

2007 vs. 2006

- Sales and Operating Income – Sales and operating income increased due to an increase in average sales prices, partially offset by a decrease in sales volume. The decrease in sales volume was due to planned production cuts, the sale of two poultry plants and the closure of a poultry plant in fiscal 2006 due to a fire. The increase in average sales prices contributed to improved operating income, partially offset by an increase in net grain costs of $256 million. The increase of net grain costs includes $334 million of increased grain costs, partially offset by increased net gains of $78 million from our commodity risk management activities related to grain purchases. Additionally, operating income improved due to a decrease in selling, general and administrative expenses.

Beef Segment Results

in millions	2008	2007	Change 2008 vs. 2007	2006	Change 2007 vs. 2006
Sales	**$11,664**	$11,540	**$124**	$10,866	$674
Sales Volume Change			**(4.6)%**		0.9%
Average Sales Price Change			**5.9%**		5.3%
Operating Income (Loss)	**$ 106**	$ 51	**$ 55**	$ (254)	$305
Operating Margin	**0.9%**	0.4%		(2.3)%	

2008 – Operating income included $35 million of charges related to: plant restructuring; impairments of packaging equipment and intangible assets; and severance.

2006 – Operating loss included $52 million of charges related to plant closings, our Cost Management Initiative and other business consolidation efforts.

2008 vs. 2007

• Sales and Operating Income – Sales and operating income were impacted positively by higher average sales prices and improved operational efficiencies, partially offset by decreased sales volume due primarily to closure of the Emporia, Kansas, slaughter operation. Operating results were also negatively impacted by higher operating costs. Fiscal 2008 operating results include realized and unrealized net gains of $53 million from our commodity risk management activities related to forward futures contracts for live cattle, excluding the related impact from the physical sale and purchase transactions, compared to realized and unrealized net losses of $2 million recorded in fiscal 2007. Operating results were positively impacted by an increase in average sales prices exceeding the increase in average live prices.

2007 vs. 2006

• Sales and Operating Income (Loss) – Sales and operating income increased due to higher average sales prices, as well as higher sales volume. Operating results improved due to operating cost efficiencies and yield improvements, partially offset by an increase in average live prices. Also, operating results improved significantly from a decrease in selling, general and administrative expenses. Fiscal 2007 operating results included realized and unrealized net losses of $2 million from our commodity risk management activities related to forward futures contracts for live cattle, excluding the related impact from the physical sale and purchase transactions, compared to realized and unrealized net losses of $40 million recorded in fiscal 2006.

Pork Segment Results

in millions	2008	2007	Change 2008 vs. 2007	2006	Change 2007 vs. 2006
Sales	**$3,587**	$3,314	**$273**	$3,067	$247
Sales Volume Change			**6.1%**		5.1%
Average Sales Price Change			**2.1%**		2.8%
Operating Income	**$ 280**	$ 145	**$135**	$ 55	$ 90
Operating Margin	**7.8%**	4.4%		1.8%	

2008 – Operating income included $5 million of charges related to impairment of packaging equipment and severance.

2008 vs. 2007

• Sales and Operating Income – Operating results were impacted positively by lower average live prices and strong export sales, which led to increased sales volume and a record year for operating margins. Fiscal 2008 operating results include realized and unrealized net gains of $95 million from our commodity risk management activities related to forward futures contracts for live hogs, excluding the related impact from the physical sale and purchase transactions, compared to realized and unrealized net gains of $3 million recorded in fiscal 2006. This was partially offset by higher operating costs, as well as lower average sales prices.

2007 vs. 2006

• Sales and Operating Income – Sales and operating income increased due to higher sales volume and increased average sales prices, due to increased domestic demand and strong export markets. Additionally, operating income was impacted positively by improved operating cost efficiencies and yield improvements, partially offset by higher average live prices. Fiscal 2007 operating results included realized and unrealized net gains of $3 million from our commodity risk management activities related to forward futures contracts for live hogs, excluding the related impact from the physical sale and purchase transactions, compared to realized and unrealized net losses of $15 million recorded in fiscal 2006.

Prepared Foods Segment Results

in millions	**2008**	2007	**Change 2008 vs. 2007**	2006	Change 2007 vs. 2006
Sales	**$2,711**	$2,665	**$ 46**	$2,698	$ (33)
Sales Volume Change			**1.5%**		(3.9)%
Average Sales Price Change			**0.2%**		2.8%
Operating Income	**$ 63**	$ 92	**$(29)**	$ 55	$ 37
Operating Margin	**2.3%**	3.5%		2.0%	

2008 – Operating income included $10 million of charges related to flood damage, an intangible asset impairment and severance.

2007 – Operating income included $7 million of charges related to intangible asset impairments.

2006 – Operating income included $19 million of charges related to plant closings, other business consolidation efforts and our Cost Management Initiative.

2008 vs. 2007

• Sales and Operating Income – Operating results were negatively impacted by higher raw material costs, which include wheat, dairy and cooking ingredient costs, partially offset by lower pork costs. Results were positively impacted by an increase in average sales prices.

2007 vs. 2006

• Sales and Operating Income – Sales declined primarily due to decreased sales volume, including reduced sales volume on lower margin products, partially offset by increased average sales prices. Operating income improved primarily due to an improvement in average sales prices, partially offset by an increase in plant costs and raw material costs.

LIQUIDITY AND CAPITAL RESOURCES

Our cash needs for working capital, capital expenditures and international growth are expected to be met with cash flows provided by operating activities, anticipated proceeds from the Lakeside sale, or short-term borrowings.

Cash Flows from Operating Activities

in millions	**2008**	2007	2006
Net income (loss)	**$ 86**	$ 268	$(196)
Non-cash items in net income (loss):			
Depreciation and amortization	**493**	514	517
Deferred taxes	**35**	5	(130)
Impairment and write-down of assets	**57**	14	18
Cumulative effect of change in accounting principle, before tax	**–**	–	9
Other, net	**26**	(15)	30
Income before changes in working capital	**697**	786	248
Changes in working capital	**(409)**	(108)	124
Net cash provided by operating activities	**$ 288**	$ 678	$ 372

Income before changes in working capital represents net income (loss) adjusted for non-cash income and expenses. Additionally, this amount represents net cash provided by operating activities prior to changes in assets and liabilities associated with operations.

Changes in working capital:

• 2008 – Operating cash flows declined primarily due to higher inventory and accounts receivable balances, partially offset by a higher accounts payable balance. Higher inventory balances were driven by an increase in raw material costs and inventory volume.

• 2007 – Operating cash flows declined primarily due to higher inventory and accounts receivable balances, partially offset by a higher accounts payable balance.

• 2006 – Operating cash flows increased primarily due to a lower accounts receivable balance, higher accounts payable and interest payable balances, partially offset by a lower income taxes payable/receivable balance.

Cash Flows from Investing Activities

in millions	2008	2007	2006
Additions to property, plant and equipment	**$(425)**	$(285)	$ (531)
Proceeds from sale of property, plant and equipment	**26**	76	21
Proceeds from sale (purchase) of marketable securities, net	**(3)**	16	23
Proceeds from sale (purchase) of short-term investment	**–**	770	(750)
Proceeds from sale of investments	**22**	–	–
Other, net	**(19)**	2	13
Net cash provided by (used for) investing activities	**$(399)**	$ 579	$(1,224)

• Expenditures for property, plant and equipment include acquisition of new equipment to upgrade our facilities to maintain competitive standing and position us for future opportunities. In fiscal 2008, our capital spending included equipment updates in our chicken plants, as well as packaging equipment upgrades in our Fresh Meats case-ready facilities. In fiscal 2007, we focused on reducing our capital spending. In fiscal 2006, we had significant capital investing, including our new Discovery Center and the Sherman, Texas, case-ready facility.

- Capital spending for fiscal 2009 is expected to be $600 – $650 million, which includes the following:
  - approximately $425 – $450 million on current core business capital spending;
  - approximately $100 – $120 million on post-acquisition capital spending related to our Brazil and China acquisitions; and
  - approximately $75 – $80 million related to Dynamic Fuels LLC's (Dynamic) facility. The cost to construct the facility is estimated to be $138 million, which will be funded by $100 million of Gulf Opportunity Zone tax-exempt bonds issued in October 2008, along with equity contributions made by Tyson and Syntroleum Corporation, most of which has already been made. Construction began in October 2008 and will continue through late 2009, with production targeted for early 2010.

• Proceeds from sale of assets in fiscal 2007 include $40 million received related to the sale of two poultry plants and related support facilities.

• Short-term investment purchased in fiscal 2006 with proceeds from $1.0 billion of senior notes maturing on April 1, 2016 (2016 Notes). The short-term investment was held in an interest bearing account with a trustee. In fiscal 2007, we used proceeds from sale of the short-term investment to repay our outstanding $750 million 7.25% Notes due October 1, 2006.

Cash Flows from Financing Activities

in millions	2008	2007	2006
Net borrowings (payments) on revolving credit facilities	**$(213)**	$ 53	$ 158
Payments on debt	**(147)**	(1,263)	(166)
Net proceeds from borrowings	**449**	–	992
Net proceeds from Class A stock offering	**274**	–	–
Convertible note hedge transactions	**(94)**	–	–
Warrant transactions	**44**	–	–
Purchases of treasury shares	**(30)**	(61)	(42)
Dividends	**(56)**	(56)	(55)
Stock options exercised	**9**	74	32
Increase (decrease) in negative book cash balances	**67**	9	(85)
Other, net	**18**	(8)	10
Net cash provided by (used for) financing activities	**$ 321**	$(1,252)	$ 844

• Net borrowings (payments) on revolving credit facilities primarily include activity related to the accounts receivable securitization facility and commercial paper.

• Payments on debt include –

- In fiscal 2008, we bought back $40 million of our 2016 Notes and repaid the remaining $25 million outstanding Lakeside term loan.

- In fiscal 2007, we used proceeds from sale of the short-term investment to repay our outstanding $750 million 7.25% Notes due October 1, 2006. In addition, we used cash from operations to reduce the amount outstanding under the Lakeside term loan by $320 million, repay the outstanding $125 million 7.45% Notes due June 1, 2007, and reduce other borrowings.

- In fiscal 2006, we repaid the $87 million 6.125% Senior Notes due February 1, 2006, and reduced other borrowings.

- Net proceeds from borrowings include –

  - In fiscal 2008, we issued $458 million of 3.25% Convertible Senior Notes due October 15, 2013. Net proceeds were used for the net cost of the related Convertible Note Hedge and Warrant Transactions, toward the repayment of our borrowings under the accounts receivable securitization facility, and for other general corporate purposes.

  - In fiscal 2006, we issued $1.0 billion of 2016 Notes. We used proceeds to purchase a short-term investment, as well as for other general corporate purposes. The short-term investment was later sold and used in fiscal 2007 to repay our outstanding $750 million 7.25% Notes due October 1, 2006.

- In fiscal 2008, we issued 22.4 million shares of Class A stock in a public offering. Net proceeds were used toward repayment of our borrowings under the accounts receivable securitization facility and for other general corporate purposes.

Liquidity

in millions	Commitments Expiration Date	Facility Amount	Outstanding Letters of Credit (no draw downs)	Amount Borrowed	Amount Available
Cash					**$ 250**
Revolving credit facility	September 2010	**$1,000**	**$291**	**$ –**	**$ 709**
Accounts receivable securitization facility	Aug. 2009, Aug. 2010	**750**	**–**	**–**	**750**
Total liquidity					**$1,709**

- The revolving credit facility supports our short-term funding needs and letters of credit. Letters of credit are issued primarily in support of workers' compensation insurance programs and derivative activities.

- The accounts receivable securitization facility is with three co-purchasers and allows us to sell up to $750 million of trade receivables, consisting of $375 million expiring in August 2009 and a $375 million 364-day facility with an additional one-year option, which commits funding through August 2010. At September 27, 2008, we had access to the full $750 million borrowing capacity. Our borrowing capacity could be reduced in the future if our eligible receivables balance falls below $750 million.

- In conjunction with the $100 million of Gulf Opportunity Zone tax-exempt bond issuance in October 2008, we agreed to issue a guarantee for the full amount of the bond issuance, which was issued in the form of a letter of credit, in exchange for eight million Syntroleum stock warrants valued at $0.01 each. Both the issuance of the letter of credit and the receipt of Syntroleum warrants occurred subsequent to fiscal 2008. The letter of credit will reduce the unused borrowing capacity available under the revolving credit facility.

- In October 2008, we completed the acquisition of three vertically integrated poultry companies in southern Brazil. The purchase price was $80 million, as well as up to an additional $15 million of contingent purchase price based on production volumes payable through fiscal 2010. Additionally, once the joint venture agreement with Shandong Xinchang Group receives the necessary government approvals, we expect to spend $110 – $115 million to acquire a 60% ownership. We expect this to be finalized during fiscal 2009.

- Subject to receipt of applicable government approvals, we anticipate being ready to complete the sale of Lakeside by the end of the first quarter fiscal 2009, with plans to use available proceeds to pay down debt and other general corporate purposes. Inclusive of working capital of Lakeside initially retained by us at closing, as well as consideration received from XL Foods, we expect the following future cash flows based on the September 27, 2008, currency exchange rate: $55 million received at closing; approximately $136 million in calendar 2009; $49 million in notes receivable, plus interest, to be paid over two years by XL Foods; and $29 million of XL Foods preferred stock redeemable over five years. The discontinuance of Lakeside's operation will not have a material effect on our future operating cash flows.

- Our current ratio at September 27, 2008, and September 29, 2007, was 2.07 to 1 and 1.74 to 1, respectively.

Deterioration of Credit and Capital Markets

Credit market conditions deteriorated rapidly during our fourth quarter of fiscal 2008 and continue into our first quarter of fiscal 2009. Several major banks and financial institutions failed or were forced to seek assistance through distressed sales or emergency government measures. While not all-inclusive, the following summarizes some of the impacts to our business:

Credit Facilities Cash flows from operating activities are our primary source of liquidity for funding debt service and capital expenditures. However, we rely on our revolving credit and accounts receivable securitization facilities to provide additional liquidity for working capital needs, letters of credit, and as a source of financing for international growth. Our revolving credit facility has total committed capacity of $1.0 billion. As of September 27, 2008, we had outstanding letters of credit totaling $291 million, none of which were drawn upon, which left $709 million available for borrowing. Our revolving credit facility is funded by a syndicate of 35 banks, with commitments ranging from $5 million to $78 million per bank. If any of the banks in the syndicate were unable to perform on their commitments to fund the facility, our liquidity could be impaired, which could reduce our ability to fund working capital needs or finance our international growth strategy.

Our accounts receivable securitization facility has $750 million of committed funding, of which the entire amount was available for borrowing as of September 27, 2008. Our accounts receivable securitization facility is funded by a syndicate of three banks, with a commitment of $250 million per bank. To date, all of the banks in the syndicate have continued to meet their commitments despite the recent market turmoil. If any of the banks in the syndicate were unable to perform on their commitments to fund the facility, our liquidity could be impaired, which could reduce our ability to fund working capital needs or finance our international growth strategy. We have borrowed against this facility subsequent to fiscal 2008 and all of the banks in the syndicate performed their obligations to fund these borrowings.

Current market conditions have also resulted in higher credit spreads on long-term borrowings and significantly reduced demand for new corporate debt issuances.

Equity – Class A Common Stock Equity prices, including our own Class A Common Stock, have fallen and experienced abnormally high volatility during the current period. If these conditions persist, our cost of capital will increase significantly.

Customers/Suppliers The financial condition of some of our customers and suppliers could also be impaired by current market conditions. Although we have not experienced a material increase in customer bad debts or non-performance by suppliers, current market conditions increase the probability that we could experience losses from customer or supplier defaults. Should current credit and capital market conditions result in a prolonged economic downturn in the United States and abroad, demand for protein products could be reduced, which could result in a reduction of sales, operating income and cash flows.

Investments The value of our investments in equity and debt securities, including our marketable debt securities, company-owned life insurance and pension and other postretirement plan assets, has been negatively impacted by the recent market declines. These instruments were recorded at fair value as of September 27, 2008; however, subsequent to September 27, 2008, through November 1, 2008, we have seen an additional reduction in fair value of approximately $32 million. While we believe this reduction in fair value is temporary, if current market conditions continue, we could be required to recognize $10 million of expense in the first quarter of fiscal 2009. The remaining change in fair value would be deferred in other comprehensive income unless determined to be permanently impaired.

We currently oversee two domestic and one foreign subsidiary non-contributory qualified defined benefit pension plans. All three pension plans are frozen to new participants and no additional benefits will accrue for participants. Based on our 2008 actuarial valuation, we anticipate contributions of approximately $1 million to these plans for fiscal 2009. We also have one domestic unfunded defined benefit plan. Based on our 2008 actuarial valuation, we anticipate contributions of approximately $1 million to this plan in fiscal 2009.

Financial Instruments As part of our commodity risk management activities, we use derivative financial instruments, primarily futures and options, to reduce our exposure to various market risks related to commodity purchases. Similar to the capital markets, the commodities markets have seen a similar decline over the past several months. Grain prices reached an all-time high during our fourth quarter of fiscal 2008 before falling sharply to the current levels. While the reduction in grain prices benefit us long-term, we may be required to record additional losses related to these financial instruments in the first quarter of fiscal 2009 if grain prices remain lower than prices at the end of fiscal 2008.

Insurance We rely on insurers as a protection against liability claims, property damage and various other risks. Our primary insurers maintain an A.M. Best Financial Strength Rating of A+ or better. Nevertheless, we continue to monitor this situation as insurers have been and are expected to continue to be impacted by the current capital market environment.

Capitalization

in millions	2008	2007	2006
Senior notes	$2,400	$2,475	$3,388
3.25% Convertible senior notes	458	–	–
Lakeside term loan	–	25	345
Other indebtedness	38	279	246
Total Debt	$2,896	$2,779	$3,979
Total Equity	$5,014	$4,731	$4,440
Debt to Capitalization Ratio	36.6%	37.0%	47.3%

- In fiscal 2008, we issued $458 million of 3.25% Convertible Senior Notes due October 15, 2013. Net proceeds were used for the net cost of the Convertible Note Hedge and Warrant Transactions, toward the repayment of our borrowings under the accounts receivable securitization facility, and for other general corporate purposes.

- In fiscal 2008, we issued 22.4 million shares of Class A stock in a public offering. Net proceeds were used toward repayment of our borrowings under the accounts receivable securitization facility and for other general corporate purposes.

- At September 30, 2006, we had $750 million in a short-term investment held on deposit with a trustee. Proceeds from sale of short-term investment were used to repay the $750 million 7.25% Notes due October 1, 2006. This repayment was made in fiscal 2007. When adjusted for the $750 million short-term investment held on deposit, total debt would have been $3.2 billion, with a debt to capitalization ratio of 42.1%.

Credit Ratings

2016 Notes On July 24, 2006, Moody's Investors Services, Inc. (Moody's) downgraded the credit rating from "Baa3" to "Ba1." This downgrade increased the interest rate on the 2016 Notes from 6.60% to 6.85%, effective on the first day of the interest period during which the rating change required an adjustment to the interest rate (i.e., the issuance of the 2016 Notes). Additionally, on July 31, 2006, Standard & Poor's (S&P) downgraded the credit rating from "BBB" to "BBB–." This downgrade did not change the interest rate on the 2016 Notes.

On September 4, 2008, S&P downgraded the credit rating from "BBB–" to "BB." This downgrade increased the interest rate on the 2016 Notes from 6.85% to 7.35%, effective beginning with the six month interest payment due October 1, 2008.

On November 13, 2008, Moody's downgraded the credit rating from "Ba1" to "Ba3." This downgrade increased the interest rate on the 2016 Notes from 7.35% to 7.85%, effective beginning with the six month interest payment due April 1, 2009.

S&P currently rates the 2016 Notes "BB." Moody's currently rates this debt "Ba3." A further one-notch downgrade by either ratings agency would increase the interest rates on the 2016 Notes by an additional 0.25% per ratings agency.

Revolving Credit Facility Rating After an upgrade on October 1, 2008, S&P's credit rating for the revolving credit facility is "BBB–." After a downgrade on November 13, 2008, Moody's credit rating is "Ba2." The pretax impact to earnings of another downgrade would not be material to annual interest expense. However, if Moody's were to downgrade this facility to "Ba3" or below, or if S&P were to downgrade this facility to "BB–" or below, then the banks participating in our accounts receivable securitization facility could refuse to purchase any additional receivables from us and the accounts receivable securitization facility could unwind with any amounts outstanding under the facility repaid as the receivables owned by Tyson Receivables Company, our wholly-owned consolidated special purpose entity, are collected.

Debt Covenants

Our debt agreements contain various covenants, the most restrictive of which contain maximum allowed leverage ratios and a minimum required interest coverage ratio. On September 10, 2008, we amended our revolving credit facility agreement to provide a less restrictive maximum allowed leverage ratio, which takes effect in first quarter of fiscal 2009. All trademarks of our domestic subsidiaries are pledged as collateral under the revolving credit facility. Additionally, certain domestic subsidiaries guaranteed this facility and pledged inventory as collateral. We were in compliance with all covenants at September 27, 2008.

Based on the current industry outlook and our internal forecasts, we anticipate we will be in compliance with our debt covenants throughout fiscal 2009. However, our Chicken segment in the first part of fiscal 2009 will be negatively impacted by difficult export markets and long grain positions that could negatively impact our covenant compliance.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements material to our financial position or results of operations. The off-balance sheet arrangements we have are guarantees of debt of outside third parties, including a lease and grower loans, and residual value guarantees covering certain operating leases for various types of equipment. See Note 9, "Commitments" of the Notes to Consolidated Financial Statements for further discussion.

