

# Consumer Analyst Group of Europe

March 22, 2016





**Dennis Leatherby**

Executive Vice President &  
Chief Financial Officer



**Donnie Smith**

President &  
Chief Executive Officer



**Jon Kathol**

Vice President,  
Investor Relations

## FORWARD-LOOKING STATEMENTS

Certain information contained in this presentation may constitute forward-looking statements, such as statements relating to expected performance. These forward-looking statements are subject to a number of factors and uncertainties which could cause our actual results and experiences to differ materially from the 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. 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) the effect of, or changes in, general economic conditions; (ii) 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; (iii) 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; (iv) successful rationalization of existing facilities and operating efficiencies of the facilities; (v) risks associated with our commodity purchasing activities; (vi) access to foreign markets together with foreign economic conditions, including currency fluctuations, import/export restrictions and foreign politics; (vii) outbreak of a livestock disease (such as avian influenza (AI) or bovine spongiform encephalopathy (BSE)), which could have an adverse 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; (viii) 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; (ix) issues related to food safety, including costs resulting from product recalls, regulatory compliance and any related claims or litigation; (x) changes in consumer preference and diets and our ability to identify and react to consumer trends; (xi) significant marketing plan changes by large customers or loss of one or more large customers; (xii) adverse results from litigation; (xiii) impacts on our operations caused by factors and forces beyond our control, such as natural disasters, fire, bioterrorism, pandemic or extreme weather; (xiv) risks associated with leverage, including cost increases due to rising interest rates or changes in debt ratings or outlook; (xv) compliance with and changes to regulations and laws (both domestic and foreign), including changes in accounting standards, tax laws, environmental laws, agricultural laws and occupational, health and safety laws; (xvi) our ability to make effective acquisitions or joint ventures and successfully integrate newly acquired businesses into existing operations; (xvii) failures or security breaches of our information technology systems; (xviii) effectiveness of advertising and marketing programs; and (xix) those factors listed under Item 1A. “Risk Factors” included in our Annual Report filed on Form 10-K for the period ended October 3, 2015.

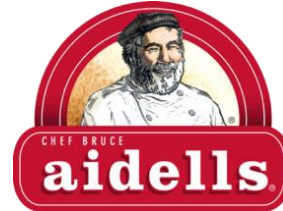
**different company.**



**Tyson Foods, Inc.**

ICONIC BRANDS

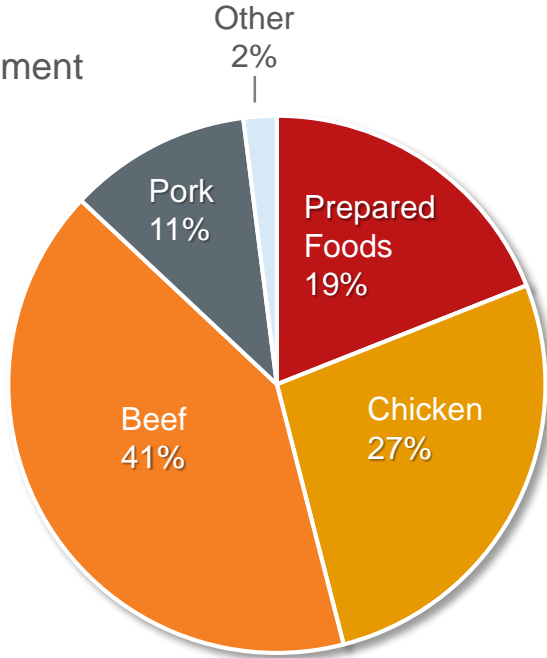
# Tyson, Jimmy Dean, Hillshire Farm – Billion \$ Brands



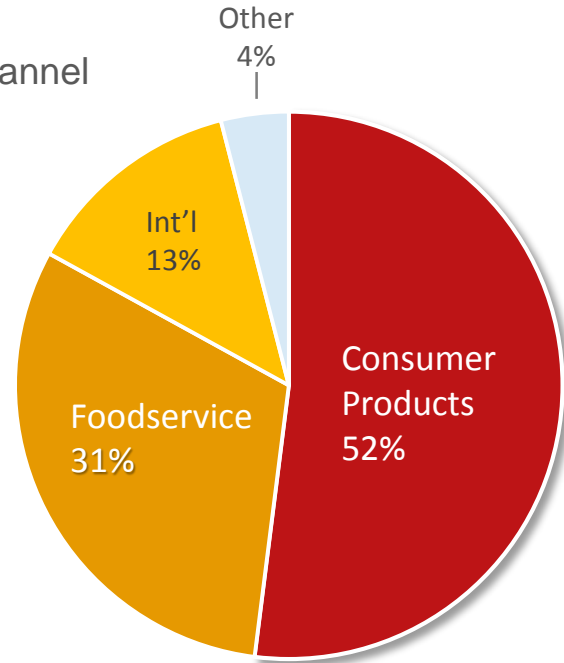
TYSON FOODS IS ONE OF THE WORLD'S LARGEST FOOD COMPANIES

# \$40.6 billion in FY15 adjusted sales\*

Sales by Segment

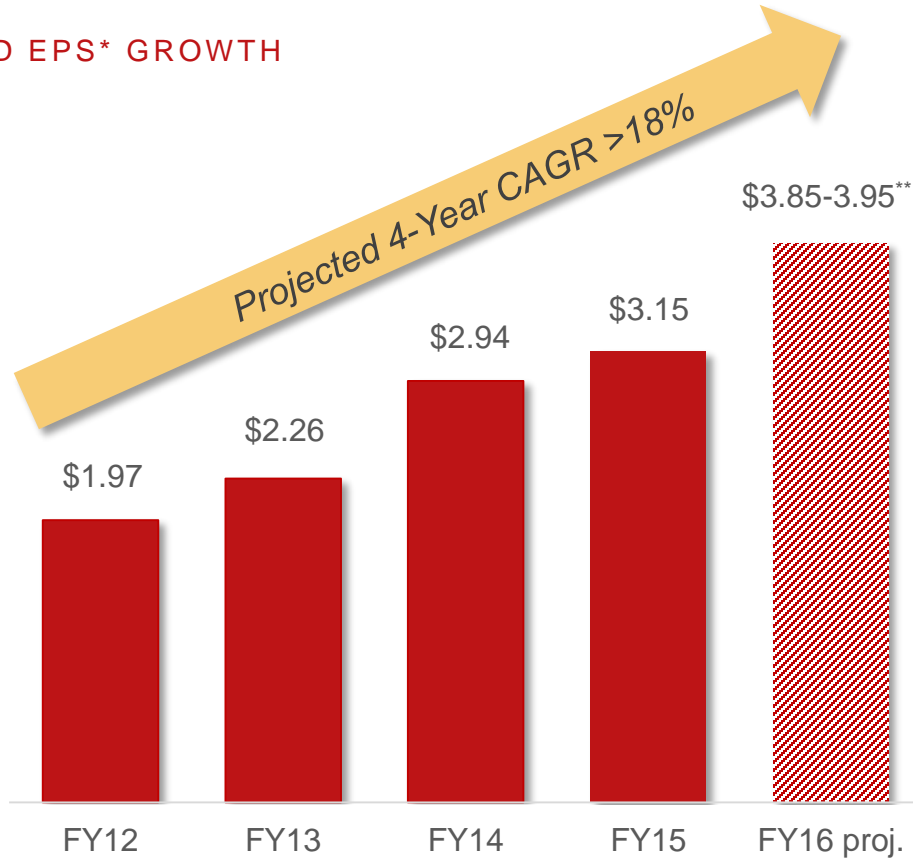


Sales by Distribution Channel



\*Represents a non-GAAP financial measure, which is explained and reconciled to a comparable GAAP measure in the Appendix.