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations as of September 27, 2008:

	Payments Due by Period				
in millions	2009	2010–2011	2012–2013	2014 and thereafter	Total
Debt and capital lease obligations:					
Principal payments[(1)]	$ 8	$1,245	$ 5	$1,638	$2,896
Interest payments[(2)]	289	339	207	329	1,164
Guarantees[(3)]	25	29	33	34	121
Operating lease obligations[(4)]	80	102	48	23	253
Purchase obligations[(5)]	710	73	20	24	827
Capital expenditures[(6)]	308	58	–	–	366
Other long-term liabilities[(7)]	8	5	5	32	50
Total contractual commitments	$1,428	$1,851	$318	$2,080	$5,677

(1) In the event of a default on payment or violation of debt covenants, acceleration of the principal payments could occur. At September 27, 2008, we were in compliance with all of our debt covenants.

(2) Interest payments included interest on all outstanding debt. Payments are estimated for variable rate and variable term debt based on effective rates at September 27, 2008, and expected payment dates.

(3) Amounts included guarantees of debt of outside third parties, which consist of a lease and grower loans, all of which are substantially collateralized by the underlying assets, as well as residual value guarantees covering certain operating leases for various types of equipment. The amounts included are the maximum potential amount of future payments.

(4) Amounts included in operating lease obligations are minimum lease payments under lease agreements.

(5) Amounts included in purchase obligations are agreements to purchase goods or services that are enforceable and legally binding and specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. The purchase obligations amount included items, such as future purchase commitments for grains, livestock contracts and fixed grower fees that provide terms that meet the above criteria. We have excluded future purchase commitments for contracts that do not meet these criteria. Purchase orders have not been included in the table, as a purchase order is an authorization to purchase and may not be considered an enforceable and legally binding contract. Contracts for goods or services that contain termination clauses without penalty have also been excluded.

(6) Amounts included in capital expenditures are estimated amounts to complete buildings and equipment under construction as of September 27, 2008, as well as costs to construct Dynamic's facility.

(7) Amounts included in other long-term liabilities are items that meet the definition of a purchase obligation and are recorded in the Consolidated Balance Sheets.

In addition to the amounts shown above in the table, we have unrecognized tax benefits of $220 million and related interest and penalties of $67 million at September 27, 2008, recorded as liabilities in accordance with Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," an interpretation of FASB Statement No. 109 (FIN 48). During fiscal 2009, tax audit resolutions could potentially reduce these amounts by approximately $38 million, either because tax positions are sustained on audit or because we agree to their disallowance. For the remaining liability, due to the uncertainties related to these income tax matters, we are unable to make a reasonably reliable estimate of the amounts or timing of potential reductions.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In June 2006, the FASB issued FIN 48. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. We adopted FIN 48 at the beginning of fiscal 2008. The adoption of FIN 48 resulted in a change to the opening Consolidated Balance Sheet as follows: $32 million increase to Other Current Assets, $17 million decrease to Other Current Liabilities, $106 million increase to Other Liabilities, $40 million decrease to Deferred Income Taxes and $17 million decrease to Retained Earnings. Included in these changes we recognized a $120 million increase in the liability for unrecognized tax benefits and a $21 million increase in the related liability for interest and penalties for a total of $141 million.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (SFAS No. 158). SFAS No. 158 requires companies to recognize the funded status of a defined benefit postretirement plan as an asset or liability in its consolidated balance sheet and to recognize changes in funded status in the year in which the changes occur through other comprehensive income. We adopted SFAS No. 158 at the end of fiscal 2007 except for the requirement to measure the funded status of a plan as of the date of its annual consolidated balance sheet, which we adopted in fiscal 2008 and which had an immaterial impact. See Note 13, "Pensions and Other Postretirement Benefits" in the Notes to Consolidated Financial Statements for the impact of the adoption of SFAS No. 158.

In March 2005, the FASB issued FIN 47. Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143), was issued in June 2001 and requires an entity to recognize the fair value of a liability for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. SFAS No. 143 applies to legal obligations associated with the retirement of a tangible long-lived asset that resulted from the acquisition, construction, development and/or the normal operation of a long-lived asset. The associated asset costs are capitalized as part of the carrying amount of the long-lived asset. FIN 47 clarifies the term "conditional asset retirement obligation" as used in SFAS No. 143, which refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN 47 requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. We adopted FIN 47 as of September 30, 2006. See Note 2, "Change in Accounting Principle" in the Notes to Consolidated Financial Statements for the impact of the adoption of FIN 47.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS No. 157). SFAS No. 157 provides guidance for using fair value to measure assets and liabilities. This standard also responds to investors' requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. Beginning September 28, 2008, we partially applied SFAS No. 157 as allowed by FASB Staff Position (FSP) 157-2, which delayed the effective date of SFAS No. 157 for nonfinancial assets and liabilities. As of September 28, 2008, we have applied the provisions of SFAS No. 157 to our financial instruments and the impact was not material. Under FSP 157-2, we will be required to apply SFAS No. 157 to our nonfinancial assets and liabilities at the beginning of fiscal 2010. We are currently reviewing the applicability of SFAS No. 157 to our nonfinancial assets and liabilities as well as the potential impact on our consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" (SFAS No. 159). This statement provides companies with an option to report selected financial assets and liabilities firm commitments, and nonfinancial warranty and insurance contracts at fair value on a contract-by-contract basis, with changes in fair value recognized in earnings each reporting period. At September 28, 2008, we did not elect the fair value option under SFAS No. 159 and therefore there was no impact to our consolidated financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements" (SFAS No. 160). SFAS No. 160 amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements" to establish accounting and reporting standards for a noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This statement clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity and should be reported as equity in the consolidated financial statements, rather than in the liability or mezzanine section between liabilities and equity. SFAS No. 160 also requires consolidated net income be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. The impact of SFAS No. 160 will not have a material impact on our current Consolidated Financial Statements. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008; therefore, we expect to adopt SFAS No. 160 at the beginning of fiscal 2010.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, "Business Combinations" (SFAS No. 141R). SFAS No. 141R establishes principles and requirements for how an acquirer in a business combination: 1) recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree; 2) recognizes and measures goodwill acquired in a business combination or a gain from a bargain purchase; and 3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of a business combination. SFAS No. 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008; therefore, we expect to adopt SFAS No. 141R for any business combinations entered into beginning in fiscal 2010.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133" (SFAS No. 161). SFAS No. 161 establishes enhanced disclosure requirements about: 1) how and why an entity uses derivative instruments; 2) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations; and 3) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008; therefore, we expect to adopt SFAS No. 161 in the second quarter of fiscal 2009.

In May 2008, the FASB issued FASB Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" (FSP APB 14-1). FSP APB 14-1 specifies that issuers of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The amount allocated to the equity component represents a discount to the debt, which is amortized into interest expense using the effective interest method over the life of the debt. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is not permitted. Therefore, we expect to adopt the provisions of FSP APB 14-1 beginning in the first quarter of fiscal 2010. The provisions of FSP APB 14-1 are required to be applied retrospectively to all periods presented. Upon retrospective adoption, we anticipate our effective interest rate on our 3.25% Convertible

Senior Notes due 2013 will range from 8.0% to 8.50%, which would result in the recognition of an approximate $90 million to $100 million discount to these notes with the offsetting after tax amount recorded to capital in excess of par value. This discount will be accreted until the maturity date at the effective interest rate, which will not materially impact fiscal 2008 interest expense, but will result in an estimated $15 million to $20 million increase to our fiscal 2009 interest expense.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements requires us 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 we consider critical.

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Contingent liabilities We are subject to lawsuits, investigations and other claims related to wage and hour/labor, livestock procurement, securities, environmental, product, taxing authorities and other matters, and are 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 and disclosures required, if any, for these contingencies are made after considerable analysis of each individual issue. We accrue for contingent liabilities when an assessment of the risk of loss is probable and can be reasonably estimated. We disclose contingent liabilities when the risk of loss is reasonably possible or probable.	Our contingent liabilities contain uncertainties because the eventual outcome will result from future events, and determination of current reserves requires estimates and judgments related to future changes in facts and circumstances, differing interpretations of the law and assessments of the amount of damages, and the effectiveness of strategies or other factors beyond our control.	We have not made any material changes in the accounting methodology used to establish our contingent liabilities during the past three fiscal years. We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate our contingent liabilities. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material.
Marketing and advertising costs We incur advertising, retailer incentive and consumer incentive costs to promote products through marketing programs. These programs include cooperative advertising, volume discounts, in-store display incentives, coupons and other programs. Marketing and advertising costs are charged in the period incurred. We accrue costs based on the estimated performance, historical utilization and redemption of each program. Cash consideration given to customers is considered a reduction in the price of our products, thus recorded as a reduction to sales. The remainder of marketing and advertising costs is recorded as a selling, general and administrative expense.	Recognition of the costs related to these programs contains uncertainties due to judgment required in estimating the potential performance and redemption of each program. These estimates are based on many factors, including experience of similar promotional programs.	We have not made any material changes in the accounting methodology used to establish our marketing accruals during the past three fiscal years. We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate our marketing accruals. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material. A 10% change in our marketing accruals at September 27, 2008, would impact pretax earnings by approximately $10 million.

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Accrued self insurance We are self insured for certain losses related to health and welfare, workers' compensation, auto liability and general liability claims. We use an independent third-party actuary to assist in determining our self-insurance liability. We and the actuary consider a number of factors when estimating our self-insurance liability, including claims experience, demographic factors, severity factors and other actuarial assumptions. We periodically review our estimates and assumptions with our third-party actuary to assist us in determining the adequacy of our self-insurance liability. Our policy is to maintain an accrual within the central to high point of the actuarial range.	Our self-insurance liability contains uncertainties due to assumptions required and judgment used. Costs to settle our obligations, including legal and healthcare costs, could increase or decrease causing estimates of our self-insurance liability to change. Incident rates, including frequency and severity, could increase or decrease causing estimates in our self-insurance liability to change.	We have not made any material changes in the accounting methodology used to establish our self-insurance liability during the past three fiscal years. We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate our self-insurance liability. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material. A 10% increase in the actuarial range at September 27, 2008, would not impact the amount we recorded for our self-insurance liability. A 10% decrease in the actuarial range at September 27, 2008, would result in a gain in the amount we recorded for our self-insurance liability of approximately $23 million.
Impairment of long-lived assets Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Examples include a significant adverse change in the extent or manner in which we use a long-lived asset or a change in its physical condition. When evaluating long-lived assets for impairment, we compare the carrying value of the asset to the asset's estimated undiscounted future cash flows. An impairment is indicated if the estimated future cash flows are less than the carrying value of the asset. The impairment is the excess of the carrying value over the fair value of the long-lived asset. We recorded impairment charges related to long-lived assets of $52 million, $6 million and $67 million, respectively, in fiscal years 2008, 2007 and 2006.	Our impairment analysis contains uncertainties due to judgment in assumptions and estimates surrounding undiscounted future cash flows of the long-lived asset, including forecasting useful lives of assets and selecting the discount rate that reflects the risk inherent in future cash flows to determine fair value.	We have not made any material changes in the accounting methodology used to evaluate the impairment of long-lived assets during the last three fiscal years. We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate impairments of long-lived assets. However, if actual results are not consistent with our estimates and assumptions used to calculate estimated future cash flows, we may be exposed to impairment losses that could be material.

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Impairment of goodwill and other intangible assets		
Goodwill impairment is determined using a two-step process. The first step is to identify if a potential impairment exists by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to have a potential impairment and the second step of the impairment test is not necessary. However, if the carrying amount of a reporting unit exceeds its fair value, the second step is performed to determine if goodwill is impaired and to measure the amount of impairment loss to recognize, if any. The second step compares the implied fair value of goodwill with the carrying amount of goodwill. If the implied fair value of goodwill exceeds the carrying amount, then goodwill is not considered impaired. However, if the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination (i.e., the fair value of the reporting unit is allocated to all the assets and liabilities, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit). For our other intangible assets, if the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. We have elected to make the first day of the fourth quarter the annual impairment assessment date for goodwill and other intangible assets. However, we could be required to evaluate the recoverability of goodwill and other intangible assets prior to the required annual assessment if we experience disruptions to the business, unexpected significant declines in operating results, divestiture of a significant component of the business or a sustained decline in market capitalization.	We estimate the fair value of our reporting units, generally our operating segments, using various valuation techniques, with the primary technique being a discounted cash flow analysis. A discounted cash flow analysis requires us to make various judgmental assumptions about sales, operating margins, growth rates and discount rates. Assumptions about sales, operating margins and growth rates are based on our budgets, business plans, economic projections, anticipated future cash flows and marketplace data. Assumptions are also made for varying perpetual growth rates for periods beyond the long-term business plan period. While estimating the fair value of our Beef and Chicken reporting units, we assumed operating margins in future years in excess of the margins realized in the most current year. The fair value estimates for these reporting units assume normalized operating margin assumptions and improved operating efficiencies based on long-term expectations and margins historically realized in the beef and chicken industries. We estimate the fair value of our Beef reporting unit would be in excess of its carrying amount, including goodwill, by sustaining long-term operating margins of approximately 2.3%. We estimate the fair value of our Chicken reporting units would be in excess of its carrying amount, including goodwill, by sustaining long-term operating margins of approximately 5.1%. Other intangible asset fair values have been calculated for trademarks using a royalty rate method and using the present value of future cash flows for patents and in-process technology. Assumptions about royalty rates are based on the rates at which similar brands and trademarks are licensed in the marketplace. Our impairment analysis contains uncertainties due to uncontrollable events that could positively or negatively impact the anticipated future economic and operating conditions.	We have not made any material changes in the accounting methodology used to evaluate impairment of goodwill and other intangible assets during the last three years. As a result of the first step of the 2008 goodwill impairment analysis, the fair value of each reporting unit exceeded its carrying value. Therefore, the second step was not necessary. However, a 6% decline in fair value of our Beef reporting unit or an 11% decline in fair value of our Chicken reporting unit would have caused the carrying values for these reporting units to be in excess of fair values which would require the second step to be performed. The second step could have resulted in an impairment loss for goodwill. While we believe we have made reasonable estimates and assumptions to calculate the fair value of the reporting units and other intangible assets, it is possible a material change could occur. If our actual results are not consistent with our estimates and assumptions used to calculate fair value, we may be required to perform the second step which could result in a material impairment of our goodwill. During the latter part of the fourth quarter of fiscal 2008 and continuing into November 2008, our market capitalization was below book value. While we considered the market capitalization decline in our evaluation of fair value of goodwill, we determined it did not impact the overall goodwill impairment analysis as we believe the decline to be primarily attributed to the negative market conditions as a result of the credit crisis, indications of a possible recession and current issues within the poultry industry. We will continue to monitor our market capitalization as a potential impairment indicator considering overall market conditions and poultry industry events. Our fiscal 2008 other intangible asset impairment analysis did not result in a material impairment charge. A hypothetical 10% decrease in the fair value of intangible assets would not result in a material impairment.

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Income taxes We estimate total income tax expense based on statutory tax rates and tax planning opportunities available to us in various jurisdictions in which we earn income. Federal income taxes include an estimate for taxes on earnings of foreign subsidiaries expected to be remitted to the United States and be taxable, but not for earnings considered indefinitely invested in the foreign subsidiary. Deferred income taxes are recognized for the future tax effects of temporary differences between financial and income tax reporting using tax rates in effect for the years in which the differences are expected to reverse. Valuation allowances are recorded when it is likely a tax benefit will not be realized for a deferred tax asset. We record unrecognized tax benefit liabilities for known or anticipated tax issues based on our analysis of whether, and the extent to which, additional taxes will be due. This analysis is performed in accordance with the requirements of FIN 48, which we adopted at the beginning of fiscal year 2008.	Changes in tax laws and rates could affect recorded deferred tax assets and liabilities in the future. Changes in projected future earnings could affect the recorded valuation allowances in the future. Our calculations related to income taxes contain uncertainties due to judgment used to calculate tax liabilities in the application of complex tax regulations across the tax jurisdictions where we operate. Our analysis of unrecognized tax benefits contain uncertainties based on judgment used to apply the more likely than not recognition and measurement thresholds of FIN 48.	We do not believe there is a reasonable likelihood there will be a material change in the tax related balances or valuation allowances. However, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the tax liabilities. To the extent we prevail in matters for which FIN 48 liabilities have been established, or are required to pay amounts in excess of our recorded FIN 48 liabilities, our effective tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement would require use of our cash and result in an increase in our effective tax rate in the period of resolution. A favorable tax settlement would be recognized as a reduction in our effective tax rate in the period of resolution.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

MARKET RISK

Market risk relating to our operations results primarily from changes in commodity prices, interest rates and foreign exchange rates, as well as credit risk concentrations. To address certain of these risks, we enter into various derivative transactions as described below. If a derivative instrument is accounted for as a hedge, as defined by Statement of Financial Accounting Standards 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 either will be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or be 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, is recognized immediately. Additionally, we hold certain positions, primarily in grain and livestock futures that either do not meet the criteria for hedge accounting or are not designated as hedges. These positions are marked to market, and the unrealized gains and losses are reported in earnings at each reporting date.

Changes in market value of derivatives used in our risk management activities relating to forward sales contracts are recorded in sales. Changes in market value of derivatives used in our risk management activities surrounding inventories on hand or anticipated purchases of inventories are recorded in cost of sales.

The sensitivity analyses presented below are the measures of potential losses of fair value resulting from hypothetical changes in market prices related to commodities. Sensitivity analyses do not consider the actions we may take to mitigate our exposure to changes, nor do they consider the effects such hypothetical adverse changes may have on overall economic activity. Actual changes in market prices may differ from hypothetical changes.

Commodities Risk: We purchase certain commodities, such as grains and livestock, in the course of normal operations. As part of our commodity risk management activities, we use derivative financial instruments, primarily futures and options, to reduce the effect of changing prices and as a mechanism to procure the underlying commodity. However, as the commodities underlying our derivative financial instruments can experience significant price fluctuations, any requirement to mark-to-market the positions that have not been designated or do not qualify as hedges under SFAS No. 133 could result in volatility in our results of operations. Contract terms of a hedge instrument closely mirror those of the hedged item providing a high degree of risk reduction and correlation. Contracts designated and 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, 2008, and September 29, 2007, on the 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 derivative financial instruments.

Effect of 10% change in fair value

in millions	**2008**	2007
Livestock:		
Cattle	**$78**	$33
Hogs	**31**	64
Grain	**88**	9

Interest Rate Risk: At September 27, 2008, we had fixed-rate debt of $2.9 billion with a weighted average interest rate of 7.0%. We have exposure to changes in interest rates on this fixed-rate debt. Market risk for fixed-rate debt is estimated as the potential increase in fair value, resulting from a hypothetical 10% decrease in interest rates. A hypothetical 10% decrease in interest rates would have increased the fair value of our fixed-rate debt by approximately $45 million at September 27, 2008, and $58 million at September 29, 2007. The fair values of our debt were estimated based on quoted market prices and/or published interest rates.

At September 27, 2008, we had variable rate debt of $19 million with a weighted average interest rate of 4.6%. A hypothetical 10% increase in interest rates effective at September 27, 2008, and September 29, 2007, would have a minimal effect on interest expense.

Foreign Currency Risk: We have foreign exchange gain/loss exposure from fluctuations in foreign currency exchange rates primarily as a result of certain receivable and payable balances. The primary currency exchanges we have exposure to are the Canadian dollar, the Mexican peso, the European euro, the British pound sterling and the Brazilian real. We periodically enter into foreign exchange forward contracts to hedge some portion of our foreign currency exposure. A hypothetical 10% change in foreign exchange rates effective at September 27, 2008, and September 29, 2007, related to the foreign exchange forward contracts would have an $11 million and $3 million, respectively, impact on pretax income. In the future, we may enter into more foreign exchange forward contracts as a result of our international growth strategy.

Concentrations of Credit Risk: Our financial instruments exposed to concentrations of credit risk consist primarily of cash equivalents and trade receivables. Our 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 our large number of customers and their dispersion across geographic areas. We perform periodic credit evaluations of our customers' financial condition and generally do not require collateral. At September 27, 2008, and September 29, 2007, 12.2% and 12.1%, respectively, of our net accounts receivable balance was due from Wal-Mart Stores, Inc. No other single customer or customer group represents greater than 10% of net accounts receivable.