## ADJUSTED EPS\* GROWTH

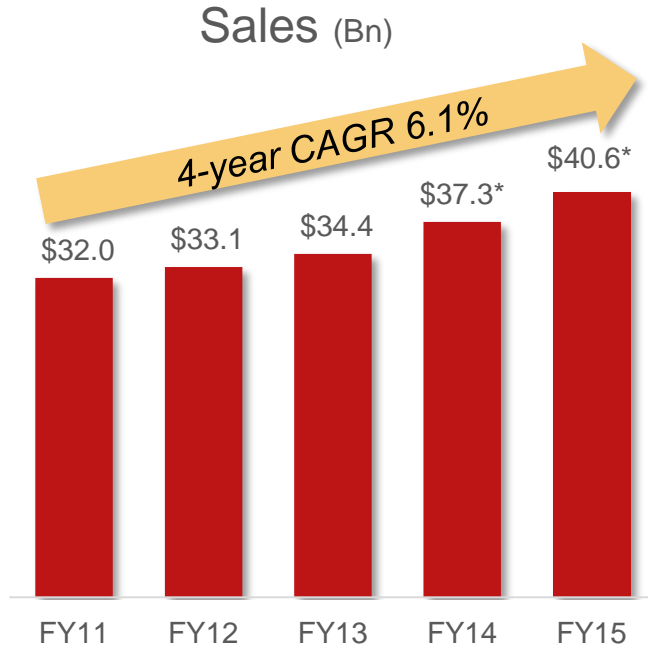


Our goal is to deliver at least 10% annual EPS growth over time

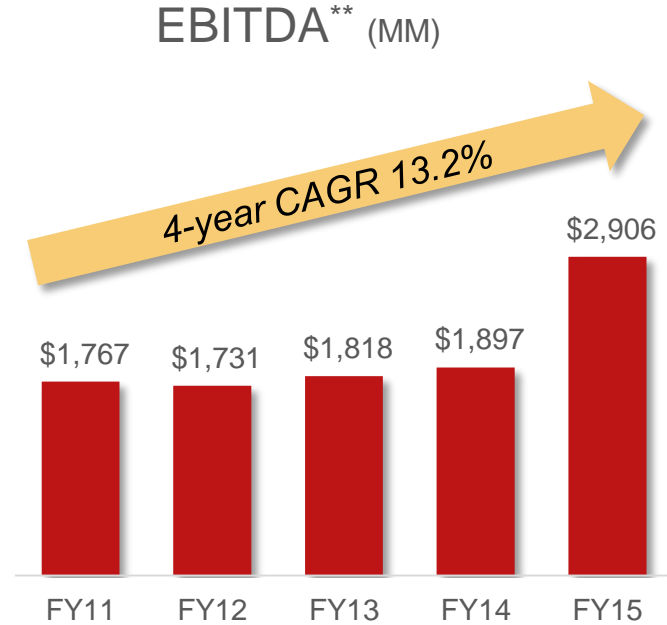
\*Represents a non-GAAP financial measure. Adjusted EPS is explained and reconciled to a comparable GAAP measure in the Appendix.

\*\* Projected EPS guidance as of 02/05/16

## TYSON FOODS FINANCIAL TRENDS



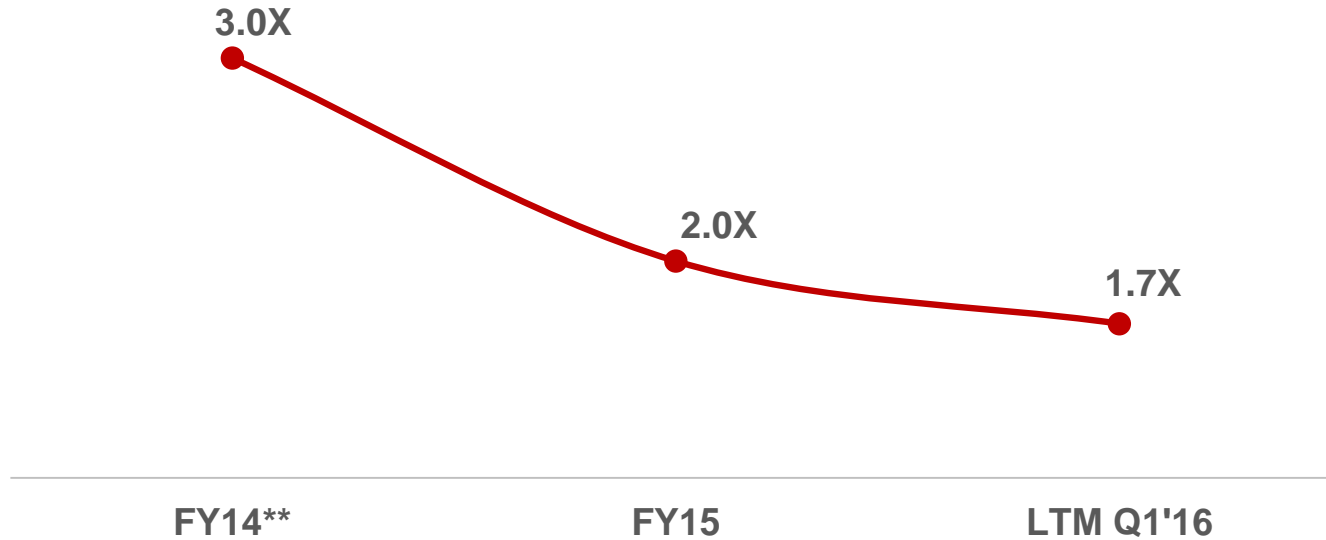
\*Represents adjusted sales, a non-GAAP financial measure, which is explained and reconciled in the Appendix.



\*\*Represents a non-GAAP financial measure. EBITDA is explained and reconciled in the Appendix under Historical EBITDA Reconciliations.

POSITIONED FOR GROWTH THROUGH RAPID DELEVERAGING

# net debt/adjusted EBITDA\*



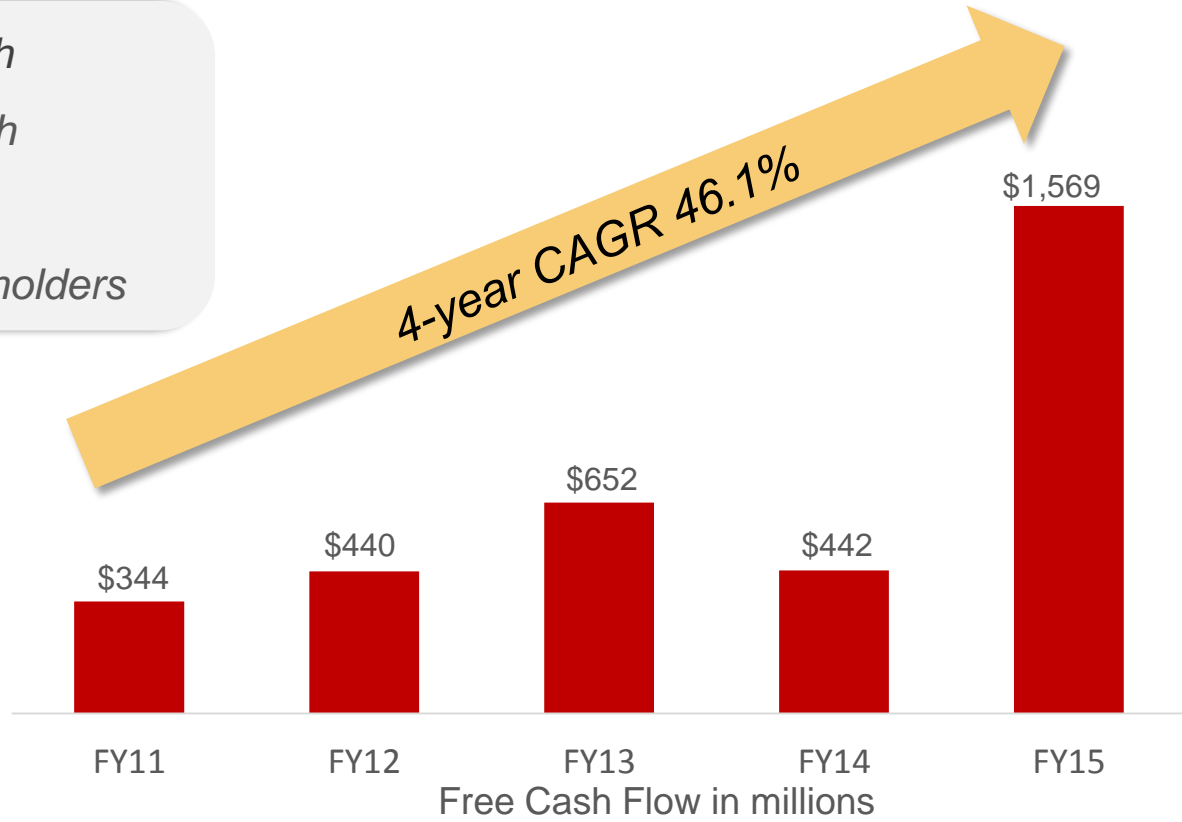
\*Represents a non-GAAP financial measure. Net debt/adjusted EBITDA is explained and reconciled to a comparable GAAP measure in the Appendix.

\*\* FY14 Net Debt/EBITDA calculated on a pro forma basis due to the acquisition of Hillshire Brands in August 2014. See Appendix for reconciliation to GAAP measure.

## FREE CASH FLOW\* AND PRIORITIES FOR CASH

### *Priorities for Cash*

- CapEx for Organic Growth
- Strategic Acquisitions
- Returning Cash to Shareholders

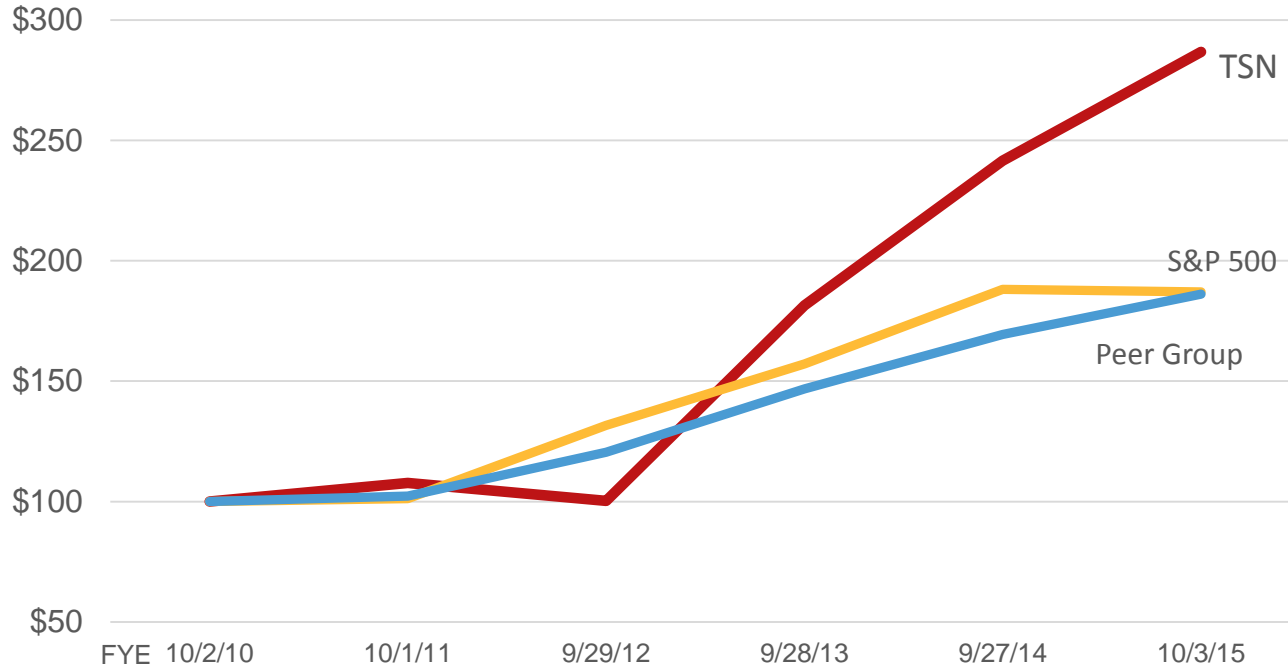


\*Represents a non-GAAP financial measure. Free Cash Flow is explained and reconciled to a comparable GAAP measure in the Appendix.

$$\text{Free Cash Flow} = \text{Operating Cash Flow} - \text{CapEx} - \text{Dividends}$$

## TSN PERFORMANCE VS. S&P 500 AND PEER GROUP\*

# comparison of 5-year cumulative total returns



*\*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 2010, is presented for each of the periods for Tyson Foods, the S&P 500 Index and the peer group. The graph compares the performance of the Company's Class A common stock with that of the S&P 500 Index and the peer group, with the return of each company in the peer group weighted on market capitalization. The information in the graph shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Securities Exchange Act of 1934. See the Appendix for a list of the peer group.*

**Donnie Smith**

President &  
Chief Executive Officer

**different portfolio.  
different business model.**



**Tyson Foods, Inc.**

DIFFERENT PORTFOLIO // PROTEIN

**consumer behavior will drive  
continued growth in protein**

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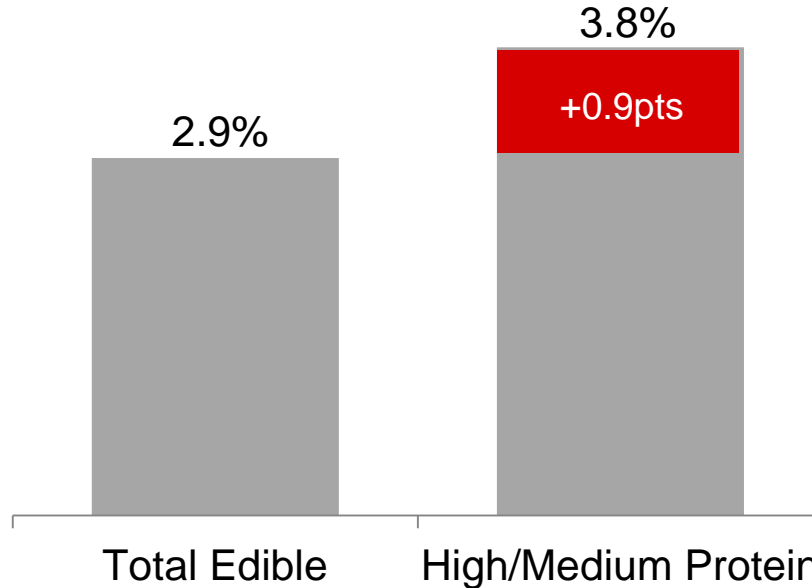
**54% of consumers are  
deliberately increasing  
protein in their diet**



DIFFERENT PORTFOLIO // PROTEIN

# protein growth is outpacing total food

Total US Sales  
vs. Year Ago



SOURCE: IRI TSV Total US MULO+C, 52WE 01/24/16

High Protein:  $\geq 10$  g Protein per Serving, Medium Protein: 5-9.99 g, Low Protein: 0.1-4.99 g

DIFFERENT PORTFOLIO // ADVANTAGED CATEGORIES

# tyson foods uniquely plays across all major proteins

Beef



Leading processor  
High revenue  
High ROIC

Pork



Supply for further processed  
Leading global protein

Chicken



Fastest growing protein  
Vertically integrated  
Leading margins

Prepared



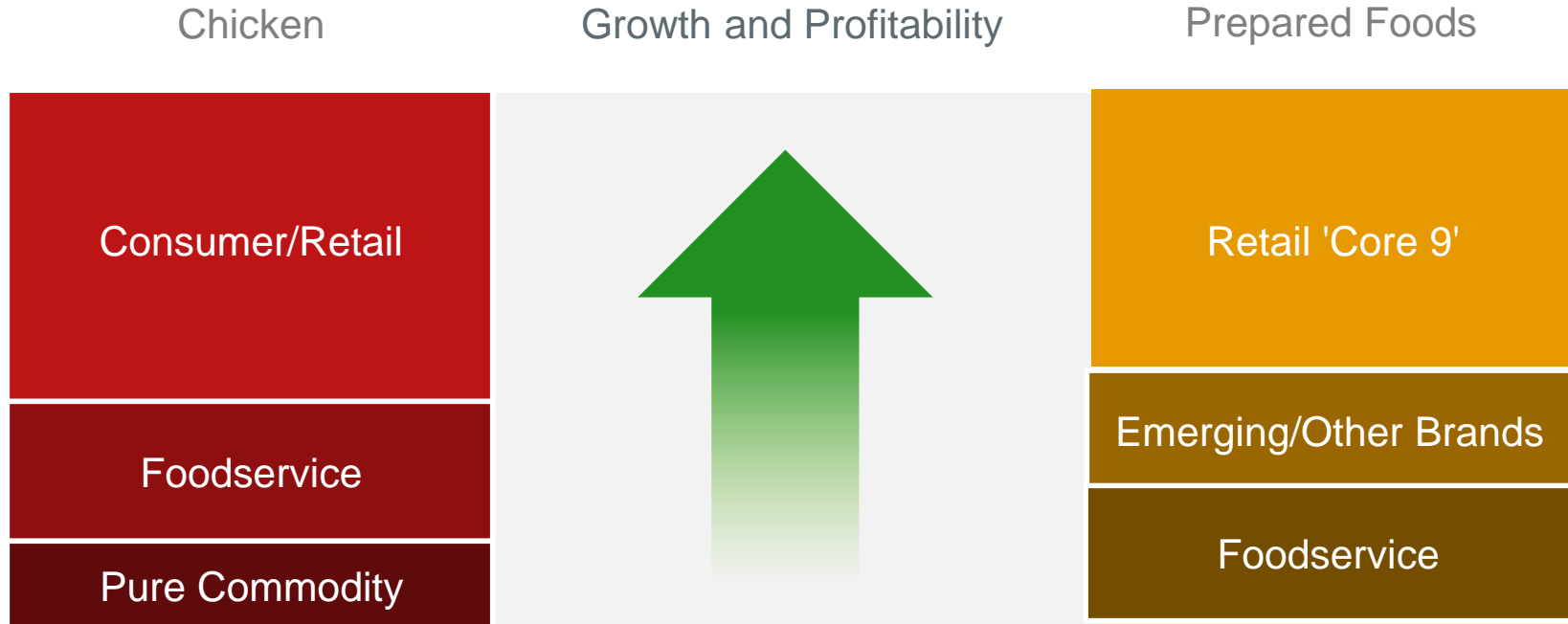
Advantaged brands  
Strong categories  
Leading margins