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

Certain information in this report constitutes forward-looking statements. Such forward-looking statements include, but are not limited to, current views and estimates of future economic circumstances, industry conditions in domestic and international markets, our performance and financial results, including, without limitation, debt-levels, return on invested capital, value-added product growth, capital expenditures, tax rates, access to foreign markets and dividend policy. These forward-looking statements are subject to a number of factors and uncertainties that could cause our actual results and experiences to differ materially from anticipated results and expectations expressed in such forward-looking statements. We wish to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. We undertake 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 cause actual results and experiences to differ from anticipated results and expectations expressed in such forward-looking statements are the following: (i) fluctuations in the cost and availability of inputs and raw materials, such as live cattle, live swine, feed grains (including corn and soybean meal) and energy; (ii) market conditions for finished products, including competition from other global and domestic food processors, supply and pricing of competing products and alternative proteins and demand for alternative proteins; (iii) successful rationalization of existing facilities and operating efficiencies of the facilities; (iv) risks associated with our commodity trading risk management activities; (v) access to foreign markets together with foreign economic conditions, including currency fluctuations, import/export restrictions and foreign politics; (vi) outbreak of a livestock disease (such as avian influenza (AI) or bovine spongiform encephalopathy (BSE)), which could have an effect on livestock we own, the availability of livestock we purchase, consumer perception of certain protein products or our ability to access certain domestic and foreign markets; (vii) changes in availability and relative costs of labor and contract growers and our ability to maintain good relationships with employees, labor unions, contract growers and independent producers providing us livestock; (viii) issues related to food safety, including costs resulting from product recalls, regulatory compliance and any related claims or litigation; (ix) changes in consumer preference and diets and our ability to identify and react to consumer trends; (x) significant marketing plan changes by large customers or loss of one or more large customers; (xi) adverse results from litigation; (xii) risks associated with leverage, including cost increases due to rising interest rates or changes in debt ratings or outlook; (xiii) compliance with and changes to regulations and laws (both domestic and foreign), including changes in accounting standards, tax laws, environmental laws and occupational, health and safety laws; (xiv) our ability to make effective acquisitions or joint ventures and successfully integrate newly acquired businesses into existing operations; (xv) effectiveness of advertising and marketing programs; (xvi) those factors listed under Item 1A. "Risk Factors" included in our September 27, 2008, Annual Report filed on Form 10-K.

Consolidated Statements of Operations

Three years ended September 27, 2008

in millions, except per share data	2008	2007	2006
Sales	$26,862	$25,729	$24,589
Cost of Sales	25,616	24,300	23,639
	1,246	1,429	950
Operating Expenses:			
Selling, general and administrative	879	814	930
Other charges	36	2	70
Operating Income (Loss)	331	613	(50)
Other (Income) Expense:			
Interest income	(9)	(8)	(30)
Interest expense	215	232	268
Other, net	(29)	(21)	(20)
	177	203	218
Income (Loss) from Continuing Operations before Income Taxes	154	410	(268)
Income Tax Expense (Benefit)	68	142	(94)
Income (Loss) from Continuing Operations	86	268	(174)
Loss from Discontinued Operation, Net of Tax $0, $0, $(8)	–	–	(17)
Income (Loss) before Cumulative Effect of Change in Accounting Principle	86	268	(191)
Cumulative Effect of Change in Accounting Principle, Net of Tax	–	–	(5)
Net Income (Loss)	$ 86	$ 268	$ (196)
Weighted Average Shares Outstanding:			
Class A Basic	281	273	249
Class B Basic	70	75	96
Diluted	356	355	345
Earnings (Loss) Per Share from Continuing Operations:			
Class A Basic	$ 0.25	$ 0.79	$ (0.51)
Class B Basic	$ 0.22	$ 0.70	$ (0.47)
Diluted	$ 0.24	$ 0.75	$ (0.51)
Loss Per Share from Discontinued Operation:			
Class A Basic	$ –	$ –	$ (0.05)
Class B Basic	$ –	$ –	$ (0.05)
Diluted	$ –	$ –	$ (0.05)
Cumulative Effect of Change in Accounting Principle			
Class A Basic	$ –	$ –	$ (0.02)
Class B Basic	$ –	$ –	$ (0.01)
Diluted	$ –	$ –	$ (0.02)
Net Earnings (Loss) per Share			
Class A Basic	$ 0.25	$ 0.79	$ (0.58)
Class B Basic	$ 0.22	$ 0.70	$ (0.53)
Diluted	$ 0.24	$ 0.75	$ (0.58)

See accompanying notes.

Consolidated Balance Sheets

September 27, 2008, and September 29, 2007 in millions, except share and per share data	2008	2007
Assets		
Current Assets:		
Cash and cash equivalents	**$ 250**	$ 42
Accounts receivable, net	**1,271**	1,246
Inventories	**2,538**	2,159
Other current assets	**143**	70
Assets of discontinued operation held for sale	**159**	164
Total Current Assets	**4,361**	3,681
Net Property, Plant and Equipment	**3,519**	3,608
Goodwill	**2,511**	2,485
Intangible Assets	**128**	126
Other Assets	**331**	327
Total Assets	**$10,850**	$10,227
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current debt	**$ 8**	$ 137
Trade accounts payable	**1,217**	1,050
Other current liabilities	**878**	928
Total Current Liabilities	**2,103**	2,115
Long-Term Debt	**2,888**	2,642
Deferred Income Taxes	**291**	367
Other Liabilities	**554**	372
Shareholders' Equity:		
Common stock ($0.10 par value):		
Class A-authorized 900 million shares:		
issued 322 million shares in 2008 and 300 million shares in 2007	**32**	30
Convertible Class B-authorized 900 million shares:		
issued 70 million shares in both 2008 and 2007	**7**	7
Capital in excess of par value	**2,161**	1,877
Retained earnings	**3,006**	2,993
Accumulated other comprehensive income	**41**	50
	5,247	4,957
Less treasury stock, at cost – 15 million shares in 2008 and 14 million shares in 2007	**233**	226
Total Shareholders' Equity	**5,014**	4,731
Total Liabilities and Shareholders' Equity	**$10,850**	$10,227

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Three years ended September 27, 2008 in millions	**September 27, 2008** **Shares**	 **Amount**	September 29, 2007 Shares	 Amount	September 30, 2006 Shares	 Amount
Class A Common Stock:						
Balance at beginning of year	**300**	**$ 30**	284	$ 28	268	$ 27
Issuance of Class A Common Stock	**22**	**2**	–	–	–	–
Conversion from Class B shares	**–**	**–**	16	2	16	1
Balance at end of year	**322**	**32**	300	30	284	28
Class B Common Stock:						
Balance at beginning of year	**70**	**7**	86	9	102	10
Conversion to Class A shares	**–**	**–**	(16)	(2)	(16)	(1)
Balance at end of year	**70**	**7**	70	7	86	9
Capital in Excess of Par Value:						
Balance at beginning of year		**1,877**		1,835		1,867
Issuance of Class A Common Stock		**272**		–		–
Convertible note hedge transactions		**(58)**		–		–
Warrant transactions		**44**		–		–
Stock options exercised		**(5)**		9		(2)
Restricted shares issued		**(14)**		(26)		(16)
Restricted shares canceled		**2**		27		3
Cumulative effect of adoption of SFAS No. 123R		**–**		–		(55)
Restricted share amortization		**19**		24		26
Reclassification and other		**24**		8		12
Balance at end of year		**2,161**		1,877		1,835
Retained Earnings:						
Balance at beginning of year		**2,993**		2,781		3,032
Cumulative effect of adoption of FIN 48		**(17)**		–		–
Net income (loss)		**86**		268		(196)
Dividends paid		**(56)**		(56)		(55)
Balance at end of year		**3,006**		2,993		2,781
Accumulated Other Comprehensive Income (Loss), Net of Tax:						
Balance at beginning of year		**50**		17		28
Net hedging (gain) loss recognized in cost of sales		**(6)**		(20)		3
Net hedging unrealized gain		**4**		20		1
Unrealized gain (loss) on investments		**(1)**		–		1
Currency translation adjustment		**(2)**		24		(6)
Net change in postretirement liabilities		**(4)**		–		–
Net change in pension liability, prior to the adoption of SFAS No. 158		**–**		6		(10)
Adjustment to initially apply SFAS No. 158		**–**		3		–
Balance at end of year		**41**		50		17
Treasury Stock:						
Balance at beginning of year	**14**	**(226)**	15	(230)	15	(238)
Purchase of treasury shares	**2**	**(30)**	3	(61)	3	(42)
Stock options exercised	**–**	**11**	(4)	65	(2)	35
Restricted shares issued	**(1)**	**16**	(2)	27	(1)	20
Restricted shares canceled	**–**	**(4)**	2	(27)	–	(5)
Balance at end of year	**15**	**(233)**	14	(226)	15	(230)
Unamortized Deferred Compensation:						
Balance at beginning of year		**–**		–		(55)
Cumulative effect of adoption of SFAS No. 123R		**–**		–		55
Balance at end of year		**–**		–		–
Total Shareholders' Equity		**$5,014**		$4,731		$4,440
Comprehensive Income (Loss):						
Net income (loss)		**$ 86**		$ 268		$ (196)
Other comprehensive income (loss), net of tax		**(9)**		30		(11)
Total Comprehensive Income (Loss)		**$ 77**		$ 298		$ (207)

See accompanying notes.

Consolidated Statements of Cash Flows

Three years ended September 27, 2008
in millions

	2008	2007	2006
Cash Flows From Operating Activities:			
Net income (loss)	**$ 86**	$ 268	$ (196)
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation	**468**	482	481
Amortization	**25**	32	36
Deferred taxes	**35**	5	(130)
Cumulative effect of change in accounting principle, before tax	**–**	–	9
Impairment and write-down of assets	**57**	14	18
Other, net	**26**	(15)	30
(Increase) decrease in accounts receivable	**(59)**	(66)	43
(Increase) decrease in inventories	**(376)**	(166)	8
Increase in trade accounts payable	**98**	91	38
Increase (decrease) in income taxes payable/receivable	**(22)**	24	(132)
Increase (decrease) in interest payable	**–**	(35)	104
Net change in other current assets and liabilities	**(50)**	44	63
Cash Provided by Operating Activities	**288**	678	372
Cash Flows From Investing Activities:			
Additions to property, plant and equipment	**(425)**	(285)	(531)
Proceeds from sale of property, plant and equipment	**26**	76	21
Purchases of marketable securities	**(115)**	(131)	(191)
Proceeds from sale of marketable securities	**112**	147	214
Proceeds from sale of investments	**22**	–	–
Proceeds from sale (purchase) of short-term investment	**–**	770	(750)
Other, net	**(19)**	2	13
Cash Provided by (Used for) Investing Activities	**(399)**	579	(1,224)
Cash Flows From Financing Activities:			
Net borrowings (payments) on revolving credit facilities	**(213)**	53	158
Payments of debt	**(147)**	(1,263)	(166)
Net proceeds from borrowings	**449**	–	992
Net proceeds from Class A stock offering	**274**	–	–
Convertible note hedge transactions	**(94)**	–	–
Warrant transactions	**44**	–	–
Purchase of treasury shares	**(30)**	(61)	(42)
Dividends	**(56)**	(56)	(55)
Stock options exercised	**9**	74	32
Increase (decrease) in negative book cash balances	**67**	9	(85)
Other, net	**18**	(8)	10
Cash Provided by (Used for) Financing Activities	**321**	(1,252)	844
Effect of Exchange Rate Change on Cash	**(2)**	9	(4)
Increase (Decrease) in Cash and Cash Equivalents	**208**	14	(12)
Cash and Cash Equivalents at Beginning of Year	**42**	28	40
Cash and Cash Equivalents at End of Year	**$ 250**	$ 42	$ 28

See accompanying notes.

Notes to Consolidated Financial Statements

NOTE 1: BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business: Tyson Foods, Inc. (collectively, "Company," "we," "us" or "our"), 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 production company in the *Fortune* 500. We produce a wide variety of brand name protein-based and prepared food products marketed in the United States and more than 90 countries around the world. We are a recognized market leader in the retail and foodservice markets we serve. We have approximately 107,000 employees and more than 300 facilities and offices in 28 states and 22 countries.

Consolidation: The consolidated financial statements include the accounts of all wholly-owned subsidiaries, as well as majority-owned subsidiaries for which we have a controlling interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

We have an investment in a joint venture, Dynamic Fuels LLC (Dynamic), in which we have a 50 percent ownership interest. Dynamic qualifies as a variable interest entity under Financial Accounting Standards Board (FASB) Interpretation No. 46(R) "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51" (FIN 46(R)). Effective June 30, 2008, we began consolidating Dynamic since we are the primary beneficiary as defined by FIN 46(R).

Fiscal Year: We utilize a 52- or 53-week accounting period ending on the Saturday closest to September 30.

Reclassification: In the fourth quarter fiscal 2008, we began to manage and report the operating results and identifiable assets of our logistics operations in the segment in which the product being moved relates. As a result, our operating segments now reflect logistics operations which were previously included in Other. All prior periods have been restated to reflect this change.

Discontinued Operation: On June 25, 2008, we executed a letter of intent with XL Foods Inc. to sell the beef processing, cattle feed yard and fertilizer assets of Lakeside Farm Industries Ltd. (Lakeside), our wholly-owned Canadian subsidiary. The financial statements report Lakeside as a discontinued operation. See Note 3: Discontinued Operation in the Notes to Consolidated Financial Statements for further information. Accordingly, all prior periods have been restated.

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 our cash management activity. The carrying values of these assets approximate their fair market values. We primarily utilize a cash management system with a series of separate accounts consisting of lockbox accounts for receiving cash, concentration accounts where funds are moved to, and several "zero-balance" disbursement accounts for funding payroll, accounts payable, livestock procurement, grower payments, etc. As a result of our cash management system, checks issued, but not presented to the banks for payment, may result in negative book cash balances. These negative book cash balances are included in trade accounts payable and other current liabilities. Checks outstanding in excess of related book cash balances totaled approximately $322 million at September 27, 2008, and $255 million at September 29, 2007.

Accounts Receivable: We record trade accounts receivable at net realizable value. This value includes an appropriate allowance for estimated uncollectible accounts to reflect any loss anticipated on the trade accounts receivable balances and charged to the provision for doubtful accounts. We calculate this allowance based on our history of write-offs, level of past due accounts and relationships with and economic status of our customers. We generally do not have collateral for our receivables, but we do periodically evaluate the credit worthiness of our customers.

Inventories: Processed products, livestock and supplies and other are valued at the lower of cost or market. Cost includes purchased raw materials, live purchase costs, growout 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.

in millions	**2008**	2007
Processed products:		
Weighted-average method –		
chicken and prepared foods	**$ 920**	$ 773
First-in, first-out method – beef and pork	**571**	514
Livestock – first-in, first-out method	**701**	573
Supplies and other – weighted-average method	**346**	299
Total inventory	**$2,538**	$2,159

Depreciation: We primarily use the straight-line method to calculate depreciation, using estimated lives for buildings and leasehold improvements of 10 to 33 years, machinery and equipment of three to 12 years and land improvements and other of three to 20 years.

Long-Lived Assets: We review 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 on historical results and current projections of earnings before interest and taxes. We measure impairment as the excess of carrying cost over the fair value of an asset. The fair value of an asset is measured using discounted cash flows of future operating results based on a discount rate that corresponds to our cost of capital.

Goodwill and Other Intangible Assets: Goodwill and indefinite life intangible assets are initially recorded at fair value and not amortized, but are reviewed for impairment at least annually or more frequently if impairment indicators arise. Our goodwill is allocated by reporting unit, and we follow a two-step process to evaluate if a potential impairment exists. We have estimated the fair value of our reporting units using a discounted cash flow analysis. This analysis requires us to make various judgmental estimates and assumptions about sales, operating margins, growth rates and discount factors. While estimating the fair value of our Beef and Chicken reporting units, we assumed operating margins in future years in excess of the margins realized in the most recent year. The fair value estimates for these reporting units assume normalized operating margin assumptions and improved operating efficiencies based on long-term expectations and operating margins historically realized in the beef and chicken industries. As a result of the first step of our goodwill impairment review, a potential impairment did not exist; therefore, the second step was not considered necessary. While we believe we have made reasonable estimates and assumptions to determine the fair value of our reporting units, it is possible a material change could occur. If our actual results are not consistent with our estimates and assumptions used to calculate the fair value of our reporting units, we may be required to perform the second step which could result in a material impairment of our goodwill.

During the latter part of the fourth quarter of fiscal 2008 and continuing into November 2008, our market capitalization was below book value. While we considered the market capitalization decline in our evaluation of fair value of goodwill, we determined it did not impact the overall goodwill impairment analysis as we believe the decline to be primarily attributed to the negative market conditions as a result of the credit crisis, indications of a possible recession and current issues within the poultry industry. We will continue to monitor our market capitalization as a potential impairment indicator considering overall market conditions and poultry industry events.

The fair value of trademarks is determined using a royalty rate method based on expected revenues by trademark, and the fair value of our in-process patents is determined using the present value of estimated future cash flows.

Investments: We have investments in joint ventures and other entities. We use the cost method of accounting where our voting interests are less than 20 percent and the equity method of accounting where our voting interests are in excess of 20 percent, but we do not have a controlling interest or a variable interest in which we are the primary beneficiary. Investments in joint ventures and other entities are reported in the Consolidated Balance Sheets in Other Assets.

We have investments in marketable debt securities. As of September 27, 2008, and September 29, 2007, $94 million, were classified in Other Assets in the Consolidated Balance Sheets, with maturities ranging up to 48 years. We have determined all our marketable debt securities are available-for-sale investments. These investments are reported at fair value based on quoted market prices as of the balance sheet date, with unrealized gains and losses, net of tax, recorded in other comprehensive income. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is recorded in interest income. The cost of securities sold is based on the specific identification method. Realized gains and losses on the sale of debt securities and declines in value judged to be other than temporary are recorded on a net basis in other income. Interest and dividends on securities classified as available-for-sale are recorded in interest income.

Accrued Self Insurance: We use a combination of insurance and self-insurance mechanisms to provide for the potential liabilities for health and welfare, workers' compensation, auto liability and general liability risks. Liabilities associated with our risks retained are estimated, in part, by considering claims experience, demographic factors, severity factors and other actuarial assumptions.

Capital Stock: We have two classes of capital stock, Class A Common Stock, $0.10 par value (Class A stock) and Class B Common Stock, $0.10 par value (Class B stock). Holders of Class B stock may convert such stock into 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. As of September 27, 2008, members of the Tyson family beneficially own, in the aggregate, 99.97% of the outstanding shares of Class B stock and 2.31% of the outstanding shares of Class A stock, giving the Tyson family control of approximately 70% of the total voting power of the outstanding voting stock. 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. We pay quarterly cash dividends to Class A and Class B shareholders. We paid Class A dividends per share of $0.16 and Class B dividends per share of $0.144 in each of fiscal years 2008, 2007 and 2006.

The Class B stock is considered a participating security requiring the use of the two-class method for the computation of basic earnings per share. The two-class computation method for each period reflects the cash dividends paid for each class of stock, plus the amount of allocated undistributed earnings (losses) computed using the participation percentage, which reflects the dividend rights of each class of stock. Basic earnings per share were computed using the two-class method for all periods presented. The shares of Class B stock are considered to be participating convertible securities since the shares of Class B stock are convertible on a share-for-share basis into shares of Class A stock. Diluted earnings per share were computed assuming the conversion of the Class B shares into Class A shares as of the beginning of each period.

Financial Instruments: We purchase certain commodities, such as grains and livestock in the course of normal operations. As part of our commodity risk management activities, we use derivative financial instruments, primarily futures and options, to reduce our exposure to various market risks related to these purchases, as well as to changes in foreign currency exchange rates. Contract terms of a financial instrument qualifying as a hedge instrument closely mirror those of the hedged item, providing a high degree of risk reduction and correlation. Contracts designated and highly effective at meeting risk reduction and correlation criteria are recorded using hedge accounting. If a derivative instrument is accounted for as a hedge, changes in the fair value of the instrument will be offset either 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 is immediately recognized in earnings as a component of cost of sales. Instruments we hold as part of our risk management activities that do not meet the criteria for hedge accounting are marked to fair value with unrealized gains or losses reported currently in earnings. Changes in market value of derivatives used in our risk management activities relating to forward sales contracts are recorded in sales. Changes in market value of derivatives used in our risk management activities surrounding inventories on hand or anticipated purchases of inventories or supplies are recorded in cost of sales. We generally do not hedge anticipated transactions beyond 12 months.

Revenue Recognition: We recognize revenue when title and risk of loss are transferred to customers, which is generally on delivery based on 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 us. Accruals are recorded when it is probable 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, our experience in similar matters and 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 additional information becomes available. We expense amounts for administering or litigating claims as incurred. Accruals for legal proceedings are included in Other current liabilities in the Consolidated Balance Sheets.

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

Advertising and Promotion Expenses: Advertising and promotion expenses are charged to operations in the period incurred. Customer incentive and trade promotion activities are recorded as a reduction to sales based on amounts estimated as being due to customers, based primarily on historical utilization and redemption rates, while other advertising and promotional activities are recorded as selling, general and administrative expenses. Advertising and promotion expenses for fiscal years 2008, 2007 and 2006 were $495 million, $467 million and $493 million, respectively.