# we are driving growth in advantaged protein segments



*\*Adjusted sales represents a non-GAAP financial measure, which is explained and reconciled to a comparable GAAP measure in the Appendix.*

# our mix is shifting to value-added



DIFFERENT PORTFOLIO // LEADING BRANDS

# our brands have leading share and growth across categories

**1** Frozen Prepared Chicken



**1** Hot Dogs



**1** Branded Stack Pack Bacon



**1** Frozen Breakfast Sandwiches



**1** Breakfast Sausage



**1** Smoked Sausage



**2** Branded Lunchmeat



**1** Corn Dogs



**1** Super Premium Sausage



Sources: IRI, Total US Multi-Outlet, data thru 2/28/2016

\*Nielsen Perishables Group

DIFFERENT PORTFOLIO // LEADING BRANDS

# emerging brands drive incremental sales in high-growth categories



Portfolio of “start up businesses” >\$225MM with a sales growth rate >50% vs. 2014

**we are investing  
to grow**

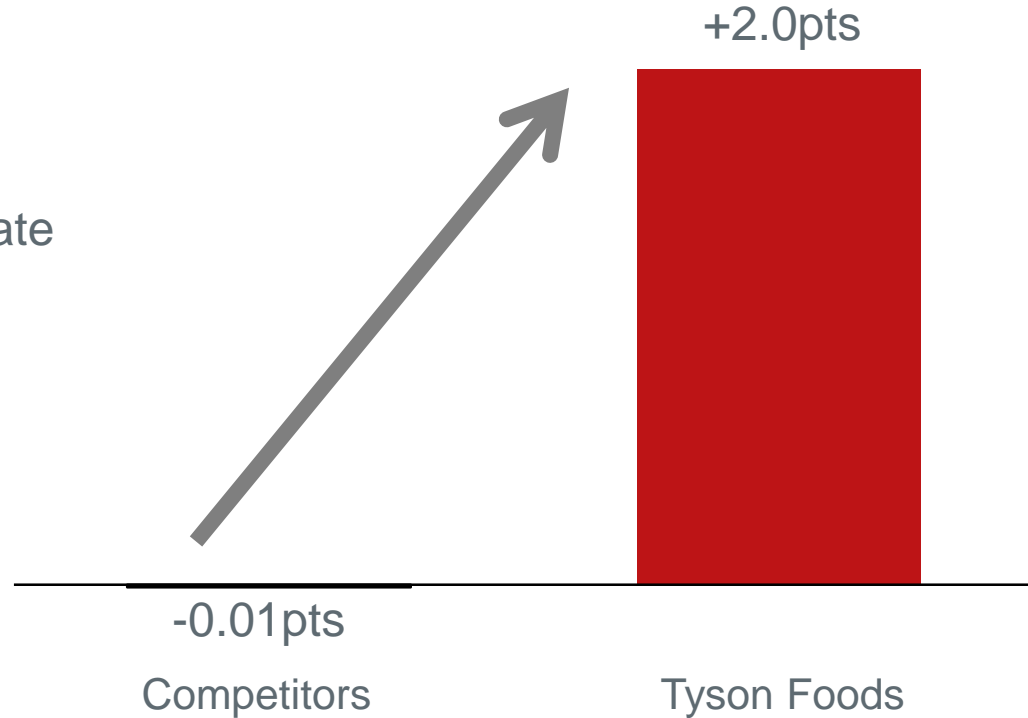


**Tyson Foods, Inc.**

DIFFERENT BUSINESS MODEL // VALUE CREATION

# we are investing in our customers

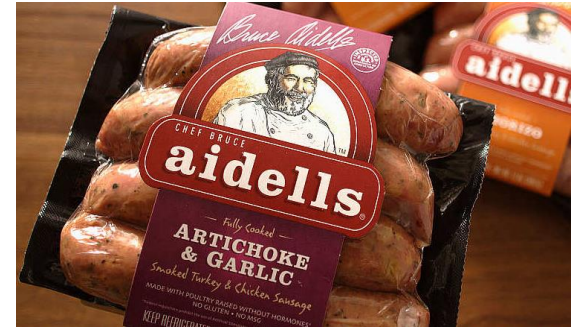
Tyson distribution growth rate  
FY2015 vs. year ago



SOURCE: IRI TDPs, latest MULO 4 Weeks September 13, 2015

DIFFERENT BUSINESS MODEL // VALUE CREATION

# we are investing in our brands

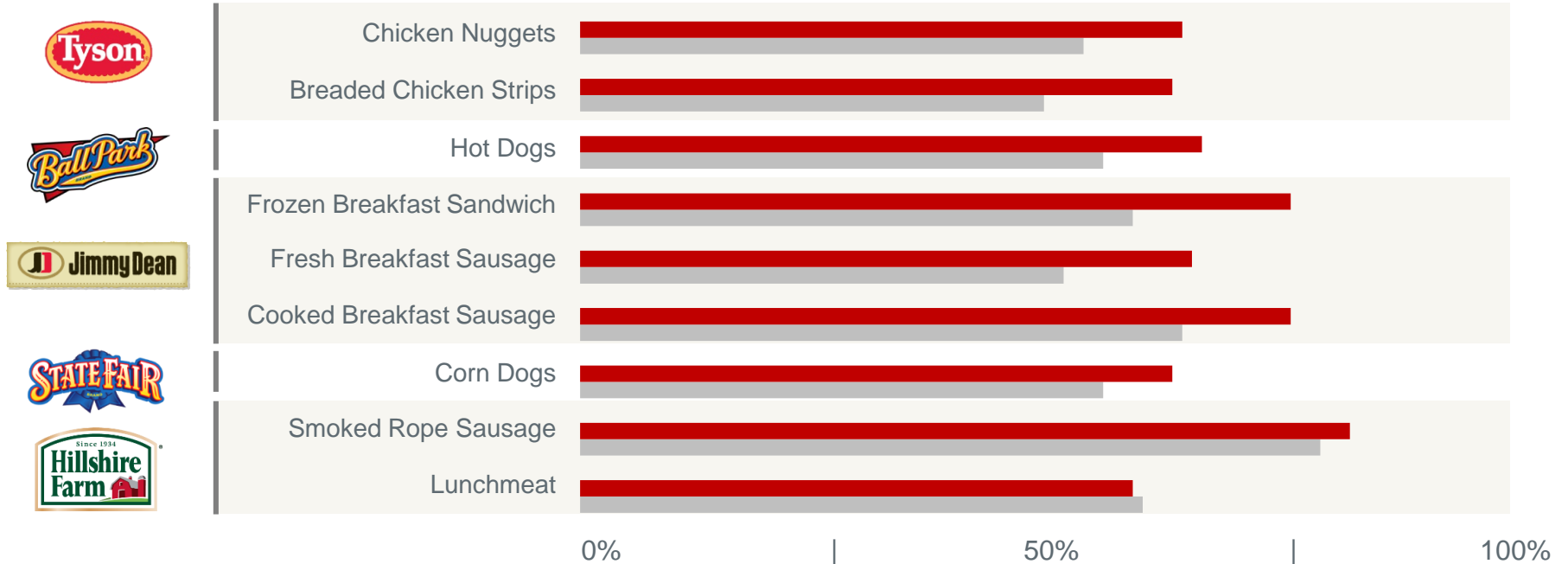


DIFFERENT BUSINESS MODEL // VALUE CREATION

# we are building consumer advocates

Brand Advocacy: % Recommend

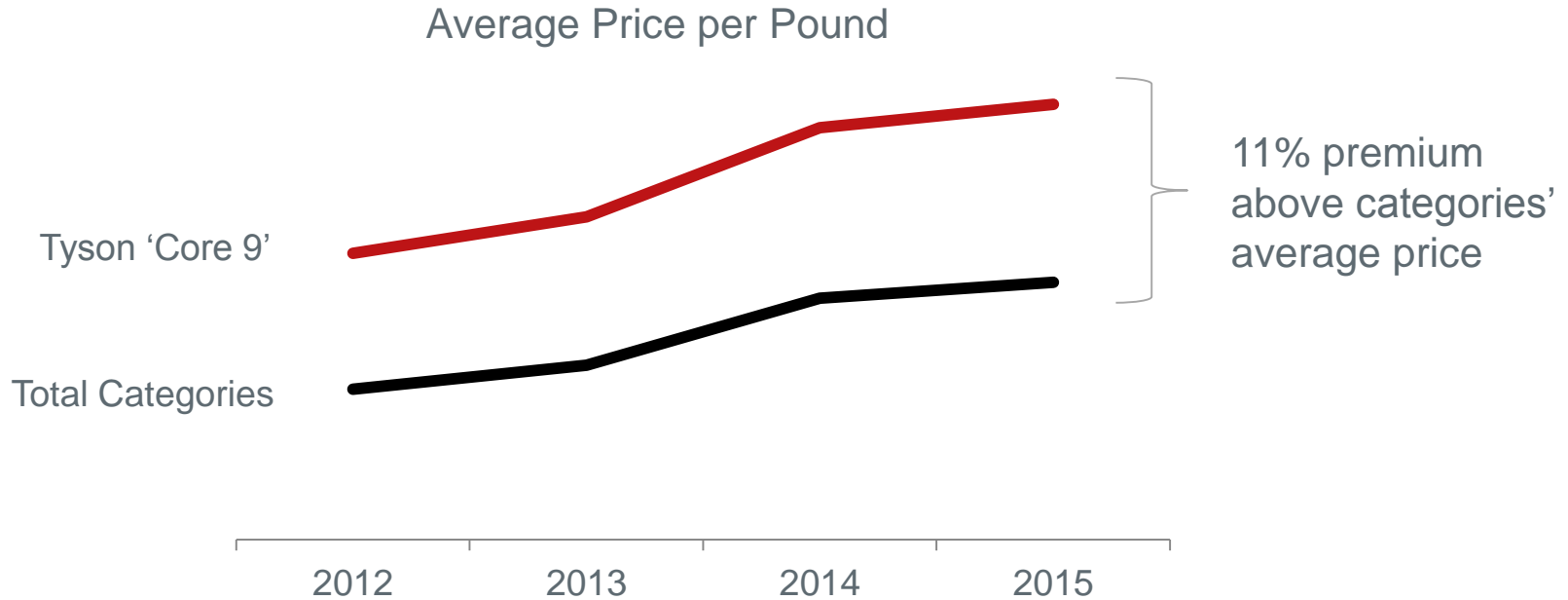
**Tyson Foods** vs. Next Branded Competitor



SOURCE: Tyson Foods Brand Health Tracker, data through September 2015, Base: Aware of Brand

DIFFERENT BUSINESS MODEL // VALUE CREATION

# our portfolio commands premium pricing



SOURCE: IRI Total US MULO, 52 weeks ending December 2012-2015

DIFFERENT BUSINESS MODEL // VALUE CREATION

our brands successfully extend into new categories



DIFFERENT BUSINESS MODEL // VALUE CREATION

# our brand strength enables us to win in channels beyond retail

Consumer Perceptions: C-store Breakfast Sandwiches  
*Jimmy Dean®* Brand vs. Next Branded Competitor

Likelihood to purchase	+24pts
High quality	+34pts
Great tasting	+33pts
For someone like me	+25pts

SOURCE: Vision Critical C-Store Research, 2012



# we are uniquely positioned to lead growth and value creation over time

- Growth above food & beverage
- Portfolio mix driving margin expansion
- Brand advocates
- Investing to grow



value creation

**different today.  
different tomorrow.**



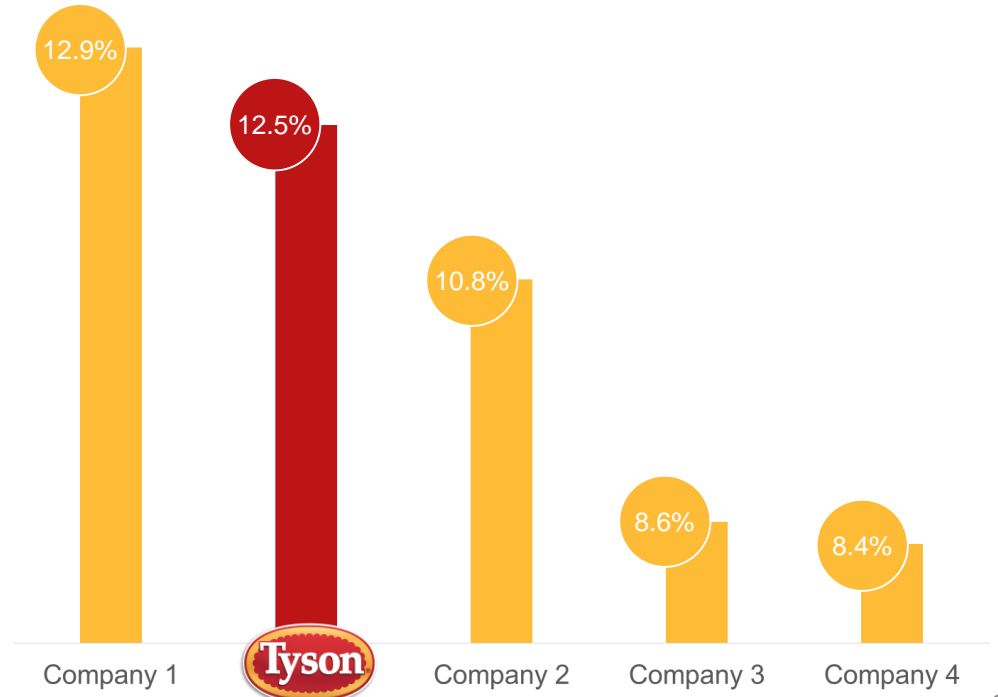
**Tyson Foods, Inc.**

DIFFERENT TODAY //

# top tier innovation performance



Branded Retail Food Companies 2015 Comparison  
innovation vitality<sup>1</sup>



<sup>1</sup>SOURCE: Nielsen total US XAOC – Expanded all outlet channel and includes Walmart

DIFFERENT TODAY //

# focused innovation

Launch continuous  
innovation in 'Core 9'

12 major launches in 'Core 9'  
categories over next 12mos

Extend iconic brands into  
adjacencies

2016 innovation in adjacent  
categories for Jimmy Dean,  
Hillshire Farm, Ball Park &  
Tyson

Build a differentiated  
protein snacking portfolio

Differentiated platforms in  
high growth categories of  
meat snacks (+7.5%) and  
snack combos (+14.0%)

DIFFERENT TODAY //

# success story: hillshire farm naturals™



## The Insight

All natural products usually don't taste as good

## The Innovation

An all natural lunchmeat that requires no sacrifice in taste

## The Advantage

Expertise in delivery of superior protein taste, texture and appearance

## The Impact

Highly incremental launch, drawing in new consumers to grow the brand AND the category

DIFFERENT TODAY //

# success story: hillshire® snacking



## The Insight

The expectation of snacks has evolved from satisfaction to experience

## The Innovation

Sophisticated flavors in forms that fit into flexible lives

## The Advantage

Expertise in protein + bakery development combined with culinary

## The Impact

Velocities significantly ahead of key snacking competitors

DIFFERENT TODAY //

# success story: ballpark® jerky



## The Insight

Meat from the grill just tastes better

## The Innovation

Flame grilled taste with unique tender texture

## The Advantage

Proprietary flame-grilled manufacturing process

## The Impact

Largest brand launch in the category in the last 5 years

DIFFERENT TODAY //

# jimmy dean<sup>®</sup> bacon

Jan  
2016



The Insight  
Bacon is the  
ultimate breakfast  
comfort food

The Innovation  
Fill the breakfast  
plate with another  
satisfying Jimmy  
Dean meat