Use of Estimates: The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States, which require us 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 Pronouncements: In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS No. 157). SFAS No. 157 provides guidance for using fair value to measure assets and liabilities. This standard also responds to investors' requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. Beginning September 28, 2008, we partially applied SFAS No. 157 as allowed by FASB Staff Position (FSP) 157-2, which delayed the effective date of SFAS No. 157 for nonfinancial assets and liabilities. As of September 28, 2008, we have applied the provisions of SFAS No. 157 to our financial instruments and the impact was not material. Under FSP 157-2, we will be required to apply SFAS No. 157 to our nonfinancial assets and liabilities at the beginning of fiscal 2010. We are currently reviewing the applicability of SFAS No. 157 to our nonfinancial assets and liabilities as well as the potential impact on our consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" (SFAS No. 159). This statement provides companies with an option to report selected financial assets and liabilities firm commitments, and nonfinancial warranty and insurance contracts at fair value on a contract-by-contract basis, with changes in fair value recognized in earnings each reporting period. At September 28, 2008, we did not elect the fair value option under SFAS No. 159 and therefore there was no impact to our consolidated financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements" (SFAS No. 160). SFAS No. 160 amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements" to establish accounting and reporting standards for a noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This statement clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity and should be reported as equity in the consolidated financial statements, rather than in the liability or mezzanine section between liabilities and equity. SFAS No. 160 also requires consolidated net income be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. The impact of SFAS No. 160 will not have a material impact on our current Consolidated Financial Statements. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008; therefore, we expect to adopt SFAS No. 160 at the beginning of fiscal 2010.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, "Business Combinations" (SFAS No. 141R). SFAS No. 141R establishes principles and requirements for how an acquirer in a business combination: 1) recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree; 2) recognizes and measures goodwill acquired in a business combination or a gain from a bargain purchase; and 3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of a business combination. SFAS No. 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008; therefore, we expect to adopt SFAS No. 141R for any business combinations entered into beginning in fiscal 2010.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133" (SFAS No. 161). SFAS No. 161 establishes enhanced disclosure requirements about: 1) how and why an entity uses derivative instruments; 2) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations; and 3) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008; therefore, we expect to adopt SFAS No. 161 in the second quarter of fiscal 2009.

In May 2008, the FASB issued FASB Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" (FSP APB 14-1). FSP APB 14-1 specifies that issuers of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The amount allocated to the equity component represents a discount to the debt, which is amortized into interest expense using the effective interest method over the life of the debt. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is not permitted. Therefore, we expect to adopt the provisions of FSP APB 14-1 beginning in the first quarter of fiscal 2010. The provisions of FSP APB 14-1 are required to be applied retrospectively to all periods presented. Upon retrospective adoption, we anticipate our effective interest rate on our 3.25% Convertible Senior Notes due 2013 will range from 8.0% to 8.50%, which would result in the recognition of an approximate $90 million to $100 million discount to these notes with the offsetting after tax amount recorded to capital in excess of par value. This discount will be accreted until the maturity date at the effective interest rate, which will not materially impact fiscal 2008 interest expense, but will result in an estimated $15 million to $20 million increase to our fiscal 2009 interest expense.

NOTE 2: CHANGE IN ACCOUNTING PRINCIPLES

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. We adopted FIN 48 at the beginning of fiscal 2008. The adoption of FIN 48 resulted in a change to the opening Consolidated Balance Sheet as follows: $32 million increase to Other Current Assets, $17 million decrease to Other Current Liabilities, $106 million increase to Other Liabilities, $40 million decrease to Deferred Income Taxes and $17 million decrease to Retained Earnings. Included in these changes we recognized a $120 million increase in the liability for unrecognized tax benefits and a $21 million increase in the related liability for interest and penalties for a total of $141 million.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (SFAS No. 158). SFAS No. 158 requires companies to recognize the funded status of a defined benefit postretirement plan as an asset or liability in its consolidated balance sheet and to recognize changes in funded status in the year in which the changes occur through other comprehensive income. We adopted SFAS No. 158 at the end of fiscal 2007 except for the requirement to measure the funded status of a plan as of the date of its annual consolidated balance sheet, which we adopted in fiscal 2008 and which had an immaterial impact. See Note 13, "Pensions and Other Postretirement Benefits" in the Notes to Consolidated Financial Statements for the impact of the adoption of SFAS No. 158.

In March 2005, the FASB issued FIN 47, an interpretation of SFAS No. 143. SFAS No. 143 was issued in June 2001 and requires an entity to recognize the fair value of a liability for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. SFAS No. 143 applies to legal obligations associated with the retirement of a tangible long-lived asset that resulted from the acquisition, construction, development and/or the normal operation of a long-lived asset. The associated asset costs are capitalized as part of the carrying amount of the long-lived asset. FIN 47 clarifies the term "conditional asset retirement obligation" as used in SFAS No. 143, which refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN 47 requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be estimated reasonably. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. SFAS No. 143 acknowledges in some cases, sufficient information may not be available to reasonably estimate the fair value of an asset retirement obligation (ARO). We adopted FIN 47 in the fourth quarter of fiscal 2006. In connection with the adoption, an ARO liability of $12 million, a related ARO asset of $3 million and a cumulative adjustment due to change in accounting principle, net of tax of $5 million were recorded. The ARO liability is included in Other Liabilities and the ARO asset is included in Property, Plant and Equipment on the Consolidated Balance Sheets. The principal conditional asset retirement obligations relate to the potential future closure, sale or other disposal of certain production facilities. In connection with any such activity, we are legally obligated under various federal, state and local laws to properly retire the related wastewater treatment facility.

NOTE 3: DISCONTINUED OPERATION

On June 25, 2008, we executed a letter of intent with XL Foods Inc. to sell the beef processing, cattle feed yard and fertilizer assets of Lakeside for $104 million. Lakeside was part of our Beef segment. XL Foods will pay an additional amount for cattle inventory, fertilizer inventory and packaging assets, estimated to approximate $82 million. This transaction is denominated in Canadian Dollars, thus conversion at the closing date to US Dollars could result in amounts in US Dollars different than noted. We will retain certain working capital items, including finished product inventory, accounts receivable and accounts payable, of the Lakeside operation as of the closing date, which totaled $89 million at September 27, 2008. Once the transaction is complete, we expect retained working capital, including inventory, at Lakeside will be liquidated and settled over a two-month period.

Approximately $60 million of Beef segment goodwill relates to Lakeside. In addition, at September 27, 2008, we had $60 million of currency translation adjustment gain in accumulated comprehensive income related to the Lakeside Canadian dollar translation. Subsequent to September 27, 2008, the Canadian dollar weakened versus the US dollar, which may result in a decrease in the currency translation adjustment gain.

The transaction remains subject to government approvals and execution of a definitive agreement between Tyson and XL Foods. Subject to receipt of such approvals, we anticipate being ready to complete the sale by the end of the first quarter fiscal 2009 and are reporting the Lakeside results as a discontinued operation.

The following is a summary of Lakeside's operating results (in millions):

	2008	2007	2006
Sales	**$1,268**	$1,171	$970
Pretax loss	**–**	–	25

The carrying amounts of Lakeside's assets held for sale include the following (in millions):

	2008	2007
Assets of discontinued operation held for sale:		
Inventories	**$ 82**	$ 79
Net property, plant and equipment	**77**	85
Total assets of discontinued operation held for sale	**$159**	$164

NOTE 4: DISPOSITIONS AND OTHER CHARGES

In fiscal 2008, we recorded charges of $10 million related to intangible asset impairments. Of this amount, $8 million is reflected in the Beef segment's Operating Income and $2 million in the Prepared Foods segment's Operating Income, and both are recorded in the Consolidated Statements of Operations in Cost of Sales. We recorded estimated charges of $7 million related to flood damage at our Jefferson, Wisconsin, plant. This amount is reflected in the Prepared Foods segment's Operating Income and included in the Consolidated Statements of Operations in Cost of Sales. We also recorded a charge of $6 million related to the impairment of unimproved real property in Memphis, Tennessee. This amount is reflected in the Chicken segment's Operating Income (Loss) and included in the Consolidated Statements of Operations in Cost of Sales. Additionally, we recorded an $18 million non-operating gain as the result of a private equity firm's purchase of a technology company in which we held a minority interest. This gain was recorded in Other Income in the Consolidated Statements of Operations.

In February 2008, we announced discontinuation of an existing product line and closing of one of our three poultry plants in Wilkesboro, North Carolina. The Wilkesboro Cooked Products plant ceased operations during the second quarter of fiscal 2008. The closure resulted in elimination of approximately 400 jobs. In fiscal 2008, we recorded charges of $13 million for estimated impairment charges. This amount is reflected in the Chicken segment's Operating Income (Loss) and included in the Consolidated Statements of Operations in Other Charges. No material adjustments to the accrual are anticipated.

In January 2008, we announced the decision to restructure operations at our Emporia, Kansas, beef plant. Beef slaughter operations ceased during the second quarter of fiscal 2008. However, the facility will still be used to process certain commodity, specialty cuts and ground beef, as well as a cold storage and distribution warehouse. This restructuring resulted in elimination of approximately 1,700 jobs at the Emporia plant. In fiscal 2008, we recorded charges of $10 million for estimated impairment charges and $7 million of other closing costs, consisting of $6 million for employee termination benefits and $1 million in other plant-closing related liabilities. These amounts were reflected in the Beef segment's Operating Income (Loss) and included in the Consolidated Statements of Operations in Other Charges. We have fully paid the employee termination benefits and other plant-closing related liabilities. No material adjustments to the accrual are anticipated.

In fiscal 2008, management approved plans for implementation of certain recommendations resulting from the previously announced FAST initiative, which was focused on process improvement and efficiency creation. As a result, in fiscal 2008, we recorded charges of $6 million related to employee termination benefits resulting from termination of approximately 200 employees. Of these charges, $2 million, $2 million, $1 million and $1 million, respectively, were recorded in the Chicken, Beef, Pork and Prepared Foods segments' Operating Income (Loss) and included in the Consolidated Statements of Operations in Other Charges. We have fully paid the employee termination benefits. No material adjustments to the accrual are anticipated.

In May 2007, we announced the completion of the sale of two of our Alabama poultry plants and related support facilities. As part of strategic efforts to reduce the production of commodity chicken, we sold our processing plants in Ashland and Gadsden, which also included a nearby feed mill and two hatcheries. These facilities employed approximately 1,200 employees, of which approximately 800 were hired by the acquiring company, while the remaining employees were offered the opportunity to transfer to our other operations in Alabama. We recorded a gain of $10 million on the sale in fiscal 2007. The gain was recorded in the Chicken segment's Operating Income (Loss) and included in the Consolidated Statements of Operations in Cost of Sales.

In July 2006, we announced our decision to implement a Cost Management Initiative as part of a strategy to return to profitability. The cost reductions include staffing costs, consulting and professional fees, sales and marketing costs and other expenses. In fiscal 2006, we recorded charges of approximately $9 million for employee termination benefits resulting from the termination of approximately 400 employees. Of these charges, $4 million, $3 million, $1 million and $1 million, respectively, were included in the Chicken, Beef, Pork and Prepared Foods segments' Operating Income (Loss) and included in the Consolidated Statements of Operations in Other charges in the period ending September 30, 2006. In fiscal 2007, there were no material adjustments to amounts accrued. We have fully paid the estimated employee termination benefits. No material adjustments to the accrual are anticipated.

In August 2006, we announced our decision to close the Boise, Idaho, beef slaughter plant and to scale back processing operations at our Pasco, Washington, complex. This decision resulted in the elimination of approximately 770 positions. The closure and processing change occurred in October 2006 and did not result in a significant charge.

In February 2006, we announced our decision to close the Norfolk, Nebraska, beef processing plant and the West Point, Nebraska, beef slaughter plant. These facilities closed in February 2006. Production from these facilities was shifted primarily to our beef complex in Dakota City, Nebraska. Combined, these two facilities employed approximately 1,665 employees. We sold the West Point plant in fiscal 2007, while the Norfolk plant and related property are currently offered for sale. In fiscal 2006, we recorded charges of $38 million for estimated impairment charges and $9 million of other closing costs, consisting of $5 million for employee termination benefits and $4 million in other plant closing related liabilities. These amounts were reflected in the Beef segment's Operating Income (Loss) and included in the Consolidated Statements of Operations in Other charges. We have fully paid the estimated employee termination benefits and other plant closing related liabilities. No material adjustments to the accrual are anticipated.

In January 2006, we announced our decision to close two processed meats facilities in northeast Iowa. The Independence and Oelwein plants, which produced chopped ham and sliced luncheon meats, closed in March 2006. Combined, these two facilities employed approximately 400 employees. Equipment from these facilities was removed and either sold or transferred to our other locations, while the plants and related property are currently offered for sale. In fiscal 2006, we recorded charges of $12 million for estimated impairment charges and $1 million for employee termination benefits. These amounts were reflected in the Prepared Foods segment's Operating Income (Loss) and included in the Consolidated Statements of Operations in Other charges. We have fully paid the estimated employee termination benefits. No material adjustments to the accrual are anticipated.

NOTE 5: FINANCIAL INSTRUMENTS

We had derivative related balances of $29 million and $16 million recorded in other current assets at September 27, 2008, and September 29, 2007, respectively, and $45 million and $48 million in other current liabilities at September 27, 2008, and September 29, 2007, respectively.

Cash flow hedges: Derivative products, such as futures and options, are designated as hedges against changes in the amount of future cash flows related to commodities procurement. We do not purchase derivative products related to grain procurement in excess of our physical grain consumption requirements. Related to our grain hedges, there were $5 million of net losses recorded in accumulated other comprehensive income at September 27, 2008. These losses will be recognized within the next 12 months. Of these losses, the portion resulting from our open hedge positions was a net loss of $4 million as of September 27, 2008. Ineffectiveness related to our cash flow hedges was not significant during fiscal 2008, 2007 or 2006.

Fair value hedges: We designate certain futures contracts as fair value hedges of firm commitments to purchase livestock for slaughter. Changes in the fair value of a derivative that is designated and qualifies as a fair value hedge, along with changes in fair value of the hedged asset or liability attributable to the hedged risk (including gains or losses 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 related to fair value hedges was not significant during fiscal 2008, 2007 and 2006.

During fiscal 2006, we discontinued the use of hedge accounting for certain financial instruments to hedge forward cattle purchases. Hedge accounting was discontinued to provide a natural offset to the gains and losses resulting from our derivatives tied to forward fixed price sales of boxed beef, as this activity does not qualify for hedge accounting. The contracts for which hedge accounting was discontinued had a fair value of approximately $28 million at the discontinued date, and was primarily recognized as a component of cost of sales in fiscal 2006. However, due to changes in our beef market strategies and business conditions, we now have more forward cattle purchase derivatives relative to fixed forward boxed beef sales derivatives which can and have caused mark-to-market earnings volatility. Accordingly, effective in the fourth quarter fiscal 2008, we began designating certain futures contracts as fair value hedges of forward cattle purchases. We anticipate this change will help reduce volatility of quarterly reported beef earnings.

Undesignated positions: We hold positions as part of our risk management activities, primarily futures and options for grains and livestock, for which we do not apply hedge accounting, but instead mark these positions to fair value through earnings at each reporting date. We generally do not enter into undesignated positions beyond 18 months. Related to grain positions for which we did not apply hedge accounting, we recognized pretax net gains of approximately $169 million, $50 million and $8 million, respectively, in cost of sales for fiscal 2008, 2007 and 2006, which included an unrealized pretax loss on open mark-to-market futures positions of $4 million as of September 27, 2008.

We enter into certain forward sales of boxed beef and boxed pork and forward purchases of cattle at fixed prices. The fixed price sales contracts lock in the proceeds from a sale in the future and the fixed cattle purchases lock in the cost. However, the cost of the livestock and the related boxed beef and boxed pork market prices at the time of the sale or purchase could vary from this fixed price. As we enter into fixed forward sales of boxed beef and boxed pork and forward purchases of cattle, we also enter into the appropriate number of livestock futures positions to mitigate a portion of this risk. Changes in market value of the open livestock futures positions are marked to market and reported in earnings at each reporting date, even though the economic impact of our fixed prices being above or below the market price is only realized at the time of sale or purchase. In connection with these livestock futures, we recorded realized and unrealized net gains of $83 million in fiscal 2008, which included an unrealized pretax gain on open mark-to-market futures positions of approximately $3 million as of September 27, 2008. We recorded realized and unrealized net gains of $14 million and realized and unrealized net losses of $39 million in fiscal 2007 and 2006, respectively, related to livestock futures positions.

Additionally, we enter into grain derivatives to manage the risk of costs associated with forward sales to certain customers for which sales prices are determined under cost-plus arrangements. These unrealized positions, which do not qualify for hedge treatment, totaled a loss of $24 million and a gain of $9 million at September 27, 2008, and September 29, 2007, respectively. When these positions are liquidated, we expect any realized gains or losses will be reflected in the prices of the poultry products sold. Since these derivative positions do not qualify for hedge treatment, they initially create volatility in our income statement associated with mark-to-market changes. However, once the positions are liquidated and included in the sales price to the customer, there is ultimately no income statement impact as any previous mark-to-market gains or losses are included in the prices of the poultry products.

Foreign currency positions: We enter into foreign currency forward contracts to manage the risk from changes in the fair value or future cash flows of receivables, payables and purchase commitments arising from changes in the exchange rates of foreign currencies. We have not applied hedge accounting to these contracts. The fair value of the foreign exchange contracts was not significant as of September 27, 2008, and September 29, 2007.

Fair Values of Financial Instruments:

in millions	2008	2007
Commodity derivative positions, net liability	$ 16	$ 32
Total debt	2,659	2,927

Fair values are based on quoted market prices or published forward interest rate curves. Carrying values for derivative positions equal the fair values as of September 27, 2008, and September 29, 2007, and the carrying value of total debt was $2.9 billion and $2.8 billion, respectively. All other financial instruments' fair values approximate recorded values at September 27, 2008, and September 29, 2007.

Concentrations of Credit Risk: Our financial instruments exposed to concentrations of credit risk consist primarily of cash equivalents and trade receivables. 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. We perform periodic credit evaluations of our customers' financial condition and generally do not require collateral. At September 27, 2008, and September 29, 2007, 12.2% and 12.1%, respectively, of our net accounts receivable balance was due from Wal-Mart Stores, Inc. No other single customer or customer group represents greater than 10% of net accounts receivable.

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

Major categories of property, plant and equipment and accumulated depreciation at cost, at September 27, 2008, and September 29, 2007:

in millions	2008	2007
Land	$ 89	$ 99
Building and leasehold improvements	2,440	2,423
Machinery and equipment	4,382	4,255
Land improvements and other	210	200
Buildings and equipment under construction	352	245
	7,473	7,222
Less accumulated depreciation	3,954	3,614
Net property, plant and equipment	$3,519	$3,608

Approximately $228 million will be required to complete buildings and equipment under construction at September 27, 2008.

NOTE 7: GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill by segment, net of $286 million of accumulated amortization at September 27, 2008, and September 29, 2007:

in millions	2008	2007
Chicken	$ 945	$ 921
Beef	1,185	1,182
Pork	317	317
Prepared Foods	64	65
Total Goodwill	$2,511	$2,485

Other intangible assets by type at September 27, 2008, and September 29, 2007:

in millions	2008	2007
Gross Carrying Value:		
Trademarks	$ 62	$ 66
Patents	50	50
In-process patents	27	35
Intellectual property	17	–
Less Accumulated Amortization:		
Patents and intellectual property	28	25
Total Intangible Assets	$128	$126

Amortization expense on patents and intellectual property of $3 million was recognized during each of fiscal years 2008, 2007 and 2006. We estimate amortization expense on intangible assets will be $5 million in each of the next five years. Patents and intellectual property are amortized using the straight-line method over their estimated period of benefit of five to 15 years and 30 years, respectively, beginning with the date benefits from intangible items are realized.

NOTE 8: OTHER CURRENT LIABILITIES

Other current liabilities at September 27, 2008, and September 29, 2007, include:

in millions	2008	2007
Accrued salaries, wages and benefits	$259	$249
Self-insurance reserves	236	259
Other	383	420
Total other current liabilities	$878	$928

NOTE 9: COMMITMENTS

We lease equipment, properties and certain farms for which total rentals approximated $163 million, $133 million and $146 million, respectively, in fiscal years 2008, 2007 and 2006. Most leases have terms up to seven 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, 2008:

in millions	
2009	$ 80
2010	61
2011	41
2012	30
2013	18
2014 and beyond	23
Total	$253

We guarantee debt of outside third parties, which consist of a lease and grower loans, all of which are substantially collateralized by the underlying assets. Terms of the underlying debt cover periods up to nine years, and the maximum potential amount of future payments as of September 27, 2008, was $66 million. We also maintain operating leases for various types of equipment, some of which contain residual value guarantees for the market value of assets at the end of the term of the lease. The terms of the lease maturities cover periods up to seven years. The maximum potential amount of the residual value guarantees is approximately $55 million, of which approximately $21 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 material payments under these guarantees is not considered probable. At September 27, 2008, and September 29, 2007, no material liabilities for guarantees were recorded.

Additionally, we enter into future purchase commitments for various items, such as grains, livestock contracts and fixed grower fees. At September 27, 2008, these commitments totaled:

in millions

2009	$710
2010	42
2011	31
2012	13
2013	7
2014 and beyond	24
Total	$827

NOTE 10: LONG-TERM DEBT

in millions	Maturity	2008	2007
Revolving credit facility	2010	$ –	$ –
Accounts receivable securitization facility	2009, 2010	–	213
Senior notes (rates ranging from 7.00% to 8.25%)	2010–2028	2,400	2,475
3.25% Convertible senior notes	2013	458	–
Lakeside term loan	–	–	25
Other	Various	38	66
Total debt		2,896	2,779
Less current debt		8	137
Total long-term debt		$2,888	$2,642

Annual maturities of long-term debt for the five fiscal years subsequent to September 27, 2008, are: 2009 – $8 million; 2010 – $240 million; 2011 – $1.0 billion; 2012 – $3 million; 2013 – $2 million.

Revolving Credit Facility We have a revolving credit facility totaling $1.0 billion that supports short-term funding needs and letters of credit. The facility expires in September 2010. At September 27, 2008, we had outstanding letters of credit totaling approximately $291 million, none of which were drawn upon, issued primarily in support of workers' compensation insurance programs and derivative activities. The amount available for borrowings under this facility as of September 27, 2008, was $709 million. All trademarks of our domestic subsidiaries are pledged as collateral under this facility. Additionally, certain domestic subsidiaries guaranteed this facility and pledged their inventory as collateral, which had a book value of $2.0 billion at September 27, 2008.