The Advantage  
Unmatched  
expertise in bacon

The Impact  
Jimmy Dean is  
bringing  
incremental  
consumers to the  
bacon category

DIFFERENT TODAY //

# jimmy dean® stuffed hash browns

July  
2016



## The Insight

Morning snacking is on the rise with consumers seeking unique handheld offerings

## The Innovation

Crispy hashbrown out of the microwave with warm cheese and meat fillings

DIFFERENT TODAY //

# jimmy dean delights® frittata

July  
2016



The Insight  
A healthier start in  
a convenient  
handheld form

The Innovation  
Bread-free, low  
calorie, warm  
breakfast in a  
unique form

DIFFERENT TODAY //

# tyson naturals™ lightly breaded chicken

Sept  
2016



The Insight  
Less processed  
without less taste

The Innovation  
Real, 100% all  
natural ingredients  
with healthy  
breadings and no  
antibiotics ever

DIFFERENT TODAY //

# tyson naturals™ grilled nuggets

Sept  
2016



The Insight  
Healthier  
alternative chicken  
nugget that the  
whole family can  
enjoy

The Innovation  
Unbreaded grilled  
chicken nuggets  
with 50% fewer  
calories & no  
antibiotics ever

DIFFERENT TODAY //

# hillshire<sup>®</sup> snacking extensions

July  
2016



The Insight  
Experience a  
snacking  
adventure with the  
goodness of  
protein

The Innovation  
Foodie-worthy  
snacking with 3  
protein-packed  
components

DIFFERENT TODAY //

# ballpark® frozen expansion

July  
2016



The Insight  
Guys want bold  
flavor with minimal  
prep

The Innovation  
On-trend forms  
and flavors that  
can go from  
freezer to table in 3  
minutes

DIFFERENT TODAY //

# momentum

Launching continuous innovation in 'Core 9'

Extending iconic brands into adjacencies

Building a differentiated protein snacking portfolio

# grow where the growth is

the facts

Traditional channel growth is slowing  
In the next 5 years, the majority of retail growth will come from non-traditional channels

Ecommerce is coming to food and bev  
Non-store retail is projected to grow over FIVE times faster than rest of market over next 5yrs

our focus

Dedicated Growth Channels  
Innovation Experts

Customized Product Offerings

Retailer Partnerships





DIFFERENT TOMORROW // GROWTH BRANDS

# a brand to come back to time and again

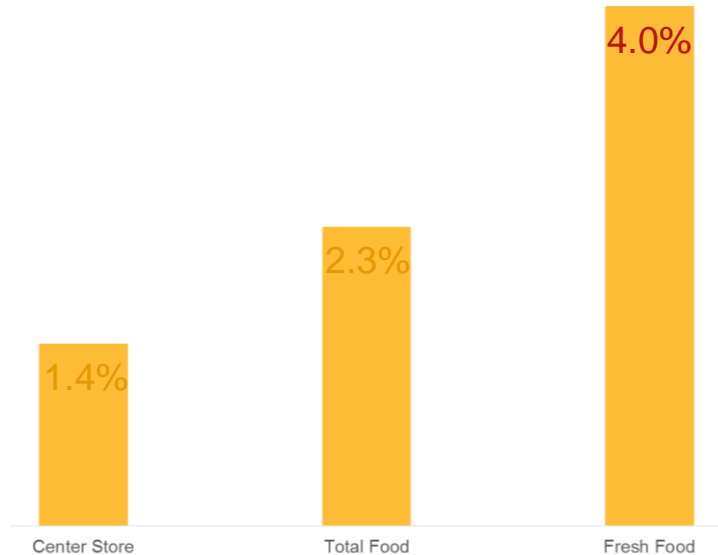


# tyson is uniquely positioned to capitalize on the opportunity of 'CFG' (consumer fresh goods)

## SITUATION

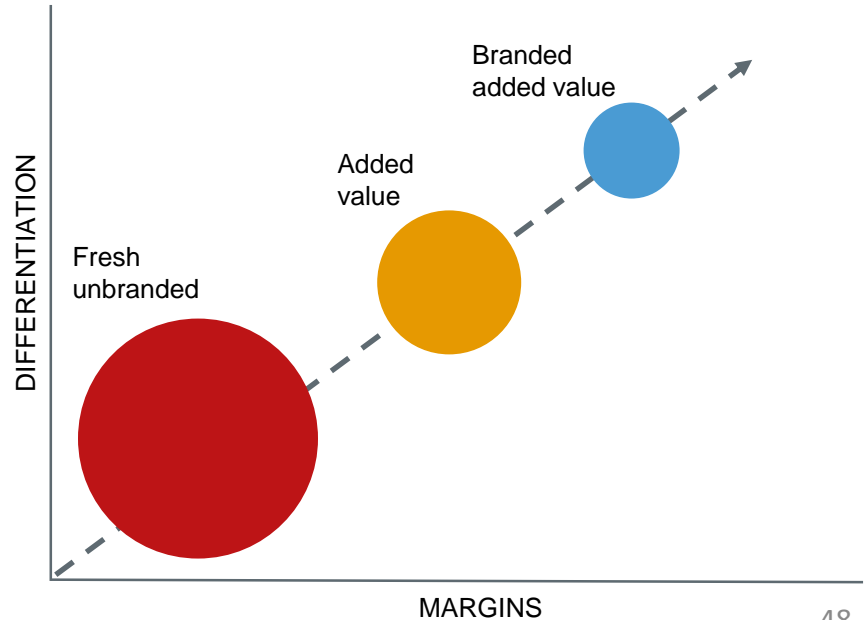
Consumer demand drives a sharp increase in fresh food growth

Dollar Growth, 3 YR CAGR



## OPPORTUNITY

Create more value for fresh sales

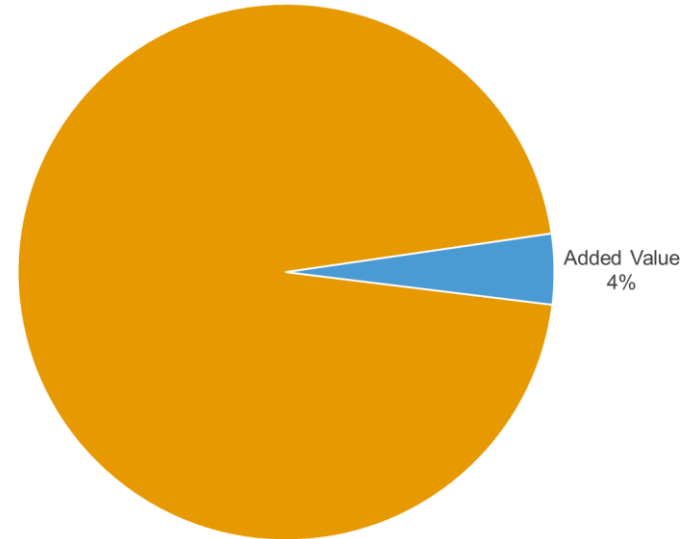


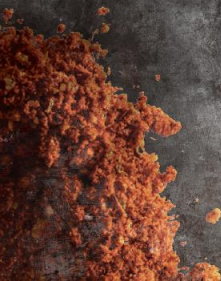
# tyson 'CFG' will value up one of food's largest categories

The fresh meat category...