Accounts Receivable Securitization Facility We have a receivables purchase agreement with three co-purchasers to sell up to $750 million of trade receivables. The agreement includes a $375 million 364-day facility expiring in August 2009 and a $375 million 364-day facility with an additional one-year option, which commits funding through August 2010. 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 our accounts receivable may be sold to a special purpose entity, Tyson Receivables Corporation (TRC), which is a wholly-owned consolidated subsidiary of the Company. TRC has its own creditors who 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 27, 2008, there were no amounts borrowed under the receivables purchase agreement.

3.25% Convertible Senior Notes due 2013 In September 2008, we issued $458 million principal amount 3.25% convertible senior unsecured notes due October 15, 2013 (Convertible Notes), with interest paid semi-annually in arrears on April 15 and October 15. The conversion rate initially is 59.1935 shares of Class A stock per $1,000 principal amount of notes, which is equivalent to an initial conversion price of $16.89 per share of Class A stock. The Convertible Notes may be converted before the close of business on July 12, 2013, only under the following circumstances:

- during any fiscal quarter after December 27, 2008, if the last reported sale price of our Class A stock for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is at least 130% of the applicable conversion price on each applicable trading day (which would currently require our shares to trade at or above $21.96); or

- during the five business days after any 10 consecutive trading days (measurement period) in which the trading price per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our Class A stock and the applicable conversion rate on each such day; or

- upon the occurrence of specified corporate events as defined in the supplemental indenture.

On and after July 15, 2013, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances. Upon conversion, we will deliver cash up to the aggregate principal amount of the Convertible Notes to be converted and shares of our Class A stock in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the Convertible Notes being converted.

The Convertible Notes were accounted for as a combined instrument pursuant to EITF Issue 90-19, "Convertible Bonds with Issuer Option to Settle for Cash upon Conversion." Accordingly, we accounted for the entire agreement as one debt instrument because the conversion feature does not meet the requirements to be accounted for separately as a derivative financial instrument.

Convertible Note Hedge and Warrant Transactions In connection with the issuance of the Convertible Notes, we entered into separate convertible note hedge transactions with respect to our common stock to minimize the potential economic dilution upon conversion of the Convertible Notes. We also entered into separate warrant transactions. We recorded the purchase of the note hedge transactions as a reduction to capital in excess of par value, net of $36 million pertaining to the related deferred tax asset, and we recorded the proceeds of the warrant transactions as an increase to capital in excess of par value. Subsequent changes in fair value of these instruments are not recognized in the financial statements as long as the instruments continue to meet the criteria for equity classification.

We purchased call options in private transactions for $94 million that permit us to acquire up to approximately 27 million shares of our Class A stock at an initial strike price of $16.89 per share, subject to adjustment. The call options allow us to acquire a number of shares of our Class A stock initially equal to the number of shares of Class A stock issuable to the holders of the Convertible Notes upon conversion. These call options will terminate upon the maturity of the Convertible Notes.

We sold warrants in private transactions for total proceeds of $44 million. The warrants permit the purchasers to acquire up to approximately 27 million shares of our Class A stock at an initial exercise price of $22.31 per share, subject to adjustment. The warrants are exercisable on various dates from January 2014 through March 2014.

These transactions, in effect, increase the initial conversion price of the Convertible Notes from $16.89 per share to $22.31 per share, thus reducing the potential future economic dilution associated with conversion of the Convertible Notes. The Convertible Notes and the warrants could have a dilutive effect on our earnings per share to the extent the price of our Class A stock during a given measurement period exceeds the respective exercise prices of those instruments. The call options are excluded from the calculation of diluted earnings per share as their impact is anti-dilutive.

Credit Ratings On September 4, 2008, S&P downgraded the credit rating applicable to the senior notes due April 1, 2016 (2016 Notes) from "BBB–" to "BB." This downgrade increased the interest rate on the 2016 Notes from 6.85% to 7.35%, effective beginning with the six month interest payment due October 1, 2008.

On November 13, 2008, Moody's downgraded the credit rating from "Ba1" to "Ba3." This downgrade increased the interest rate on the 2016 Notes from 7.35% to 7.85%, effective beginning with the six month interest payment due April 1, 2009.

Debt Covenants Our debt agreements contain various covenants, the most restrictive of which contain maximum allowed leverage ratios and a minimum required interest coverage ratio. On September 10, 2008, we amended our revolving credit facility agreement to provide a less restrictive maximum allowed leverage ratio, which takes effect in first quarter of fiscal 2009. We were in compliance with all covenants at September 27, 2008.

Tyson Fresh Meats, Inc. (TFM), a wholly-owned subsidiary of the Company, has fully and unconditionally guaranteed $960 million of our 2016 Notes. The following financial information presents condensed consolidating financial statements, which include Tyson Foods, Inc. (TFI Parent); Tyson Fresh Meats, Inc. (TFM Parent); the Non-Guarantor Subsidiaries on a combined basis; the elimination entries necessary to consolidate the TFI Parent, TFM Parent and the Non-Guarantor Subsidiaries; and Tyson Foods, Inc. on a consolidated basis, is provided as an alternative to providing separate financial statements for the guarantor.

Condensed Consolidating Statement of Income for the year ended September 27, 2008

in millions	TFI Parent	TFM Parent	Non-Guarantor Subsidiaries	Eliminations	Total
Net Sales	**$ 9**	**$15,638**	**$12,052**	**$(837)**	**$26,862**
Cost of Sales	**154**	**15,105**	**11,194**	**(837)**	**25,616**
	(145)	**533**	**858**	**–**	**1,246**
Operating Expenses:					
Selling, general and administrative	**118**	**193**	**568**	**–**	**879**
Other charges	**1**	**18**	**17**	**–**	**36**
Operating Income (Loss)	**(264)**	**322**	**273**	**–**	**331**
Other (Income) Expense:					
Interest expense, net	**181**	**17**	**8**	**–**	**206**
Other, net	**(13)**	**(5)**	**(11)**	**–**	**(29)**
Equity in net earnings of subsidiaries	**(325)**	**(10)**	**–**	**335**	**–**
	(157)	**2**	**(3)**	**335**	**177**
Income (Loss) from Continuing Operations before Income Taxes	**(107)**	**320**	**276**	**(335)**	**154**
Income Tax Expense (Benefit)	**(193)**	**138**	**123**	**–**	**68**
Income from Continuing Operations	**86**	**182**	**153**	**(335)**	**86**
Income from Discontinued Operation	**–**	**–**	**–**	**–**	**–**
Net Income	**$ 86**	**$ 182**	**$ 153**	**$(335)**	**$ 86**

Condensed Consolidating Statement of Income for the year ended September 29, 2007

in millions	TFI Parent	TFM Parent	Non-Guarantor Subsidiaries	Eliminations	Total
Net Sales	$ 165	$15,189	$11,264	$(889)	$25,729
Cost of Sales	(49)	14,885	10,353	(889)	24,300
	214	304	911	–	1,429
Operating Expenses:					
Selling, general and administrative	108	173	533	–	814
Other charges	1	1	–	–	2
Operating Income	105	130	378	–	613
Other (Income) Expense:					
Interest expense, net	186	29	9	–	224
Other, net	(1)	(24)	4	–	(21)
Equity in net earnings of subsidiaries	(321)	(50)	–	371	–
	(136)	(45)	13	371	203
Income from Continuing Operations before Income Taxes	241	175	365	(371)	410
Income Tax Expense (Benefit)	(27)	43	126	–	142
Income from Continuing Operations	268	132	239	(371)	268
Income from Discontinued Operation	–	–	–	–	–
Net Income	$ 268	$ 132	$ 239	$(371)	$ 268

Condensed Consolidating Statement of Operations for the year ended September 30, 2006

in millions	TFI Parent	TFM Parent	Non-Guarantor Subsidiaries	Eliminations	Total
Net Sales	$ –	$14,227	$11,097	$(735)	$24,589
Cost of Sales	3	14,206	10,165	(735)	23,639
	(3)	21	932	–	950
Operating Expenses:					
Selling, general and administrative	130	201	599	–	930
Other charges	–	51	19	–	70
Operating Income (Loss)	(133)	(231)	314	–	(50)
Other (Income) Expense:					
Interest expense, net	192	35	11	–	238
Other, net	(3)	(3)	(14)	–	(20)
Equity in net earnings of subsidiaries	(14)	(13)	–	27	–
	175	19	(3)	27	218
Income (Loss) from Continuing Operations before Income Taxes	(308)	(250)	317	(27)	(268)
Income Tax Expense (Benefit)	(112)	(92)	110	–	(94)
Income (Loss) from Continuing Operations	(196)	(158)	207	(27)	(174)
Loss from Discontinued Operation	–	–	(17)	–	(17)
Income (Loss) before Cumulative Effect of Change in Accounting Principle	(196)	(158)	190	(27)	(191)
Cumulative Effect of Change in Accounting Principle, Net of Tax	–	(1)	(4)	–	(5)
Net Income (Loss)	$(196)	$ (159)	$ 186	$ (27)	$ (196)

Condensed Consolidating Balance Sheet as of September 27, 2008

in millions	TFI Parent	TFM Parent	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current Assets:					
Cash and cash equivalents	**$ 140**	**$ –**	**$ 110**	**$ –**	**$ 250**
Accounts receivable, net	**1**	**726**	**1,353**	**(809)**	**1,271**
Inventories	**1**	**724**	**1,813**	**–**	**2,538**
Other current assets	**261**	**46**	**76**	**(240)**	**143**
Assets of discontinued operation held for sale	**–**	**–**	**159**	**–**	**159**
Total Current Assets	**403**	**1,496**	**3,511**	**(1,049)**	**4,361**
Net Property, Plant and Equipment	**43**	**960**	**2,516**	**–**	**3,519**
Goodwill	**–**	**1,502**	**1,009**	**–**	**2,511**
Intangible Assets	**–**	**47**	**81**	**–**	**128**
Other Assets	**147**	**91**	**159**	**(66)**	**331**
Investment in subsidiaries	**8,593**	**1,000**	**–**	**(9,593)**	**–**
Total Assets	**$9,186**	**$5,096**	**$7,276**	**$(10,708)**	**$10,850**
Liabilities and Shareholders' Equity					
Current Liabilities:					
Current debt	**$ 8**	**$ –**	**$ –**	**$ –**	**$ 8**
Trade accounts payable	**108**	**486**	**623**	**–**	**1,217**
Other current liabilities	**1,090**	**272**	**565**	**(1,049)**	**878**
Total Current Liabilities	**1,206**	**758**	**1,188**	**(1,049)**	**2,103**
Long-Term Debt	**2,632**	**249**	**7**	**–**	**2,888**
Deferred Income Taxes	**–**	**50**	**307**	**(66)**	**291**
Other Liabilities	**334**	**105**	**115**	**–**	**554**
Shareholders' Equity	**5,014**	**3,934**	**5,659**	**(9,593)**	**5,014**
Total Liabilities and Shareholders' Equity	**$9,186**	**$5,096**	**$7,276**	**$(10,708)**	**$10,850**

Condensed Consolidating Balance Sheet as of September 29, 2007

in millions	TFI Parent	TFM Parent	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current Assets:					
Cash and cash equivalents	$ 3	$ –	$ 39	$ –	$ 42
Accounts receivable, net	1	557	1,461	(773)	1,246
Inventories	–	674	1,485	–	2,159
Other current assets	79	32	18	(59)	70
Assets of discontinued operation held for sale	–	–	164	–	164
Total Current Assets	83	1,263	3,167	(832)	3,681
Net Property, Plant and Equipment	44	1,015	2,549	–	3,608
Goodwill	–	1,499	986	–	2,485
Intangible Assets	–	57	69	–	126
Other Assets	137	113	139	(62)	327
Investment in subsidiaries	8,243	976	–	(9,219)	–
Total Assets	$8,507	$4,923	$6,910	$(10,113)	$10,227
Liabilities and Shareholders' Equity					
Current Liabilities:					
Current debt	$ 120	$ –	$ 17	$ –	$ 137
Trade accounts payable	79	517	454	–	1,050
Other current liabilities	1,008	143	609	(832)	928
Total Current Liabilities	1,207	660	1,080	(832)	2,115
Long-Term Debt	2,355	255	32	–	2,642
Deferred Income Taxes	–	168	261	(62)	367
Other Liabilities	214	94	64	–	372
Shareholders' Equity	4,731	3,746	5,473	(9,219)	4,731
Total Liabilities and Shareholders' Equity	$8,507	$4,923	$6,910	$(10,113)	$10,227

Condensed Consolidating Statement of Cash Flows for the year ended September 27, 2008

in millions	TFI Parent	TFM Parent	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Provided by (Used for) Operating Activities	**$(236)**	**$ 271**	**$ 268**	**$(15)**	**$ 288**
Cash Flows From Investing Activities:					
Additions to property, plant and equipment	**6**	**(104)**	**(327)**	**–**	**(425)**
Proceeds from sale of investments	**14**	**7**	**1**	**–**	**22**
Purchases of marketable securities, net	**(1)**	**–**	**(2)**	**–**	**(3)**
Other, net	**5**	**4**	**(2)**	**–**	**7**
Cash Provided by (Used for) Investing Activities	**24**	**(93)**	**(330)**	**–**	**(399)**
Cash Flows From Financing Activities:					
Net change in debt	**145**	**(5)**	**(51)**	**–**	**89**
Net proceeds from Class A stock offering	**274**	**–**	**–**	**–**	**274**
Convertible note hedge transactions	**(94)**	**–**	**–**	**–**	**(94)**
Warrant transactions	**44**	**–**	**–**	**–**	**44**
Purchase of treasury shares	**(30)**	**–**	**–**	**–**	**(30)**
Dividends	**(56)**	**–**	**(15)**	**15**	**(56)**
Other, net	**72**	**2**	**20**	**–**	**94**
Net change in intercompany balances	**(6)**	**(175)**	**181**	**–**	**–**
Cash Provided by (Used for) Financing Activities	**349**	**(178)**	**135**	**15**	**321**
Effect of Exchange Rate Change on Cash	**–**	**–**	**(2)**	**–**	**(2)**
Increase in Cash and Cash Equivalents	**137**	**–**	**71**	**–**	**208**
Cash and Cash Equivalents at Beginning of Year	**3**	**–**	**39**	**–**	**42**
Cash and Cash Equivalents at End of Year	**$ 140**	**$ –**	**$ 110**	**$ –**	**$ 250**

Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Statement of Cash Flows for the year ended September 29, 2007

in millions	TFI Parent	TFM Parent	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Provided by (Used for) Operating Activities	$ (22)	$ 278	$ 447	$(25)	$ 678
Cash Flows From Investing Activities:					
Additions to property, plant and equipment	(14)	(40)	(231)	–	(285)
Proceeds from sale of short-term investment	770	–	–	–	770
Proceeds from sale of marketable securities, net	–	–	16	–	16
Other, net	81	29	(32)	–	78
Cash Provided by (Used for) Investing Activities	837	(11)	(247)	–	579
Cash Flows From Financing Activities:					
Net change in debt	(747)	(4)	(459)	–	(1,210)
Purchase of treasury shares	(61)	–	–	–	(61)
Dividends	(56)	–	(25)	25	(56)
Other, net	80	(7)	2	–	75
Net change in intercompany balances	(30)	(257)	287	–	–
Cash Used for Financing Activities	(814)	(268)	(195)	25	(1,252)
Effect of Exchange Rate Change on Cash	–	–	9	–	9
Increase (Decrease) in Cash and Cash Equivalents	1	(1)	14	–	14
Cash and Cash Equivalents at Beginning of Year	2	1	25	–	28
Cash and Cash Equivalents at End of Year	$ 3	$ –	$ 39	$ –	$ 42

Condensed Consolidating Statement of Cash Flows for the year ended September 30, 2006

in millions	TFI Parent	TFM Parent	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Provided by Operating Activities	$ 18	$ 76	$ 338	$(60)	$ 372
Cash Flows From Investing Activities:					
Additions to property, plant and equipment	(81)	(153)	(297)	–	(531)
Purchase of short-term investment	(750)	–	–	–	(750)
Proceeds from sale of marketable securities, net	–	–	23	–	23
Other, net	29	(15)	20	–	34
Cash Used for Investing Activities	(802)	(168)	(254)	–	(1,224)
Cash Flows From Financing Activities:					
Net change in debt	1,087	(101)	(2)	–	984
Purchase of treasury shares	(42)	–	–	–	(42)
Dividends	(55)	–	(60)	60	(55)
Other, net	(57)	(2)	16	–	(43)
Net change in intercompany balances	(153)	195	(42)	–	–
Cash Provided by (Used for) Financing Activities	780	92	(88)	60	844
Effect of Exchange Rate Change on Cash	–	–	(4)	–	(4)
Decrease in Cash and Cash Equivalents	(4)	–	(8)	–	(12)
Cash and Cash Equivalents at Beginning of Year	6	1	33	–	40
Cash and Cash Equivalents at End of Year	$ 2	$ 1	$ 25	$ –	$ 28

NOTE 11: COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income are as follows:

in millions	2008	2007
Accumulated other comprehensive income:		
Currency translation adjustment	**$ 60**	$62
Unrealized net hedging losses, net of taxes	**(8)**	(6)
Unrealized net loss on investments, net of taxes	**(1)**	–
Postretirement benefits reserves adjustments[1]	**(10)**	(6)
Total accumulated other comprehensive income	**$ 41**	$50

[1] Fiscal 2007 includes adjustment of $3 million, net of tax, related to the initial adoption of SFAS No. 158. Refer to Note 13, "Pensions and Other Postretirement Benefits."

The components of other comprehensive income (loss) are as follows:

in millions	Before Tax	Income Tax	After Tax
Fiscal 2008:			
Currency translation adjustment	**$ (2)**	**$ –**	**$ (2)**
Net change in postretirement liabilities	**(10)**	**6**	**(4)**
Investments unrealized loss	**(1)**	**–**	**(1)**
Net hedging gain	**6**	**(2)**	**4**
Net hedging gain reclassified to income statement	**(10)**	**4**	**(6)**
Other comprehensive loss – 2008	**$(17)**	**$ 8**	**$ (9)**
Fiscal 2007:			
Currency translation adjustment	$ 24	$ –	$ 24
Pension unrealized gain, prior to adoption of SFAS No. 158	9	(3)	6
Net hedging gain	33	(13)	20
Net hedging gain reclassified to income statement	(33)	13	(20)
Other comprehensive income – 2007	$ 33	$ (3)	$ 30
Fiscal 2006:			
Currency translation adjustment	$ (6)	$ –	$ (6)
Pension unrealized loss, prior to adoption of SFAS No. 158	(16)	6	(10)
Investments unrealized gain	1	–	1
Net hedging gain	1	–	1
Net hedging loss reclassified to income statement	6	(3)	3
Other comprehensive loss – 2006	$ (14)	$ 3	$(11)

NOTE 12: STOCK-BASED COMPENSATION

We issue shares under our stock-based compensation plans by issuing Class A stock from treasury. The total number of shares available for future grant under the Tyson Foods, Inc. 2000 Stock Incentive Plan (Incentive Plan) was 24,823,940 at September 27, 2008.

STOCK OPTIONS

Shareholders approved the Incentive Plan in January 2001. The Incentive Plan is administered by the Compensation Committee of the Board of Directors (Compensation Committee). The Incentive Plan includes provisions 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 the option is granted. Stock options under the Incentive Plan generally become exercisable ratably over two to five years from the date of grant and must be exercised within 10 years from the date of grant. Our policy is to recognize compensation expense on a straight-line basis over the requisite service period for the entire award.

	Shares Under Option	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value (in millions)
Outstanding, September 29, 2007	15,482,915	$ 14.20		
Exercised	**(699,470)**	**11.98**		
Canceled	**(1,157,895)**	**15.33**		
Granted	**3,280,464**	**15.06**		
Outstanding, September 27, 2008	**16,906,014**	**14.38**	**6.6**	**$243**
Exercisable, September 27, 2008	**7,464,489**	**$12.94**	**4.8**	**$ 97**

The weighted-average grant-date fair value of options granted during fiscal years 2008, 2007 and 2006, respectively, was $5.22, $5.85 and $6.86. The fair value of each option grant is established on the date of grant using a binomial lattice method for grants awarded after October 1, 2005, and the Black-Scholes option-pricing model for grants awarded before October 1, 2005. The change to the binomial lattice method was made to better reflect the exercise behavior of top management. We use historical volatility for a period of time comparable to the expected life of the option to determine volatility assumptions. Expected life is calculated based on the contractual term of each grant and takes into account the historical exercise and termination behavior of participants. Risk-free interest rates are based on the five-year Treasury bond rate. Weighted average assumptions used in the fair value calculation are outlined in the following table.

	2008	2007	2006
Weighted average expected life	**5.5 years**	5.6 years	5.9 years
Weighted average risk-free interest rate	**4.08%**	3.88%	3.70%
Range of risk-free interest rates	**3.1–4.6%**	2.6–4.6%	2.6–4.8%
Weighted average expected volatility	**34.61%**	36.85%	37.83%
Range of expected volatility	**30.9–40.1%**	33.7–40.1%	35.2–40.1%
Expected dividend yield	**1.02%**	1.11%	1.23%

We recognized stock-based compensation expense related to stock options, net of income taxes, of $12 million, $11 million and $9 million, respectively, during fiscal years 2008, 2007 and 2006, with a $7 million, $6 million and $5 million related tax benefit. We had 2.5 million, 1.9 million and 3.3 million options vest in fiscal years 2008, 2007 and 2006, respectively, with a fair value of $15 million, $9 million and $16 million, respectively.