is ripe for consumer value creation

**\$33B**





DIFFERENT TOMORROW // GROWTH BRANDS

# adding value beyond the product

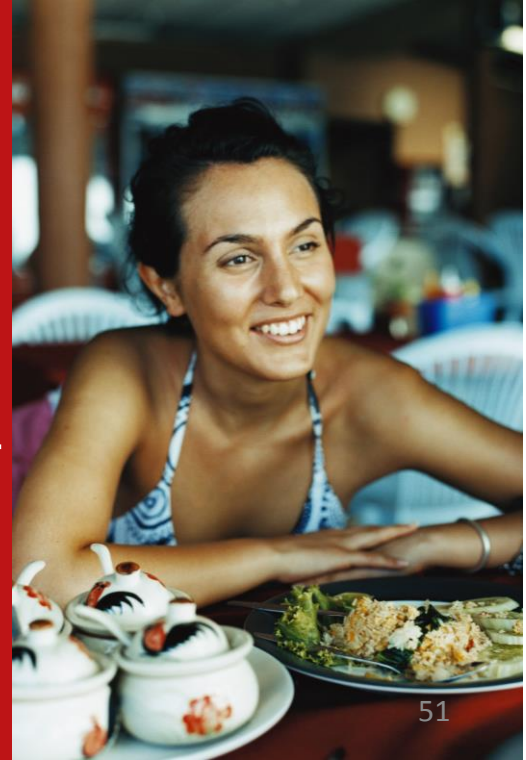
Knowledge



Preparation



Exploration



DIFFERENT TOMORROW // GROWTH BRANDS

# a curated line of dinners made fresh at home



**different company.  
different model.  
different today.  
different tomorrow.**



**Tyson Foods, Inc.**

# Consumer Analyst Group of Europe

March 22, 2016



# Appendix

## EPS RECONCILIATIONS

Unaudited

	12 Months Ended			
	October 3, 2015	September 27, 2014	September 28, 2013	September 29, 2012
	EPS	EPS	EPS	EPS
Reported from Continuing Operations	\$ 2.95	\$ 2.37	\$ 2.31	\$ 1.68
Less:				
Recognition of previously unrecognized tax benefit	(0.06)	(0.15)	-	-
Insurance proceeds (net of costs) related to a legacy Hillshire Brands plant fire	(0.02)	-	-	-
Gain on sale of equity securities	(0.03)	-	-	-
Gain on sale of Mexico operations	(0.24)	-	-	-
Estimated impact of additional week	(0.06)	-	-	-
Gain from currency translation adjustment	-	-	(0.05)	-
Gain on sale of interest in an equity method investment	-	-	-	-
Reversal of reserves for foreign uncertain tax positions	-	-	-	-
Add:				
China Impairment	0.41	-	-	-
Merger and integration costs	0.09	-	-	-
Prepared Foods network optimization impairment charges	0.09	-	-	-
Denison plant closure	0.02	-	-	-
Loss related to early extinguishment of debt	-	-	-	0.29
Brazil impairment/Mexico undistributed earnings tax	-	0.16	-	-
Hillshire Brands acquisition, integration and costs associated with our Prepared Foods improvement plan	-	0.37	-	-
Hillshire Brands post-closing results, purchase price accounting and costs related to a legacy Hillshire Brands plant fire	-	0.07	-	-
Hillshire Brands acquisition financing incremental interest costs and share dilution	-	0.12	-	-
Adjusting from Continuing Operations	\$ 3.15	\$ 2.94	\$ 2.26	\$ 1.97

Adjusted net income from continuing operations per share attributable to Tyson (adjusted EPS) is presented as a supplementary financial measurement in the evaluation of our business. We believe the presentation of adjusted EPS helps investors assess our financial performance from period to period and enhance understanding of our financial performance; however, adjusted EPS may not be comparable to those of other companies in our industry, which limits the usefulness as a comparative measure. Adjusted EPS is not a measure required by or calculated in accordance with GAAP and should not be considered as a substitute for any measure of financial performance reported in accordance with GAAP. Investors should rely primarily on our GAAP results, and use non-GAAP financial measures only supplementally in making investment decisions.

## SALES RECONCILIATIONS

\$ in millions  
Unaudited

	Fiscal Year	
	2015	2014
Reported sales	\$ 41,373	\$ 37,580
Less: Impact of additional week (a)	(750)	-
Less: Hillshire Brands post-closing sales	-	(325)
Adjusted sales	<u>\$ 40,623</u>	<u>\$ 37,255</u>

(a) The estimated impact of the additional week in fiscal 2015 was calculated by dividing unadjusted sales for the fourth quarter of fiscal 2015 by 14 weeks.

Adjusted sales is presented as a supplementary financial measurement in the evaluation of our business. We believe the presentation of adjusted sales helps investors assess our financial performance from period to period and enhances understanding of our financial performance; however, adjusted sales may not be comparable to those of other companies in our industry, which limits the usefulness as comparative measures. Adjusted sales is not a measure required by or calculated in accordance with GAAP and should not be considered as a substitute for any measure of financial performance reported in accordance with GAAP. Investors should rely primarily on our GAAP results and use non-GAAP financial measures only supplementally in making investment decisions.

## NET DEBT/ADJUSTED EBITDA RECONCILIATIONS

\$ in millions  
Unaudited

	12 Months Ended (b)		
	January 2, 2016	October 3, 2015	September 27, 2014
Net income	\$ 1,375	\$ 1,224	\$ 856
Less: Interest income	(9)	(9)	(7)
Add: Interest expense	283	293	132
Add: Income tax expense	823	697	396
Add: Depreciation	612	609	494
Add: Amortization (a)	88	92	26
<b>EBITDA</b>	<b>\$ 3,172</b>	<b>\$ 2,906</b>	<b>\$ 1,897</b>
Adjustments to EBITDA:			
Add: China impairment	\$ 169	\$ 169	\$ -
Add: Merger and integration costs	38	57	-
Add: Prepared Foods network optimization charges	59	59	-
Add: Denison plant closure	12	12	-
Add: Brazil impairment	-	-	42
Add: Hillshire Brands purchase price accounting adjustments	-	-	19
Add: Hillshire Brands acquisition, integration and costs associated with our Prepared Foods improvement plan	-	-	197
Add: Costs (insurance proceeds, net of costs) related to a legacy Hillshire Brands plant fire	(44)	(8)	12
Less: Gain on sale of the Mexico operation	(161)	(161)	-
Less: Gain on sale of equity securities	(21)	(21)	-
<b>Total Adjusted EBITDA</b>	<b>\$ 3,224</b>	<b>\$ 3,013</b>	<b>\$ 2,167</b>
Pro forma Adjustments to EBITDA:			
Add: Hillshire Brands adjusted EBITDA (prior to acquisition) (c)	n/a	n/a	422
<b>Total Pro forma Adjusted EBITDA</b>	<b>n/a</b>	<b>n/a</b>	<b>\$ 2,589</b>
<b>Total gross debt</b>	<b>\$ 6,705</b>	<b>\$ 6,725</b>	<b>\$ 8,178</b>
Less: Cash and cash equivalents	(1,187)	(688)	(438)
Less: Short-term investments	(2)	(2)	(1)
<b>Total net debt</b>	<b>\$ 5,516</b>	<b>\$ 6,035</b>	<b>\$ 7,739</b>
Ratio Calculations:			
Gross debt/EBITDA	2.1x	2.3x	4.3x
Net debt/EBITDA	1.7x	2.1x	4.1x
Gross debt/Adjusted EBITDA	2.1x	2.2x	3.8x
Net debt/Adjusted EBITDA	1.7x	2.0x	3.6x
Gross debt/Pro forma Adjusted EBITDA	n/a	n/a	3.2x
Net debt/Pro forma Adjusted EBITDA	n/a	n/a	3.0x

## NET DEBT/ADJUSTED EBITDA RECONCILIATIONS, CONTINUED

(a) Excludes the amortization of debt discount expense of \$8 million, \$10 million and \$10 million for the twelve months ended January 2, 2016, October 3, 2015, and September 27, 2014, respectively, as it is included in Interest expense.

(b) Adjusted EBITDA for twelve months ended January 2, 2016 and October 3, 2015 was based on a 53-week year while twelve months ended September 27, 2014, was based on a 52-week year.

(c) Represents Hillshire Brands adjusted EBITDA, prior to our acquisition, for the eleven months ended August 28, 2014. This amount is added to our Adjusted EBITDA for the fiscal year ended September 27, 2014, in order for Net debt to Adjusted EBITDA to include a full twelve months of Hillshire Brands results on a pro forma basis for each of the periods presented. The pro forma adjusted EBITDA was derived from Hillshire Brand's historical financial statements for the periods ended March 29, 2014 and June 28, 2014 as filed with the Securities and Exchange Commission, as well as amounts for the two months ended August 28, 2014, prior to the closing of the acquisition. These amounts were adjusted to remove the impact of deal costs related to Pinnacle Foods, Inc. and Tyson Foods, Inc. transactions, Storm Lake fire, and severance costs. We believe this pro forma presentation is useful and helps management, investors, and rating agencies enhance their understanding of our financial performance and to better highlight future financial trends on a comparable basis with Hillshire Brands results included for the periods presented given the significance of the acquisition to our overall results.

EBITDA is defined as net income before interest, income taxes, depreciation and amortization. Net debt to EBITDA (and to Adjusted EBITDA) represents the ratio of our debt, net of cash and short-term investments, to EBITDA (and to Adjusted EBITDA). EBITDA, Adjusted EBITDA, net debt to EBITDA and net debt to Adjusted EBITDA are presented as supplemental financial measurements in the evaluation of our business. Adjusted EBITDA is a tool intended to assist our management and investors in comparing our performance on consistent basis for purposes of business decision-making by removing the impact of certain items that management believes do not directly reflect our core operations on an ongoing basis.