In fiscal years 2008, 2007 and 2006, we received cash of $9 million, $59 million and $28 million, respectively, for the exercise of stock options. Shares are issued from treasury for stock option exercises. The related tax benefit realized from stock options exercised during fiscal years 2008, 2007 and 2006, was $1 million, $12 million and $4 million. The total intrinsic value of options exercised in fiscal years 2008, 2007 and 2006, was $3 million, $31 million and $10 million, respectively. SFAS No. 123R requires the cash flows resulting from tax deductions in excess of the compensation cost of those options (excess tax deductions) to be classified as financing cash flows. We realized $0, $9 million and $4 million, respectively, in excess tax deductions during fiscal years 2008, 2007 and 2006. As of September 27, 2008, we had $40 million of total unrecognized compensation cost related to stock option plans that will be recognized over a weighted average period of 2.7 years.

RESTRICTED STOCK

We issue restricted stock at the market value as of the date of grant, with restrictions expiring over periods through July 1, 2020. Unearned compensation is recognized over the vesting period for the particular grant using a straight-line method.

	Number of Shares	Weighted Average Grant-Date Fair Value Per Share	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value (in millions)
Nonvested, September 29, 2007	6,061,334	$14.95		
Granted	**975,727**	**15.28**		
Dividends	**54,206**	**14.49**		
Vested	**(2,031,907)**	**12.28**		
Forfeited	**(293,636)**	**15.54**		
Nonvested, September 27, 2008	**4,765,724**	**16.16**	**2.4**	**$60**

As of September 27, 2008, we had $37 million of total unrecognized compensation cost related to restricted stock awards that will be recognized over a weighted average period of 2.4 years.

We recognized stock-based compensation expense related to restricted stock, net of income taxes, of $11 million, $14 million and $15 million for years 2008, 2007 and 2006, respectively. The related tax benefit for fiscal years 2008, 2007 and 2006 was $6 million, $9 million and $9 million, respectively. We had 2.0 million, 3.4 million and 0.4 million, respectively, restricted stock awards vest in fiscal years 2008, 2007 and 2006, with a grant date fair value of $24 million, $37 million and $5 million.

Notes to Consolidated Financial Statements (continued)

PERFORMANCE-BASED SHARES

In July 2003, our Compensation Committee authorized us to award performance-based shares of our Class A stock to certain senior executive officers on the first business day of each of the Company's 2004, 2005 and 2006 fiscal years. The Compensation Committee later authorized the expansion of the awards to include additional senior officers and to extend out to fiscal year 2008. The vesting of the performance-based shares for the 2006 award is over two and one-half to three years and the vesting for the 2007 and 2008 awards is over three years (the Vesting Period), each award being subject to the attainment of goals determined by the Compensation Committee prior to the date of the award. We review progress toward the attainment of goals each quarter during the Vesting Period. However, the attainment of goals can be determined only at the end of the Vesting Period. If the shares vest, the ultimate cost will be equal to the Class A stock price on the date the shares vest times the number of shares awarded for all performance grants with other than market criteria. For grants with market performance criteria, the ultimate cost will be the fair value of the probable shares to vest regardless if the shares actually vest. Total expense recorded related to performance-based shares was not material for fiscal years 2008, 2007 and 2006.

NOTE 13: PENSIONS AND OTHER POSTRETIREMENT BENEFITS

Effective September 29, 2007, we adopted SFAS No. 158, which requires the recognition in pension obligations and accumulated other comprehensive income of actuarial gains or losses, prior service costs or credits and transition assets or obligations previously deferred under the reporting requirements of SFAS No. 87, SFAS No. 106 and SFAS No. 132(R). The following table reflects the effects of adoption of SFAS No. 158 on the Consolidated Balance Sheet as of September 29, 2007.

in millions	Before Application of SFAS No. 158	Adjustments	After Application of SFAS No. 158
Other assets	$ 332	$(5)	$ 327
Total assets	10,232	(5)	10,227
Deferred income taxes	366	1	367
Other liabilities	381	(9)	372
Accumulated other comprehensive income	47	3	50
Total shareholders' equity	4,728	3	4,731
Total liabilities and shareholders' equity	10,232	(5)	10,227

At September 27, 2008, we had four noncontributory defined benefit pension plans consisting of three funded qualified plans and one unfunded non-qualified plan. All three of our qualified plans are frozen and provide benefits based on a formula using years of service and a specified benefit rate. Effective January 1, 2004, we implemented a non-qualified defined benefit plan for certain contracted officers that uses a formula based on years of service and final average salary. We also have other postretirement benefit plans for which substantially all of our employees may receive benefits if they satisfy applicable eligibility criteria. The postretirement healthcare plans are contributory with participants' contributions adjusted when deemed necessary.

We have defined contribution retirement and incentive benefit programs for various groups of employees. We recognized expenses of $48 million, $46 million and $55 million in fiscal 2008, 2007 and 2006, respectively.

We use a fiscal year end measurement date for our defined benefit plans and other postretirement plans. We generally recognize the effect of actuarial gains and losses into earnings immediately for other postretirement plans rather than amortizing the effect over future periods.

Other postretirement benefits include postretirement medical costs and life insurance.

BENEFIT OBLIGATIONS AND FUNDED STATUS

The following table provides a reconciliation of the changes in the plans' benefit obligations, assets and funded status at September 27, 2008, and September 29, 2007:

	Pension Benefits				Other Postretirement Benefits	
	Qualified		Non-Qualified			
in millions	**2008**	2007	**2008**	2007	**2008**	2007
Change in benefit obligation						
Benefit obligation at beginning of year	**$ 98**	$99	**$ 30**	$ 25	**$ 49**	$ 61
Service cost	**–**	–	**3**	6	**1**	1
Interest cost	**6**	5	**2**	2	**3**	4
Plan participants' contributions	**–**	–	**–**	–	**2**	8
Amendments	**–**	–	**–**	–	**–**	(4)
Actuarial (gain) loss	**(6)**	–	**(2)**	(2)	**1**	12
Benefits paid	**(8)**	(6)	**(1)**	(1)	**(9)**	(16)
Settlement	**–**	–	**–**	–	**–**	(17)
Benefit obligation at end of year	**90**	98	**32**	30	**47**	49
Change in plan assets						
Fair value of plan assets at beginning of year	**97**	85	**–**	–	**–**	–
Actual return on plan assets	**(11)**	14	**–**	–	**–**	–
Employer contributions	**1**	4	**1**	1	**7**	8
Plan participants' contributions	**–**	–	**–**	–	**1**	8
Benefits paid	**(8)**	(6)	**(1)**	(1)	**(8)**	(16)
Fair value of plan assets at end of year	**79**	97	**–**	–	**–**	–
Funded status	**$(11)**	$ (1)	**$(32)**	$(30)	**$(47)**	$(49)

Amounts recognized in the Consolidated Balance Sheets consist of:

	Pension Benefits				Other Postretirement Benefits	
	Qualified		Non-Qualified			
in millions	**2008**	2007	**2008**	2007	**2008**	2007
Other assets	**$ –**	$ 7	**$ –**	$ –	**$ –**	$ –
Accrued benefit liability	**(11)**	(8)	**(32)**	(30)	**(47)**	(49)
Accumulated other comprehensive (income)/loss:						
Unrecognized actuarial loss	**24**	13	**–**	1	**–**	–
Unrecognized prior service (cost)/credit	**–**	–	**4**	5	**(9)**	(10)
Net amount recognized	**$ 13**	$12	**$(28)**	$(24)	**$(56)**	$(59)

The increase (decrease) in the pretax minimum liability related to our pension plans included in other comprehensive income (loss) was $9 million, $(9) million and $16 million in fiscal 2008, 2007 and 2006, respectively.

At September 27, 2008, all pension plans had an accumulated benefit obligation in excess of plan assets. At September 29, 2007, three pension plans had an accumulated benefit obligation in excess of plan assets. The accumulated benefit obligation for all qualified pension plans was $90 million and $98 million at September 27, 2008, and September 29, 2007, respectively. Plans with accumulated benefit obligations in excess of plan assets are as follows:

	Pension Benefits			
	Qualified		Non-Qualified	
in millions	**2008**	2007	**2008**	2007
Projected benefit obligation	**$90**	$26	**$32**	$30
Accumulated benefit obligation	**90**	26	**31**	30
Fair value of plan assets	**79**	18	**–**	–

NET PERIODIC BENEFIT COST

Components of net periodic benefit cost for pension and postretirement benefit plans recognized in the Consolidated Statements of Operations are as follows:

	Pension Benefits						Other Postretirement Benefits		
	Qualified			Non-Qualified					
in millions	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Service cost	**$ –**	$ –	$ –	**$3**	$6	$6	**$ 1**	$ 1	$ 1
Interest cost	**6**	5	5	**2**	2	1	**3**	4	4
Expected return on plan assets	**(7)**	(7)	(6)	**–**	–	–	**–**	–	–
Amortization of prior service cost	**–**	–	–	**1**	1	1	**(1)**	(2)	(2)
Recognized actuarial loss, net	**1**	1	–	**–**	–	–	**1**	12	14
Curtailment and settlement gain	**–**	–	–	**–**	–	–	**–**	(27)	(2)
Net periodic benefit cost	**$ –**	$(1)	$(1)	**$6**	$9	$8	**$ 4**	$(12)	$15

ASSUMPTIONS

Weighted average assumptions are as follows:

	Pension Benefits						Other Postretirement Benefits		
	Qualified			Non-Qualified					
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Discount rate to determine net periodic benefit cost	**6.33%**	5.93%	5.80%	**6.25%**	6.00%	6.00%	**6.25%**	6.00%	6.00%
Discount rate to determine benefit obligations	**5.88%**	5.39%	5.75%	**6.50%**	6.25%	6.00%	**6.50%**	6.25%	6.10%
Rate of compensation increase	**N/A**	N/A	N/A	**3.50%**	3.50%	4.00%	**N/A**	N/A	N/A
Expected return on plan assets	**8.02%**	7.89%	8.03%	**N/A**	N/A	N/A	**N/A**	N/A	N/A

To determine the rate-of-return on assets assumption, we first examined historical rates of return for the various asset classes. We then determined a long-term projected rate-of-return based on expected returns over the next five to 10 years.

We have three postretirement health plans. Two of these consist of fixed, annual payments and account for $33 million of the post-retirement medical obligation at September 27, 2008. A healthcare cost trend is not required to determine this obligation. The remaining plan accounts for $14 million of the postretirement medical obligation at September 27, 2008. The plan covers retirees who do not yet qualify for Medicare and uses a healthcare cost trend of 10% in the current year, grading down to 6% in fiscal 2012. The decision was made in the fourth quarter of fiscal 2007 to outsource a Post-age 65 plan to a third party insurer. This decision effectively settled the plan in fiscal 2007. We recognized a gain of approximately $27 million related to this plan change. A one-percentage point change in assumed healthcare cost trend rate would have an immaterial impact on the postretirement benefit obligation and total service and interest cost.

PLAN ASSETS

The fair value of plan assets for domestic pension benefit plans was $64 million and $80 million as of September 27, 2008, and September 29, 2007, respectively. The following table sets forth the actual and target asset allocation for pension plan assets:

	2008	2007	Target Asset Allocation
Cash	**0.9%**	2.2%	0.0%
Fixed income securities	**31.1**	24.4	30.0
US Stock Funds – Large- and Mid-Cap	**24.1**	48.8	25.0
US Stock Funds – Small-Cap	**20.0**	9.7	20.0
International Stock Funds	**18.8**	14.9	20.0
Real Estate	**5.1**	0.0	5.0
Total	**100.0%**	100.0%	100.0%

A foreign subsidiary pension plan had $15 million and $17 million in plan assets at September 27, 2008, and September 29, 2007, respectively. All of this plan's assets are held in annuity contracts consistent with its target asset allocation.

The Plan Trustees have established a set of investment objectives related to the assets of the pension plans and regularly monitor the performance of the funds and portfolio managers. Objectives for the pension assets are (1) to provide growth of capital and income, (2) to achieve a target weighted average annual rate of return competitive with other funds with similar investment objectives and (3) to diversify to reduce risk. The investment objectives and target asset allocation were adopted in January 2004 and amended in January 2008.

CONTRIBUTIONS

Our policy is to fund at least the minimum contribution required to meet applicable federal employee benefit and local tax laws. In our sole discretion, we may from time to time fund additional amounts. Expected contributions to pension plans for fiscal 2009 are approximately $2 million. For fiscal 2008, 2007 and 2006, we funded $2 million, $5 million and $0, respectively, to defined benefit plans.

ESTIMATED FUTURE BENEFIT PAYMENTS

The following benefit payments are expected to be paid:

in millions	Pension Benefits Qualified	Pension Benefits Non-Qualified	Other Postretirement Benefits
2009	$ 6	$ 1	$ 6
2010	7	2	6
2011	6	2	6
2012	7	2	5
2013	12	2	5
2014–2018	33	16	22

The above benefit payments for other postretirement benefit plans are not expected to be offset by Medicare Part D subsidies in 2009 or thereafter.

NOTE 14: SUPPLEMENTAL CASH FLOW INFORMATION

The following table summarizes cash payments for interest and income taxes:

in millions	**2008**	2007	2006
Interest	**$211**	$262	$159
Income taxes, net of refunds	**51**	97	144

NOTE 15: TRANSACTIONS WITH RELATED PARTIES

We have operating leases for farms, equipment and other facilities with Don Tyson, a director of the Company, John Tyson, Chairman of the Company, certain members of their families and the Randal W. Tyson Testamentary Trust. Total payments of $3 million in fiscal 2008, $5 million in fiscal 2007, and $8 million in fiscal 2006, were paid to entities in which these parties had an ownership interest.

In 2008, a lawsuit captioned In re Tyson Foods, Inc. Consolidated Shareholder's Litigation was settled. Pursuant to the settlement, Don Tyson and the Tyson Limited Partnership paid us $4.5 million.

NOTE 16: INCOME TAXES

Detail of the provision (benefit) for income taxes from continuing operations consists of:

in millions	**2008**	2007	2006
Federal	**$56**	$129	$ (79)
State	**8**	16	(12)
Foreign	**4**	(3)	(3)
	$68	$142	$ (94)
Current	**$33**	$137	$ 32
Deferred	**35**	5	(126)
	$68	$142	$ (94)

The reasons for the difference between the statutory federal income tax rate and the effective income tax rate from continuing operations are as follows:

	2008	2007	2006
Federal income tax rate	**35.0%**	35.0%	35.0%
State income taxes, excluding FIN 48	**2.0**	2.3	3.3
Extraterritorial income exclusion	**–**	(1.1)	–
Unrecognized tax benefits, net	**4.4**	(4.6)	–
Medicare Part D	**(0.8)**	3.2	(1.8)
Adjustment for tax review	**–**	–	(5.1)
General business credits	**(3.8)**	(2.6)	2.6
Domestic production deduction	**(2.2)**	(1.0)	–
Fixed asset tax cost correction	**–**	4.2	–
Officers life insurance	**3.8**	(1.4)	0.8
Change in state valuation allowance	**5.0**	–	–
Other	**1.2**	0.6	0.2
	44.6%	34.6%	35.0%

An increase in the state valuation allowance increased the fiscal 2008 tax expense by $8 million, while non-deductible activity relating to company-owned life insurance increased the fiscal 2008 tax expense by $6 million. The addition of FIN 48 unrecognized tax benefits in fiscal 2008 caused a net increase to income tax expense of approximately $7 million. Additionally, estimated general business credits decreased fiscal 2008 tax expense by $6 million.

During fiscal 2007, we discovered a certain population of our tax cost and accumulated depreciation values were not accurately recorded, primarily related to a property, plant and equipment system conversion in 1999. This system conversion did not impact the recorded book value of the property, plant and equipment. As a result, the net tax basis of property, plant and equipment was overstated, which caused the deferred tax liability in our financial statements to be understated. In fiscal 2007, we increased our deferred tax liabilities $17 million and recognized additional tax expense of $17 million.

The fiscal 2007 effective tax rate was reduced by 4.6% due to the reduction of income tax reserves management deemed were no longer required. The net reduction to current income tax expense of approximately $20 million related to Internal Revenue Service examinations, appeals and United States Tax Court settlement activity, as well as state income tax examination settlements. Additional related adjustments resulted in a $28 million reduction of goodwill.

During fiscal 2006, we completed a review of our tax account balances, and as a result, reduced our income tax benefit by $15 million. This included $12 million related to additional tax reserves for our foreign operations and $3 million related to a cumulative adjustment to our recorded tax balances attributable to book to tax differences associated with property, plant and equipment (including synthetic leases) and certain acquired deferred tax liabilities. Additional adjustments resulted in an increase to goodwill of $12 million, deferred tax liabilities of $3 million and a reduction of property, plant and equipment of $9 million.

Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

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

	2008		2007	
	Deferred Tax		Deferred Tax	
in millions	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	**$ –**	**$365**	$ –	$399
Suspended taxes from conversion to accrual method	**–**	**96**	–	104
Intangible assets	**–**	**30**	7	32
Inventory	**13**	**89**	13	74
Accrued expenses	**167**	**–**	165	–
Net operating loss and other carryforwards	**124**	**–**	133	–
Note hedge transactions	**36**	**–**	–	–
Insurance reserves	**22**	**–**	22	–
Prepaids	**–**	**23**	–	40
Other	**58**	**48**	53	71
	$420	**$651**	$393	$720
Valuation allowance	**$ (49)**		$ (55)	
Net deferred tax liability		**$280**		$382

Net deferred tax liabilities are included in Other Current Assets, 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 recognized by 2027.

We have accumulated undistributed earnings of foreign subsidiaries aggregating approximately $219 million and $215 million at September 27, 2008 and September 29, 2007, respectively. These earnings are expected to be indefinitely reinvested outside of the United States. If those earnings were distributed in the form of dividends or otherwise, we would be subject to federal income taxes (subject to an adjustment for foreign tax credits), state income taxes and withholding taxes payable to the various foreign countries. It is not currently practicable to estimate the tax liability that might be payable on the repatriation of these foreign earnings.

The tax effected valuation allowance of $49 million consists of $30 million for state tax credit and net operating loss carryforwards, $3 million for federal net operating loss carryforwards and $16 million for international net operating loss carryforwards. The state tax credit and net operating loss carryforwards expire in fiscal years 2009 through 2027. At September 27, 2008, after considering utilization restrictions, our gross federal tax net operating loss carryforwards approximated $165 million. Gross federal net operating loss carryforwards of $8 million are subject to utilization limitations due to ownership changes and may be utilized to offset future taxable income subject to limitations. These carryforwards expire during fiscal years 2009 through 2024. The $49 million valuation allowance described above includes $3 million that if subsequently recognized, will be allocated to reduce goodwill, which was recorded at the time of acquisition of TFM.

The following table summarizes the activity related to our gross unrecognized tax benefits from the beginning of fiscal 2008 to September 27, 2008.

in millions	Unrecognized Tax Benefits
Balance as of the beginning of fiscal 2008	**$210**
Increases related to current year tax positions	**23**
Increases related to prior year tax positions	**36**
Reductions related to prior year tax positions	**(28)**
Reductions related to settlements	**(14)**
Reductions related to expirations of statute of limitations	**(7)**
Balance as of September 27, 2008	**$220**

We classify interest and penalties on unrecognized tax benefits as income tax expense. At September 27, 2008, and at the adoption of FIN 48 at the beginning of fiscal 2008, before tax benefits, we had $67 million and $70 million, respectively, of accrued interest and penalties on unrecognized tax benefits.

As of September 27, 2008, we are subject to income tax examinations for U.S. federal income taxes for fiscal years 1998 through 2007, and for foreign, state and local income taxes for fiscal years 2001 through 2007. During fiscal 2009, tax audit resolutions could potentially reduce unrecognized tax benefits by approximately $26 million, either because tax positions are sustained on audit or because we agree to their disallowance.

NOTE 17: EARNINGS (LOSS) PER SHARE

The earnings and weighted average common shares used in the computation of basic and diluted earnings (loss) per share are as follows:

in millions, except per share data	2008	2007	2006
Numerator:			
Income (loss) from continuing operations	**$ 86**	$ 268	$ (174)
Less Dividends:			
Class A ($0.16/share)	**46**	45	41
Class B ($0.144/share)	**10**	11	14
Undistributed earnings (losses)	**30**	212	(229)
Class A undistributed earnings (losses)	**25**	170	(170)
Class B undistributed earnings (losses)	**5**	42	(59)
Total undistributed earnings (losses)	**$ 30**	$ 212	$ (229)
Denominator:			
Denominator for basic earnings per share:			
Class A weighted average shares	**281**	273	249
Class B weighted average shares, and shares under if-converted method for diluted earnings per share	**70**	75	96
Effect of dilutive securities:			
Stock options and restricted stock	**5**	7	–
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversions	**356**	355	345
Earnings (Loss) Per Share from Continuing Operations:			
Class A Basic	**$0.25**	$0.79	$(0.51)
Class B Basic	**$0.22**	$0.70	$(0.47)
Diluted	**$0.24**	$0.75	$(0.51)
Net income (loss):			
Class A Basic	**$0.25**	$0.79	$(0.58)
Class B Basic	**$0.22**	$0.70	$(0.53)
Diluted	**$0.24**	$0.75	$(0.58)

Approximately 10 million, 4 million and 28 million, respectively, in fiscal years 2008, 2007 and 2006, of our option shares were antidilutive and were not included in the dilutive earnings per share calculation.

We have two classes of capital stock, Class A stock and Class B stock. 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 cash dividends paid to holders of Class B stock cannot exceed 90% of the cash dividend paid to holders of Class A stock.

We allocate undistributed earnings (losses) based upon a 1 to 0.9 ratio per share of Class A stock and Class B stock, respectively. We allocate undistributed earnings (losses) based on this ratio due to historical dividend patterns, voting control of Class B shareholders and contractual limitations of dividends to Class B stock.

NOTE 18: SEGMENT REPORTING

We operate in four segments: Chicken, Beef, Pork and Prepared Foods. We measure segment profit as operating income (loss).

Chicken: Chicken operations include breeding and raising chickens, as well as processing live chickens into fresh, frozen and value-added chicken products and logistics operations to move products through the supply chain. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators and noncommercial foodservice establishments such as schools, hotel chains, healthcare facilities, the military and other food processors, as well as to international markets throughout the world. It also includes sales from allied products and our chicken breeding stock subsidiary.

Beef: Beef operations include processing live fed cattle and fabricating dressed beef carcasses into primal and sub-primal meat cuts and case-ready products. This segment also includes sales from allied products such as hides and variety meats, as well as logistics operations to move products through the supply chain. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators and noncommercial foodservice establishments such as schools, hotel chains, healthcare facilities, the military and other food processors, as well as to international markets throughout the world. Allied products are marketed to manufacturers of pharmaceuticals and technical products.

Pork: Pork operations include processing live market hogs and fabricating pork carcasses into primal and sub-primal cuts and case-ready products. This segment also includes our live swine group, related allied product processing activities and logistics operations to move products through the supply chain. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators and noncommercial foodservice establishments such as schools, hotel chains, healthcare facilities, the military and other food processors, as well as to international markets throughout the world. We sell allied products to pharmaceutical and technical products manufacturers, as well as a limited number of live swine to pork processors.

Prepared Foods: Prepared Foods operations include manufacturing and marketing frozen and refrigerated food products and logistics operations to move products through the supply chain. Products include pepperoni, bacon, beef and pork pizza toppings, pizza crusts, flour and corn tortilla products, appetizers, prepared meals, ethnic foods, soups, sauces, side dishes, meat dishes and processed meats. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators and noncommercial foodservice establishments such as schools, hotel chains, healthcare facilities, the military and other food processors, as well as to international markets throughout the world.

in millions	Chicken	Beef	Pork	Prepared Foods	Other	Consolidated
Fiscal year ended September 27, 2008						
Sales	**$8,900**	**$11,664**	**$3,587**	**$2,711**	**$ –**	**$26,862**
Operating income (loss)	**(118)**	**106**	**280**	**63**	**–**	**331**
Other expense						**177**
Income from continuing operations before income taxes						**154**
Depreciation[a]	**244**	**117**	**31**	**67**	**–**	**459**
Total assets[b]	**4,990**	**3,169**	**898**	**971**	**663**	**10,691**
Additions to property, plant and equipment[c]	**258**	**83**	**21**	**46**	**15**	**423**
Fiscal year ended September 29, 2007						
Sales	$8,210	$11,540	$3,314	$2,665	$ –	$25,729
Operating income	325	51	145	92	–	613
Other expense						203
Income from continuing operations before income taxes						410
Depreciation[a]	260	120	31	61	–	472
Total assets[b]	4,467	3,207	814	961	614	10,063
Additions to property, plant and equipment[c]	164	33	10	25	47	279
Fiscal year ended September 30, 2006						
Sales	$7,958	$10,866	$3,067	$2,698	$ –	$24,589
Operating income (loss)	94	(254)	55	55	–	(50)
Other expense						218
Loss from continuing operations before income taxes						(268)
Depreciation[a]	262	117	30	63	–	472
Total assets[b]	4,395	3,139	847	1,021	1,561	10,963
Additions to property, plant and equipment[c]	225	134	14	55	100	528

[a] Excludes depreciation related to discontinued operation of $9 million, $10 million and $9 million for fiscal years 2008, 2007 and 2006, respectively.
[b] Excludes assets held for sale related to discontinued operation of $159 million, $164 million and $158 million for fiscal years 2008, 2007 and 2006, respectively.
[c] Excludes additions to property, plant and equipment related to discontinued operation of $2 million, $6 million and $3 million for fiscal years 2008, 2007 and 2006, respectively.

In the fourth quarter fiscal 2008, we began to manage and report the operating results and identifiable assets of our logistics operations in the segment in which the product being moved relates. As a result, our operating segments now reflect logistics operations which were previously included in Other. All prior periods have been restated to reflect this change.

We allocate expenses related to corporate activities to the segments, while the related assets and additions to property, plant and equipment remain in Other.

The Pork segment had sales of $517 million, $515 million and $467 million for fiscal years 2008, 2007 and 2006, respectively, from transactions with other operating segments. The Beef segment had sales of $142 million, $111 million and $104 million for fiscal years 2008, 2007 and 2006, respectively, from transactions with other operating segments. These sales from intersegment transactions, which are sold at market prices, were excluded from the segment sales in the above table.

Our largest customer, Wal-Mart Stores, Inc., accounted for 13.3%, 13.4% and 13.0% of consolidated sales in fiscal years 2008, 2007 and 2006, respectively. Sales to Wal-Mart Stores, Inc. were included in the Chicken, Beef, Pork and Prepared Foods segments. Any extended discontinuance of sales to this customer could, if not replaced, have a material impact on our operations.

The majority of our operations are domiciled in the United States. Approximately 98% of sales to external customers for each of fiscal years 2008, 2007 and 2006 were sourced from the United States. Approximately $3.4 billion, $3.5 billion and $3.7 billion, respectively, of property, plant and equipment were located in the United States at September 27, 2008, September 29, 2007, and September 30, 2006. Approximately $139 million, $125 million and $116 million of property, plant and equipment were located in foreign countries, primarily Mexico, at fiscal years ended 2008, 2007 and 2006, respectively.

We sell certain products in foreign markets, primarily Canada, Central America, China, the European Union, Japan, Mexico, the Middle East, Russia, South Korea, and Taiwan. Our export sales totaled $3.2 billion, $2.5 billion and $2.0 billion for fiscal 2008, 2007 and 2006, respectively. Substantially all of our 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 consolidated sales for each of fiscal years 2008, 2007 and 2006. Approximately 22% and 10% of income from continuing operations before income taxes for fiscal 2008 and 2007, respectively, was from foreign operations. In fiscal 2006, we had income from continuing operations before income taxes related to foreign operations of $13 million.

NOTE 19: QUARTERLY FINANCIAL DATA (UNAUDITED)

in millions, except per share data	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2008				
Sales	**$6,476**	**$6,336**	**$6,849**	**$7,201**
Gross profit	**315**	**315**	**259**	**357**
Operating income	**94**	**54**	**45**	**138**
Income (loss) from continuing operations	**41**	**3**	**(3)**	**45**
Income (loss) from discontinued operation	**(7)**	**(8)**	**12**	**3**
Net income (loss)	**34**	**(5)**	**9**	**48**
Earnings (loss) from continuing operations:				
Class A Basic	**$ 0.12**	**$ 0.01**	**$ (0.01)**	**$ 0.13**
Class B Basic	**$ 0.11**	**$ 0.01**	**$ (0.01)**	**$ 0.11**
Diluted	**$ 0.12**	**$ 0.01**	**$ (0.01)**	**$ 0.12**
Earnings (loss) from discontinued operation:				
Class A Basic	**$ (0.02)**	**$ (0.03)**	**$ 0.04**	**$ 0.01**
Class B Basic	**$ (0.02)**	**$ (0.02)**	**$ 0.03**	**$ 0.01**
Diluted	**$ (0.02)**	**$ (0.03)**	**$ 0.04**	**$ 0.01**
Net income (loss):				
Class A Basic	**$ 0.10**	**$ (0.02)**	**$ 0.03**	**$ 0.14**
Class B Basic	**$ 0.09**	**$ (0.01)**	**$ 0.02**	**$ 0.12**
Diluted	**$ 0.10**	**$ (0.02)**	**$ 0.03**	**$ 0.13**
2007				
Sales	$ 6,298	$ 6,239	$ 6,618	$ 6,574
Gross profit	342	353	428	306
Operating income	151	148	212	102
Income from continuing operations	60	61	114	33
Income (loss) from discontinued operation	(3)	7	(3)	(1)
Net income	57	68	111	32
Earnings from continuing operations:				
Class A Basic	$ 0.18	$ 0.18	$ 0.33	$ 0.10
Class B Basic	$ 0.16	$ 0.16	$ 0.30	$ 0.08
Diluted	$ 0.17	$ 0.17	$ 0.32	$ 0.09
Earnings (loss) from discontinued operation:				
Class A Basic	$ (0.01)	$ 0.02	$ (0.01)	$ –
Class B Basic	$ (0.01)	$ 0.02	$ (0.01)	$ –
Diluted	$ (0.01)	$ 0.02	$ (0.01)	$ –
Net income:				
Class A Basic	$ 0.17	$ 0.20	$ 0.32	$ 0.10
Class B Basic	$ 0.15	$ 0.18	$ 0.29	$ 0.08
Diluted	$ 0.16	$ 0.19	$ 0.31	$ 0.09

In June 2008, we executed a letter of intent to sell the beef processing, cattle feed yard and fertilizer assets of Lakeside Farm Industries Ltd. We are reporting Lakeside as a discontinued operation and have restated the quarterly financial data accordingly.

First quarter fiscal 2008 income from continuing operations before income taxes includes an $18 million non-operating gain related to sale of an investment and a $6 million severance charge related to the FAST initiative. Second quarter fiscal 2008 income from continuing operations before income taxes includes $47 million in charges related to restructuring a beef plant operation, closing a poultry plant, impairment of packaging equipment and software impairments. Third quarter fiscal 2008 loss from continuing operations before income taxes includes $13 million in charges related to flood damage and impairment of unimproved real property. Fourth quarter fiscal 2008 income from continuing operations before income taxes includes a $10 million charge related to intangible asset impairments.

Fourth quarter fiscal 2007 income from continuing operations includes tax expense of $17 million related to a fixed asset tax cost correction.

NOTE 20: CAPITAL STRUCTURE

In September 2008, we issued 22.4 million shares of Class A stock as part of a public offering. The shares were offered at $12.75. Net proceeds, after underwriting discounts and commissions, of approximately $274 million were used toward the repayment of our borrowings under the accounts receivable securitization facility and for other general corporate purposes. An entity controlled by Don Tyson purchased three million shares of Class A stock in this offering.

During fiscal 2007, Tyson Limited Partnership converted 15.9 million shares of Class B stock to Class A stock on a one-for-one basis.

During fiscal 2006, Tyson Limited Partnership converted 15 million shares of Class B stock to Class A stock on a one-for-one basis. Additionally, Don Tyson, a director, converted 750,000 shares of Class B stock to Class A stock on a one-for-one basis.

NOTE 21: CONTINGENCIES

Listed below are certain claims made against the Company and our subsidiaries. In our opinion, we have made appropriate and adequate reserves, accruals and disclosures where necessary, and believe 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. We believe we have substantial defenses to the claims made and intend to vigorously defend these cases.

In 2000, the Wage and Hour Division of the U.S. Department of Labor (DOL) conducted an industry-wide investigation of poultry producers, including us, to ascertain compliance with various wage and hour issues. As part of this investigation, the DOL inspected 14 of our processing facilities. On May 9, 2002, the DOL filed a civil complaint styled *Elaine L. Chao, Secretary of Labor, United States Department of Labor v. Tyson Foods, Inc.* against us in the U.S. District Court for the Northern District of Alabama. The plaintiffs allege in the complaint that we violated the overtime provisions of the federal Fair Labor Standards Act at our chicken-processing facility in Blountsville, Alabama. The complaint does not contain a definite statement of what acts constituted alleged violations of the statute, although the Secretary of Labor indicated in discovery the case seeks to require us to compensate all hourly chicken processing workers for pre- and post-shift clothes changing, washing and related activities and for one of two unpaid 30-minute meal periods. 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, and an additional amount in unspecified liquidated damages and an injunction against future violations at that facility and all other chicken processing facilities we operate. The District Court granted the Company's motion for partial summary judgment in part, ruling that the second meal period is appropriately characterized as non-compensable, and reserving the remaining issues for trial. The trial is presently set for January 5, 2009.

Several private lawsuits are pending against us alleging that we failed to compensate poultry plant employees for all hours worked, including overtime compensation, in violation of the Fair Labor Standards Act. These lawsuits include *M.H. Fox, et al. v. Tyson Foods, Inc. (Fox)*, filed on June 22, 1999, in the U.S. District Court for the Northern District of Alabama, and *DeAsencio v. Tyson Foods, Inc. (DeAsencio)*, filed on August 22, 2000, in the U.S. District Court for the Eastern District of Pennsylvania. Each of these matters involves similar allegations that employees should be paid for the time it takes to engage in pre- and post-shift activities such as changing into and out of protective and sanitary clothing, obtaining clothing and walking to and from the changing area, work areas and break areas. The plaintiffs in these lawsuits seek or have sought to act as class representatives on behalf of all current and former employees who were allegedly not paid for time worked and seek back wages, liquidated damages, pre- and post-judgment interest, and attorneys' fees. In *Fox*, the District Court denied class certification on November 16, 2006, and ordered the cases of the 10 named plaintiffs in the matter to proceed individually in the home jurisdictions of the named plaintiffs. Two of these cases (*Brothers* and *Hatchett*) were tried in November 2007 in Alabama with jury verdicts in favor of the plaintiffs. The District Court recently entered judgment in the final of these cases (*Fox*) after the Company made an offer of judgment to *Fox*, thereby avoiding trial. However, the District Court must now determine the amount of attorneys' fees and costs to be awarded to the plaintiffs. In *DeAsencio*, plaintiffs appealed a jury verdict and final judgment entered in our favor on June 22, 2006, in the District Court. On September 7, 2007, the U.S. Court of Appeals for the Third Circuit reversed the jury verdict and remanded the case to the District Court for further proceedings. We sought rehearing en banc, which was denied by the Court of Appeals on October 5, 2007. The United States Supreme Court denied our petition for a writ of certiorari on June 9, 2008.

In addition to *Fox* and *DeAsencio*, additional private lawsuits were filed against us since the beginning of fiscal 2007 which allege we failed to compensate poultry plant employees for all hours worked, including overtime compensation, in violation of the Fair Labor Standards Act. These lawsuits are *Sheila Ackles, et al. v. Tyson Foods, Inc.* (N. Dist. Alabama, October 23, 2006); *McCluster, et al. v. Tyson Foods, Inc.* (M. Dist. Georgia, December 11, 2006); *Dobbins, et al. v. Tyson Chicken, Inc., et al.* (N. Dist. Alabama, December 21, 2006); *Buchanan, et al. v. Tyson Chicken, Inc., et al.* and *Potter, et al. v. Tyson Chicken, Inc., et al.* (N. Dist. Alabama, December 22, 2006); *Jones, et al. v. Tyson Foods, Inc., et al., Walton, et al. v. Tyson Foods, Inc., et al.* and *Williams, et al. v. Tyson Foods, Inc., et al.* (S. Dist. Mississippi, February 9, 2007); *Balch, et al. v. Tyson Foods, Inc.* (E. Dist. Oklahoma, March 1, 2007); *Adams, et al. v. Tyson Foods, Inc.* (W. Dist. Arkansas, March 2, 2007); *Atkins, et al. v. Tyson Foods, Inc.* (M. Dist. Georgia, March 5, 2007); and *Laney, et al. v. Tyson Foods, Inc.* and *Williams, et al. v. Tyson Foods, Inc.* (M. Dist. Georgia, May 23, 2007). Similar to *Fox* and *DeAsencio*, each of these matters involves allegations employees should be paid for the time it takes to engage in pre- and post-shift activities such as changing into and out of protective and sanitary clothing, obtaining clothing and walking to and from the changing area, work areas and break areas. The plaintiffs in each of these lawsuits seek or have sought to act as class representatives on behalf of all current and former employees who were allegedly not paid for time worked and seek back wages, liquidated damages, pre- and post-judgment interest, and attorneys' fees. On April 6, 2007, we filed a motion for transfer of the above named actions for coordinated pretrial proceedings before the Judicial Panel on Multidistrict Litigation. The motion for transfer was granted on August 17, 2007. The cases listed above and five other cases subsequently filed involving the same allegations, including *Armstrong, et al. v. Tyson Foods, Inc.* (W. Dist. Tennessee, January 30, 2008); *Maldonado, et al. v. Tyson Foods, Inc.* (E. Dist. Tennessee, January 31, 2008); *White, et al. v. Tyson Foods, Inc.* (E. Dist. Texas, February 1, 2008); *Meyer, et al. v. Tyson Foods, Inc.* (W. Dist. Missouri, February 2, 2008); and *Leak, et al. v. Tyson Foods, Inc.* (W. Dist. North Carolina, February 6, 2008), were transferred to the U.S. District Court in the Middle District of Georgia, In re: *Tyson Foods, Inc., Fair Labor Standards Act Litigation* ("MDL Proceedings"). On January 2, 2008, the Judge in the MDL Proceedings issued a Joint Scheduling and Case Management Order. The Order granted Conditional Class Certification and called for notice to be given to potential putative class members via a third party administrator. The potential class members had until April 18, 2008, to "opt-in" to the class. Approximately 13,800 employees and former employees filed their consents to "opt-in" to the class. As of April 18, 2008, the parties began conducting discovery for a period of 240 days at eight of our facilities and our corporate headquarters in Springdale, Arkansas. Discovery may be conducted at additional facilities in the future. On October 15, 2008, the Judge in the MDL Proceedings denied the plaintiffs' motion for equitable tolling, which reduces the time period for which the plaintiffs may seek damages.

On June 19, 2005, the Attorney General and the Secretary of the Environment of the State of Oklahoma filed a complaint in the U.S. District Court for the Northern District of Oklahoma against us, three of our subsidiaries and six other poultry integrators. This complaint was subsequently amended. As amended, the complaint asserts a number of state and federal causes of action including, but not limited to, counts under Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), Resource Conservation and Recovery Act ("RCRA"), and state-law public nuisance theories. The amended complaint asserts that defendants and certain contract growers who are not named in the complaint polluted the surface waters, groundwater and associated drinking water supplies of the Illinois River Watershed ("IRW") through the land application of poultry litter. Oklahoma asserts that this alleged pollution has also caused extensive injury to the environment (including soils and sediments) of the IRW and that the defendants have been unjustly enriched. Oklahoma's claims cover the entire IRW, which encompasses more than one million acres of land and the natural resources (including lakes and waterways) contained therein. Oklahoma seeks wide-ranging relief, including injunctive relief, compensatory and punitive damages, attorneys fees and disgorgement. We and the other defendants have denied liability, asserted various defenses, and filed a third-party complaint that asserts claims against other persons and entities whose activities may have contributed to the pollution alleged in the amended complaint. The district court has stayed proceedings on the third party complaint pending resolution of Oklahoma's claims against the defendants. On November 14, 2007, Oklahoma filed a motion under RCRA requesting a preliminary injunction to halt the land application of poultry litter in the IRW. Oklahoma's motion for a preliminary injunction asserted that bacteria from poultry litter are causing an imminent and substantial endangerment to human health and the environment throughout the IRW. A multi-week evidentiary hearing on the preliminary injunction was completed on March 6, 2008. On September 29, 2008, the court entered an order denying the preliminary injunction. On October 17, 2008, Oklahoma filed a notice of appeal of the district court's denial of the preliminary injunction in the United States Court of Appeals for the Tenth Circuit. Discovery in Oklahoma's case against defendants is ongoing. Trial is currently scheduled for September 2009.

We currently have pending eleven separate wage and hour actions involving TFM's plants located in Lexington, Nebraska (*Lopez, et al. v. Tyson Foods, Inc*., District of Nebraska, June 30, 2006), Garden City and Emporia, Kansas (*Garcia, et al. v. Tyson Foods, Inc., Tyson Fresh Meats, Inc.*, District of Kansas, May 15, 2006), Storm Lake, Iowa (*Sharp, et al. v. Tyson Foods, Inc.*, N.D. Iowa, February 6, 2007), Columbus Junction, Iowa (*Robinson, et al. v. Tyson Foods, Inc., d/b/a Tyson Fresh Meats, Inc.*, S.D. Iowa, September 12, 2007), Joslin, Illinois (*Murray, et al. v. Tyson Foods, Inc.*, C.D. Illinois, January 2, 2008), Dakota City, Nebraska (*Gomez, et al. v. Tyson Foods, Inc.*, District of Nebraska, January 16, 2008), Madison, Nebraska (*Acosta, et al. v Tyson Foods, Inc. d.b.a. Tyson Fresh Meats, Inc.*, District of Nebraska, February 29, 2008), Perry and Waterloo, Iowa (*Edwards, et al. v. Tyson Foods, Inc. d.b.a. Tyson Fresh Meats, Inc.*, S.D. Iowa, March 20, 2008); Council Bluffs, Iowa (*Salazar, et al. v. Tyson Foods, Inc. d.b.a. Tyson Fresh Meats, Inc.*, S.D. Iowa, April 29, 2008); and Logansport, Indiana (*Carter, et al. v. Tyson Foods, Inc. and Tyson Fresh Meats, Inc.*, N.D. Indiana, April 29, 2008); and Goodlettsville, Tennessee (*Cunningham v. Tyson Fresh Meats, Inc.*, M.D. Tennessee, May 22, 2008). With the exception of *Cunningham*, the actions allege TFM failed to pay employees for all hours worked, including overtime compensation for the time it takes to change into protective work uniforms, safety equipment and other sanitary and protective clothing worn by employees, and for walking to and from the changing area, work areas and break areas in violation of the Fair Labor Standards Act and analogous state laws. The plaintiffs seek back wages, liquidated damages, pre- and post-judgment interest, attorneys' fees and costs. *Cunningham* alleges TFM failed to pay quality assurance technicians overtime compensation for all hours worked in excess of forty hours in each work week. TFM filed a motion for partial summary judgment in *Garcia*, based upon an injunction entered in *Reich v. IBP*, which outlined the types of activities at issue here that are compensable. The District Court of Kansas denied the motion, and TFM appealed to the Tenth Circuit Court of Appeals, arguing that the District Court's ruling had the effect of improperly modifying the injunction. On July 23, 2008, Tyson filed a motion to transfer the eleven actions to the District of Kansas for consolidated pretrial proceedings. On October 9, 2008, the motion to transfer was denied by the Judicial Panel on Multi-district Litigation. The effect of this order will be that the stays previously entered in the individual actions will be lifted and each case will resume.