We believe the presentation of these financial measures helps management and investors to assess our operating performance from period to period, including our ability to generate earnings sufficient to service our debt, and enhances understanding of our financial performance and highlights operational trends. These measures are widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies; however, the measurements of EBITDA (and Adjusted EBITDA) and net debt to EBITDA (and to Adjusted EBITDA) may not be comparable to those of other companies, which limits their usefulness as comparative measures. EBITDA (and Adjusted EBITDA) and net debt to EBITDA (and to Adjusted EBITDA) are not measures required by or calculated in accordance with generally accepted accounting principles (GAAP) and should not be considered as substitutes for net income or any other measure of financial performance reported in accordance with GAAP or as a measure of operating cash flow or liquidity. EBITDA (and Adjusted EBITDA) is a useful tool for assessing, but is not a reliable indicator of, our ability to generate cash to service our debt obligations because certain of the items added to net income to determine EBITDA (and Adjusted EBITDA) involve outlays of cash. As a result, actual cash available to service our debt obligations will be different from EBITDA (and Adjusted EBITDA). Investors should rely primarily on our GAAP results and use non-GAAP financial measures only supplementally in making investment decisions.

## HISTORICAL EBITDA RECONCILIATIONS

\$ in millions

Unaudited

	12 Months Ended (a)				
	2015	2014	2013	2012	2011
Net income	\$ 1,224	\$ 856	\$ 778	\$ 576	\$ 733
Less: Interest income	(9)	(7)	(7)	(12)	(11)
Add: Interest expense	293	132	145	356	242
Add: Income tax expense (b)	697	396	411	351	341
Add: Depreciation	609	494	474	443	433
Add: Amortization (c)	92	26	17	17	29
<b>EBITDA</b>	<b>\$ 2,906</b>	<b>\$ 1,897</b>	<b>\$ 1,818</b>	<b>\$ 1,731</b>	<b>\$ 1,767</b>

(a) EBITDA for fiscal 2015 was based on a 53-week year, while fiscal 2014-2011 was based on a 52-week year.

(b) Includes income tax expense of discontinued operation.

(c) Excludes the amortization of debt discount expense of \$10 million, \$10 million, \$28 million, \$39 million and \$44 million for fiscal 2015, 2014, 2013, 2012 and 2011, respectively, as it is included in Interest expense.

EBITDA represents net income, net of interest, income tax and depreciation and amortization. EBITDA is presented as a supplemental financial measurement in the evaluation of our business. We believe the presentation of this financial measure helps investors to assess our operating performance from period to period, including our ability to generate earnings sufficient to service our debt, and enhances understanding of our financial performance and highlights operational trends. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies; however, the measurement of EBITDA may not be comparable to those of other companies, which limits their usefulness as comparative measures. EBITDA is not a measure required by or calculated in accordance with generally accepted accounting principles (GAAP) and should not be considered as a substitute for net income or any other measure of financial performance reported in accordance with GAAP or as a measure of operating cash flow or liquidity. EBITDA is a useful tool for assessing, but is not a reliable indicator of, our ability to generate cash to service our debt obligations because certain of the items added to net income to determine EBITDA involve outlays of cash. As a result, actual cash available to service our debt obligations will be different from EBITDA. Investors should rely primarily on our GAAP results and use non-GAAP financial measures only supplementally in making investment decisions.

## FREE CASH FLOW RECONCILIATIONS

\$ in millions  
Unaudited

	12 Months Ended				
	2015	2014	2013	2012	2011
Cash Provided by Operating Activities	\$ 2,570	\$ 1,178	\$ 1,314	\$ 1,187	\$ 1,046
Less: Capital Expenditures	(854)	(632)	(558)	(690)	(643)
Less: Dividends Paid	(147)	(104)	(104)	(57)	(59)
Free Cash Flow	<u>\$ 1,569</u>	<u>\$ 442</u>	<u>\$ 652</u>	<u>\$ 440</u>	<u>\$ 344</u>

Free Cash Flow is defined as net cash provided by operating activities, less capital expenditures, less dividends. We use this non-GAAP financial measure to focus management and investors on the amount of cash available for debt repayment, acquisition opportunities and/or returning cash to shareholders through share repurchases. Free Cash Flow is presented as a supplementary financial measurement in the evaluation of our business and we believe the presentation of Free Cash Flow helps investors assess our financial performance from period to period and enhance understanding of our financial performance; however, Free Cash Flow may not be comparable to those of other companies in our industry, which limits the usefulness as a comparative measure. Free Cash Flow is not a measure required by or calculated in accordance with GAAP and should not be considered as a substitute for any measure of financial performance reported in accordance with GAAP. Investors should rely primarily on our GAAP results, and use non-GAAP financial measures only supplementally in making investment decisions.

## TSN PERFORMANCE VS. S&P 500 AND PEER GROUP

The peer group includes: Archer-Daniels-Midland Company, Bunge Limited, Campbell Soup Company, ConAgra Foods, Inc., Dean Foods Company, General Mills, Inc., Hormel Foods Corp., Kellogg Co., McCormick & Co., Mondelez International Inc., PepsiCo, Inc., Pilgrim's Pride Corporation, Sanderson Farms, Inc., The Hershey Company, and The J.M. Smucker Company.

## ADJUSTED SALES, ADJUSTED OPERATING INCOME (LOSS) & ADJUSTED OPERATING MARGIN

<b>Adjusted Sales, Adjusted Operating Income (Loss) and Adjusted Operating Margin</b>							
<i>(for the 12 months ended October 3, 2015)</i>							
	Chicken	Beef	Pork	Prepared Foods	Other	Intersegment Sales	Total
Reported sales	\$ 11,390	\$ 17,236	\$ 5,262	\$ 7,822	\$ 879	(1,216)	\$ 41,373
Less: Estimated impact of additional week (a)	(216)	(315)	(93)	(143)	(8)	25	(750)
Adjusted sales	\$ 11,174	\$ 16,921	\$ 5,169	\$ 7,679	\$ 871	(1,191)	\$ 40,623
Reported operating income (loss)	\$ 1,366	(66)	\$ 380	\$ 588	(99)	\$ -	- \$ 2,169
Add: China impairment	-	-	-	-	169	-	169
Add: Merger and integration costs	-	-	-	10	47	-	57
Add: Prepared Foods network optimization charges	-	-	-	59	-	-	59
Add: Denison plant closure	-	12	-	-	-	-	12
Less: Insurance proceeds (net of costs) related to a legacy Hillshire Brands plant fire	-	-	(8)	-	-	-	(8)
Less: Gain on sale of the Mexico operation	-	-	-	(161)	-	-	(161)
Adjusted operating income prior to adjustment for additional week	1,366	(54)	380	649	(44)	-	2,297
Less: Estimated impact of additional week (b)	(26)	1	(7)	(13)	1	-	(44)
Adjusted operating income (loss)	\$ 1,340	(53)	\$ 373	\$ 636	(43)	\$ -	- \$ 2,253
Adjusted operating margin %	12.0%	-0.3%	7.2%	8.3%	n/a	n/a	5.5%

## ADJUSTED SALES, ADJUSTED OPERATING INCOME (LOSS) & ADJUSTED OPERATING MARGIN, CONTINUED

- (a) The estimated impact of the additional week in the 12 months of fiscal 2015 was calculated by dividing unadjusted sales for the fourth quarter of fiscal 2015 by 14 weeks.
- (b) Impact of additional week was calculated by using the fourth quarter of fiscal 2015 adjusted operating income (prior to the additional week impact) and divided by 14 weeks.

Adjusted sales, adjusted operating income and adjusted operating margin are presented as supplementary financial measurements in the evaluation of our business. We believe the presentation of adjusted sales, adjusted operating income and adjusted operating margin helps investors assess our financial performance from period to period and enhances understanding of our financial performance; however, adjusted sales, adjusted operating income and adjusted operating margin may not be comparable to those of other companies in our industry, which limits the usefulness as comparative measures. Adjusted sales, adjusted operating income and adjusted operating margin are not measures required by or calculated in accordance with GAAP and should not be considered as substitutes for any measures of financial performance reported in accordance with GAAP. Investors should rely primarily on our GAAP results and use non-GAAP financial measures only supplementally in making investment decisions.