On November 21, 2002, 10 current and former hourly employees of a TFM case-ready facility in Goodlettsville, Tennessee, filed a putative class action lawsuit styled *Emily D. Jordan, et al. v. IBP, inc. and Tyson Foods, Inc.* in the U.S. District Court for the Middle District of Tennessee against us claiming violations of the overtime provisions of the Fair Labor Standards Act by failing to pay employees for all hours worked. The suit further alleges 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. Finally, the suit alleges we deduct 30 minutes per day from employees' paychecks regardless of whether employees use a full 30-minute period for their meal. The plaintiffs seek a declaration that the defendants did not comply with the Fair Labor Standards Act, 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 November 17, 2003, the District Court conditionally certified a collective action based on clothes changing and washing activities and unpaid production work during meal periods, since the plant operations began in April 2001. Approximately 650 current and former employees have opted into the class. On August 20, 2007, both parties filed motions for summary judgment. The court granted in part and denied in part the parties' motions for partial summary judgment on March 13, 2008. A jury trial was set to begin on September 16, 2008, but the parties resolved the litigation. On September 25, 2008, the court entered an agreed order of dismissal with prejudice and approved the confidential settlement agreement of the parties.

NOTE 22: SUBSEQUENT EVENTS

In October 2008, Dynamic Fuels received $100 million in Gulf Opportunity Zone tax-exempt bonds made available by the Federal government to the regions affected by Hurricanes Katrina and Rita in 2005. These floating rate bonds are due October 1, 2033, and have an initial interest rate of 1.3%. We issued a letter of credit as a guarantee for the entire bond issuance. In exchange for our guarantee, Syntroleum Corporation, the other 50 percent investor in Dynamic Fuels, issued to us eight million Syntroleum stock warrants with an exercise price of $0.01 per share.

In October 2008, we completed the acquisition of three vertically integrated poultry companies in southern Brazil. The purchase price was $80 million, as well as up to an additional $15 million of contingent purchase price based on production volumes payable through fiscal 2010. These transactions include the acquisitions of Macedo Agroindustrial, Avicola Itaiopolis and Frangobras. Combined, we expect these companies will have sales of $150 – $175 million in fiscal 2009.

Report of Independent Registered Public Accounting Firm

THE BOARD OF DIRECTORS AND SHAREHOLDERS OF TYSON FOODS, INC.

We have audited the accompanying consolidated balance sheets of Tyson Foods, Inc. as of September 27, 2008 and September 29, 2007, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended September 27, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require 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 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, 2008 and September 29, 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 27, 2008, in conformity with U.S. generally accepted accounting principles.

As described in Note 2 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" in 2008.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Tyson Foods, Inc.'s internal control over financial reporting as of September 27, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 17, 2008, expressed an unqualified opinion thereon.

Ernst & Young LLP

Rogers, Arkansas
November 17, 2008

Report of Independent Registered Public Accounting Firm

THE BOARD OF DIRECTORS AND SHAREHOLDERS OF TYSON FOODS, INC.

We have audited Tyson Foods, Inc.'s internal control over financial reporting as of September 27, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Tyson Foods, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management under the caption "Management's Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Tyson Foods, Inc. maintained, in all material respects, effective internal control over financial reporting as of September 27, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Tyson Foods, Inc. as of September 27, 2008 and September 29, 2007, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended September 27, 2008, and our report dated November 17, 2008, expressed an unqualified opinion thereon.

Ernst & Young LLP

Rogers, Arkansas
November 17, 2008

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.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) of the Securities Exchange Act of 1934. Our internal control system was designed to provide reasonable assurance to management and the board of directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Management conducted an evaluation of the effectiveness of our internal control over financial reporting as of September 27, 2008. In making this assessment, we used criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework.

Based on this evaluation under the framework in Internal Control – Integrated Framework issued by COSO, Management concluded that the Company's internal control over financial reporting was effective as of September 27, 2008.

The Company's independent registered public accounting firm, Ernst & Young LLP, has audited the accompanying consolidated financial statements and has issued an attestation report on the Company's internal control over financial reporting. The attestation report on the Company's internal control over financial reporting appears on page 62.

November 17, 2008

Richard L. Bond
President and
Chief Executive Officer

Dennis Leatherby
Executive Vice President and
and Chief Financial Officer

Five-Year Financial Summary

in millions, except per share and ratio data	**2008**	2007	2006	2005	2004
Summary of Operations					
Sales	**$26,862**	$25,729	$24,589	$24,801	$25,192
Operating income (loss)	**331**	613	(50)	655	733
Net interest expense	**206**	224	238	227	275
Income (loss) from continuing operations	**86**	268	(174)	314	285
Income (loss) from discontinued operation	**–**	–	(17)	58	118
Cumulative effect of change in accounting principle	**–**	–	(5)	–	–
Net income (loss)	**86**	268	(196)	372	403
Diluted earnings (loss) per share:					
Income (loss) from continuing operations	**0.24**	0.75	(0.51)	0.88	0.80
Income (loss) from discontinued operation	**–**	–	(0.05)	0.16	0.33
Cumulative effect of change in accounting principle	**–**	–	(0.02)	–	–
Net income (loss)	**0.24**	0.75	(0.58)	1.04	1.13
Dividends per share:					
Class A	**0.160**	0.160	0.160	0.160	0.160
Class B	**0.144**	0.144	0.144	0.144	0.144
Balance Sheet Data					
Total assets	**$10,850**	$10,227	$11,121	$10,504	$10,464
Total debt	**2,896**	2,779	3,979	2,995	3,362
Shareholders' equity	**5,014**	4,731	4,440	4,671	4,292
Other Key Financial Measures					
Depreciation and amortization	**$ 493**	$ 514	$ 517	$ 501	$ 490
Capital expenditures	**425**	285	531	571	486
Return on invested capital	**4.3%**	7.7%	(0.6)%	8.6%	9.6%
Effective tax rate	**44.6%**	34.6%	35.0%	28.7%	37.7%
Total debt to capitalization	**36.6%**	37.0%	47.3%	39.1%	43.9%
Book value per share	**$ 13.28**	$ 13.31	$ 12.51	$ 13.19	$ 12.19
Closing stock price high	**19.44**	24.08	18.70	19.47	21.06
Closing stock price low	**12.14**	14.20	12.92	14.12	12.59

Notes to Five-Year Financial Summary

a. Fiscal 2008 includes $76 million of pretax charges related to: restructuring a beef operation; closing a poultry plant; asset impairments for packaging equipment, intangible assets, unimproved real property and software; flood damage; and severance charges. Additionally, fiscal 2008 includes an $18 million non-operating gain related to the sale of an investment.

b. Fiscal 2007 includes tax expense of $17 million related to a fixed asset tax cost correction, primarily related to a fixed asset system conversion in 1999.

c. Fiscal 2006 includes $63 million of pretax charges primarily related to closing one poultry plant, two beef plants and two prepared foods plants.

d. Fiscal 2005 includes $33 million of pretax charges related to a legal settlement involving our live swine operations, a non-recurring income tax net benefit of $15 million including benefit from the reversal of certain income tax reserves, partially offset by an income tax charge related to the one-time repatriation of foreign income under the American Jobs Creation Act and $14 million of pretax charges primarily related to closing two poultry plants and one prepared foods plant. Additionally, the effective tax rate was affected by the federal income tax effect of the Medicare Part D subsidy in fiscal 2005 of $55 million because this amount was not subject to federal income tax.

e. Fiscal 2004 includes $61 million of pretax BSE-related charges, $40 million of pretax charges primarily related to closing one poultry and three prepared foods operations, $25 million of pretax charges related to the impairment of intangible assets and $21 million of pretax charges related to fixed asset write-downs.

f. Fiscal 2004 was a 53-week year, while the other years presented were 52-week years.

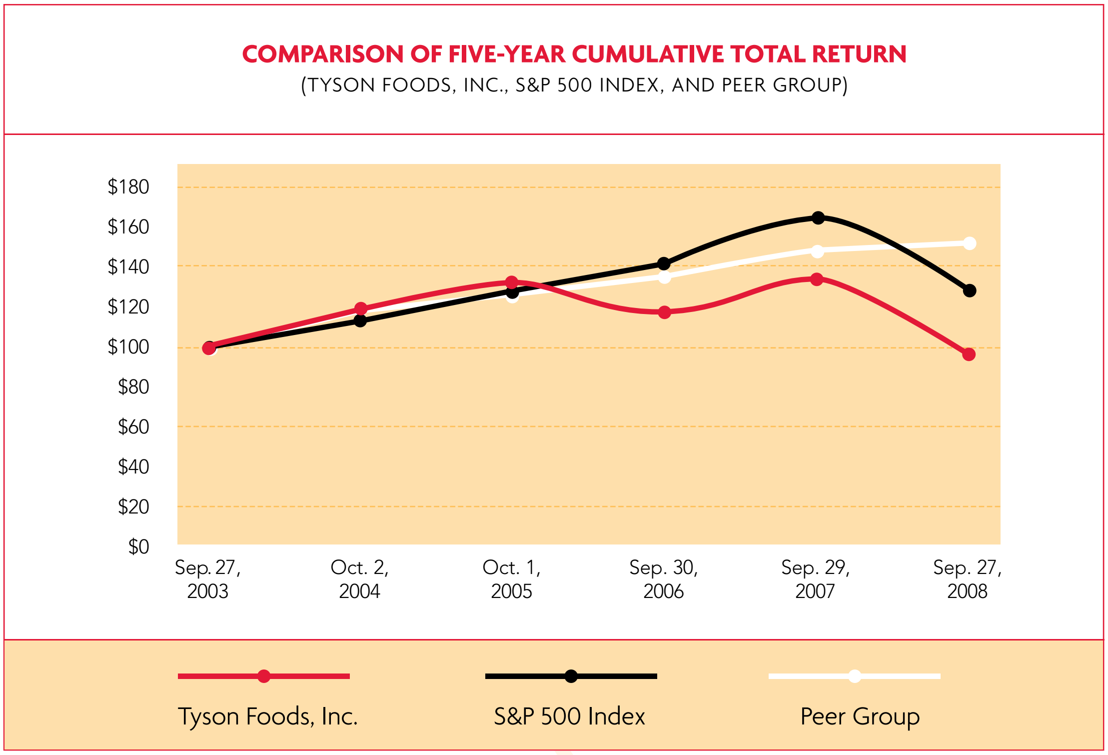
g. Return on invested capital is calculated by dividing operating income (loss) by the sum of the average of beginning and ending total debt and shareholders' equity.

h. The 2006 total debt to capitalization ratio is not adjusted for the $750 million short-term investment we had on deposit at September 30, 2006. When adjusted for the $750 million short-term investment, the debt to capitalization ratio was 42.1%.

i. In June 2008, we executed a letter of intent to sell the beef processing, cattle feed yard and fertilizer assets of Lakeside Farm Industries Ltd. We are reporting Lakeside as a discontinued operation for all periods presented.

Company Performance

The following graph shows a five-year comparison of cumulative total returns for the Company's Class A Common Stock, the S&P 500 Index and a group of peer companies described below.



INDEXED RETURNS ($)

	Base Period 9/27/03	10/2/04	10/1/05	9/30/06	9/29/07	**9/27/08**
		Years Ending				
Tyson Foods, Inc.	100	118.66	131.40	116.81	132.41	**95.10**
S&P 500 Index	100	113.87	127.82	141.62	164.90	**128.66**
Peer Group	100	118.31	126.08	135.54	149.07	**152.22**

The total cumulative return on investment (change in the year-end stock price plus reinvested dividends), which is based on the stock price or composite index at the end of fiscal 2003, is presented for each of the periods for the Company, the S&P 500 Index and a group of peer companies described at right.

The above graph compares the performance of the Company with that of the S&P 500 Index and a group of peer companies, which consists of the following companies: Campbell Soup Company, ConAgra Foods, Inc., General Mills, Inc., H. J. Heinz Co., Hershey Foods Corp., Hormel Foods Corp., Kellogg Co., McCormick & Co., Pilgrim's Pride Corporation, Sara Lee Corp., Smithfield Foods, Inc. and Wm. Wrigley Jr. Co. with the investment weighted on market capitalization.

Corporate Information

CLOSING PRICE OF COMPANY'S COMMON STOCK

	Fiscal 2008		Fiscal 2007	
	High	Low	High	Low
First Quarter	**$18.53**	**$14.11**	$17.00	$14.20
Second Quarter	**16.95**	**13.26**	19.41	15.73
Third Quarter	**19.44**	**13.68**	24.08	19.62
Fourth Quarter	**17.07**	**12.14**	23.91	17.85

As of October 25, 2008, there were approximately 34,000 holders of record of our Class A stock and 10 holders of record of our Class B stock, excluding holders in the security position listings held by nominees.

COMPUTERSHARE INVESTMENT PLAN

Tyson has authorized Computershare 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:

Computershare Investment Plan for Shareholders
of Tyson Foods, Inc.
c/o Computershare Trust Co., N.A.
P.O. Box 43078
Providence, RI 02940-3078
Telephone (877) 498-8861
Hearing Impaired Telephone TDD: (800) 952-9245
www.computershare.com

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, Computershare 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, Computershare 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, Computershare 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

2200 Don Tyson Parkway
Springdale, Arkansas 72762
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 2008 is available at http://ir.tyson.com or may be obtained by Tyson shareholders, without charge, by writing to:

Vice President of Investor Relations
Tyson Foods, Inc.
2200 Don Tyson Parkway
Springdale, Arkansas 72762
Telephone (479) 290-4235
Fax (479) 757-6712
E-mail: tysonir@tyson.com

Corporate Information (continued)

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 10 a.m. Friday, February 6, 2009, at the Holiday Inn Northwest Arkansas Convention Center, Springdale, Arkansas.

A live audio webcast will be available at http://ir.tyson.com.

Shareholders are urged to exercise their right to vote by proxy on the Internet, by phone or by mail.

DIVIDENDS

Tyson Foods 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 REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
5414 Pinnacle Point Drive
Suite 102
Rogers, AR 72758
Telephone: (479) 254-6300

TRANSFER AGENT

Computershare Trust Company, N.A
P.O. Box 43078
Providence, RI 02940-3078
Telephone: (877) 498-8861
Hearing Impaired Telephone TDD: (800) 952-9245
www.computershare.com

INVESTOR RELATIONS

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

Ruth Ann Wisener
Vice President of Investor Relations and Assistant Secretary
Tyson Foods, Inc
2200 Don Tyson Parkway
Springdale, AR 72762
Telephone: (479) 290-4235
Fax: (479) 757-6712
E-mail: tysonir@tyson.com

MEDIA RELATIONS

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

Gary Mickelson
Director of Media Relations
Tyson Foods, Inc.
2200 Don Tyson Parkway
Springdale, AR 72762
Telephone: (479) 290-6111
Fax: (479) 757-7984
E-mail: gary.mickelson@tyson.com

TYSON FOODS ON THE INTERNET

Information about Tyson Foods is available on the Internet at www.tyson.com. The Investor Relations website is http://ir.tyson.com.

ANNUAL CERTIFICATION

Tyson Foods has filed the required certifications under Section 302 of the Sarbanes-Oxley Act of 2002 regarding the quality of the Company's public disclosures as exhibits to the Annual Report on Form 10-K for the fiscal year ended September 27, 2008. On February 14, 2008, Tyson Foods submitted to the New York Stock Exchange a certification of the CEO that he was not aware of any violation by Tyson Foods of the NYSE corporate governance listing standards as of the date of such certification.

REGISTERED TRADEMARKS

Tyson®

USE OF TERMS

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

Corporate Officers and Executives

Mike Baker
Senior Vice President,
International Operations

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

Richard L. Bond
President and Chief Executive Officer

Curt T. Calaway
Vice President, Audit and Compliance

Howell P. Carper
Group Vice President,
Research and Development,
Logistics and Technical Services

Gary Cooper
Senior Vice President and
Chief Information Officer

Richard A. Greubel, Jr.
Group Vice President and
International President

Craig J. Hart
Senior Vice President, Controller and
Chief Accounting Officer

R. Read Hudson
Vice President, Associate General Counsel
and Secretary

Kevin Igli
Senior Vice President and
Chief Environmental, Health
and Safety Officer

Donnie D. King
Group Vice President,
Refrigerated and Deli

Kenneth J. Kimbro
Senior Vice President and
Chief Human Resources Officer

Dennis Leatherby
Executive Vice President and
Chief Financial Officer

Bernard F. Leonard
Group Vice President, Food Service

James V. Lochner
Senior Group Vice President, Tyson Fresh
Meats and Margin Optimization

Archie Schaffer III
Senior Vice President, External Relations

Donnie Smith
Group Vice President, Consumer Products

David L. Van Bebber
Executive Vice President and
General Counsel

Jeff Webster
Group Vice President,
Renewable Products Group

Ruth Ann Wisener
Vice President,
Investor Relations and Assistant Secretary

Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fiber
FSC www.fsc.org Cert no. SW-COC-001530
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Board of Directors

Don Tyson, 78, retired as Senior Chairman of the Board in 2001. He served as Senior Chairman from 1995 until 2001. Mr. Tyson has been a member of the Board since 1952. [3]

John Tyson, 55, is Chairman of the Board of the Company, having held his current title since May 2006. He served as Chairman and Chief Executive Officer from 2001 until May 2006, as Chairman, President and CEO from 2000 to 2001, as Chairman from 1998 to 2000 and in other executive capacities prior to 1998. Mr. Tyson has been a member of the Board since 1984. [3]

Barbara A. Tyson, 59, was a Vice President of the Company from 1988 until 2002. Ms. Tyson has been a member of the Board since 1988.

Lloyd V. Hackley, 68, is President and Chief Executive Officer of Lloyd V. Hackley and Associates, Inc., which provides programs for the development of ethics and character, and has served in that capacity since 1997. He served as the Interim Chancellor of Fayetteville (North Carolina) State University from July 2007 to June 2008. Dr. Hackley served as Interim Chancellor of North Carolina Agricultural and Technical State University from June 2006 to July 2007. Dr. Hackley is also a director of Branch Banking and Trust Corporation, headquartered in Winston-Salem, North Carolina. Dr. Hackley has been a member of the Board since 1992. [2, 4]

Jim Kever, 56, 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. [1, 3, 4, 5]

Richard L. Bond, 61, is President and Chief Executive Officer of the Company, having held his current title since May 2006. Mr. Bond served as President and Chief Operating Officer from 2003 to May 2006, 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.

Jo Ann R. Smith, 69, 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. [1, 4, 5]

Albert C. Zapanta, 67, is President and CEO of the United States-Mexico Chamber of Commerce. Mr. Zapanta is a decorated veteran of the Vietnam War. He is Chairman of the Reserve Forces Policy Board, an independent policy adviser to the Secretary of Defense. He is also Chairman of the Board of the U.S.-Mexico Cultural and Educational Foundation. Mr. Zapanta has been a member of the Board since 2004. [2, 4, 5]

Kevin M. McNamara, 52, is Executive Vice President, Chief Financial Officer and Treasurer of HealthSpring, Inc. He has been in his current position since 2005. He previously served as CFO of HCCA International, Inc. and as CEO and director of Private Business, Inc. Mr. McNamara has been a member of the Board since 2007. [1, 2]

Brad T. Sauer, 49, is Executive Vice President of 3M Health Care Business. He has been with 3M since 1981 and currently is responsible for the company's worldwide healthcare business. He served in a variety of other positions including Executive Vice President of the Electro Communications Business, President and Managing Director of 3M Korea and New Business Development Director of the Commercial Graphics Division. Mr. Sauer has been a member of the Board since September 2008. [1, 2]

[1] Audit Committee: Jim Kever, Chairman

[2] Compensation Committee: Kevin M. McNamara, Chairman

[3] Executive Committee

[4] Governance Committee: Lloyd V. Hackley, Chairman

[5] Nominating Committee: Jo Ann R. Smith, Chairwoman


Don Tyson


John Tyson


Barbara A. Tyson


Lloyd V. Hackley


Jim Kever


Richard L. Bond


Jo Ann R. Smith


Albert C. Zapanta


Kevin M. McNamara


Brad T. Sauer

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