

# TYSON FOODS INC

## FORM 10-K (Annual Report)

Filed 12/16/03 for the Period Ending 09/27/03

Address	2200 DON TYSON PARKWAY SPRINGDALE, AR 72762-6999
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-K**

**Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the fiscal year ended September 27, 2003**

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File No. 0-3400**

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**TYSON FOODS, INC.**

(Exact Name of Registrant as specified in its Charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**71-0225165**

(I.R.S. Employer Identification No.)

**2210 West Oaklawn Drive, Springdale, Arkansas**

(Address of principal executive offices)

**72762-6999**

(Zip Code)

Registrant's telephone number, including area code:

**(479) 290-4000**

Securities Registered Pursuant to Section 12(b) of the Act:

**Title of Each Class**  
Class A Common Stock, Par Value \$0.10

**Name of Each Exchange on Which**  
New York Stock Exchange, I

Securities Registered Pursuant to Section 12(g) of the Act: Not Applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes  No

On March 29, 2003, the aggregate market value of the Class A Common and Class B Common voting stock held by non-affiliates of the registrant was \$1,865,010,321 and \$292,857, respectively.

On September 27, 2003, there were outstanding 251,007,530 shares of the registrant's Class A Common Stock, \$0.10 par value, and 101,634,548 shares of its Class B Common Stock, \$0.10 par value.

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The Exhibit Index appears on pages 60 through 66

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## **INCORPORATION BY REFERENCE**

The following indicated portions of the registrant's definitive Proxy Statement for the registrant's Annual Meeting of Shareholders to be held February 6, 2004 (the "Proxy Statement") are incorporated by reference into the indicated portions of this Annual Report on Form 10-K:

### **Part III**

#### **Item 10. Directors and Executive Officers of the Registrant**

The information set forth under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement.

#### **Item 11. Executive Compensation**

The information set forth under the caption "Executive Compensation and Other Information" in the Proxy Statement.

#### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information set forth under the captions "Principal Shareholders" and "Security Ownership of Management" in the Proxy Statement.

#### **Item 13. Certain Relationships and Related Transactions**

The information set forth under the caption "Certain Transactions" in the Proxy Statement.

#### **Item 14. Principle Accounting Fees and Services**

The information set forth under the captions "Audit Fees," "Audit-Related Fees," "Tax Fees," "All Other Fees" and "Pre-Approval Policies" in the Proxy Statement.

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## PART I

### ITEM 1. BUSINESS

#### GENERAL

Tyson Foods, Inc. and its subsidiaries (collectively, "the Company" or "Tyson"), with world headquarters in Springdale, Arkansas, produce, distribute and market chicken, beef, pork, prepared foods and related allied products. The Company commenced business in 1935, was

incorporated in Arkansas in 1947, and was reincorporated in Delaware in 1986. The Company has engaged in a number of acquisitions, including the acquisitions of IBP, inc. (IBP) in 2001, Hudson Foods, Inc. in 1998 and Holly Farms Corporation in 1989. In addition to being the world's largest processor and marketer of chicken, beef and pork products, the Company is also the second largest publicly traded food company in the United States and has one of the most recognized brand names in the food industry.

The Company is a totally integrated poultry company. Through its wholly owned subsidiary, Cobb-Vantress, Tyson is the number one breeding stock supplier in the world. Tyson invests in breeding stock research and development which allows the Company to breed into its flocks the natural characteristics found to be most desirable. The Company's integrated operations consist of breeding and raising chickens, as well as the processing, further-processing and marketing of these food products and related allied products, including animal and pet food ingredients.

The Company is also involved in the processing of live fed cattle and hogs and fabrication of dressed beef and pork carcasses into primal and sub-primal meat cuts, case-ready products and fully-cooked beef and pork products. In addition, the Company derives value from allied products such as hides and variety meats for sale to further processors.

The Company produces a wide range of fresh, value-added, frozen and refrigerated food products. The Company's products are marketed and sold to national and regional grocery chains, regional grocery wholesalers, meat distributors, clubs and warehouse stores, military commissaries, industrial food processing companies, national and regional chain restaurants or their distributors, international export companies and domestic distributors who service restaurants, foodservice operations such as plant and school cafeterias, convenience stores, hospitals and other vendors. Sales are made by the Company's sales staff located in Springdale, Arkansas, and Dakota Dunes, South Dakota, as well as in various regional offices throughout the United States and in several foreign countries. Additionally, sales to the military and a portion of sales to international markets are made through independent brokers and trading companies.

## **FINANCIAL INFORMATION OF BUSINESS SEGMENTS**

The Company operates in five business segments: Chicken, Beef, Pork, Prepared Foods and Other. The contribution of each business segment to net sales and operating income, and the identifiable assets attributable to each business segment are set forth in Note 17, "Segment Reporting" of the Consolidated Financial Statements included herein at pages 51 through 52.

## **DESCRIPTION OF BUSINESS SEGMENTS**

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

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

Eight of the Company's fed beef plants include hide processing facilities. The uncured hides from the Company's other fed beef plants are transported to these facilities, which include brine curing operations and, in four locations, chrome hide tanneries. The chrome tanning process produces a semi-finished

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product that is shipped to leather good manufacturers worldwide. Brine-cured hides are sold to other tanneries. Tyson is the largest chrome tanner of cattle hides in the United States.

**Pork** The Company's pork operations involve the processing of live hogs and the fabrication of pork and allied products. The Company's pork facilities produce fresh boxed pork and case-ready products for shipment to customers, as well as pork bellies, hams and boneless picnic meat for shipment to customers who further process the pork into bacon, cooked hams, luncheon meats and sausage items. Throughout production, edible pork and allied products, such as variety meat items, are segregated and prepared for shipment or further refinement. Inedible pork products derived from processing operations are used by further processing to manufacture pet foods, technical products, pharmaceuticals and cosmetics.

Additionally, the Company has farrow-to-finish swine operations, which include genetic and nutritional research, weaned and feeder pig sales, feeder pig finishing and the marketing of live swine to regional and national packers that are conducted in Arkansas, Missouri and Oklahoma.

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

**Other** The Company's other segment includes the logistics group and other corporate activities not identified with specific protein groups.

## RAW MATERIALS AND SOURCES OF SUPPLY

**Chicken** The primary raw materials used by the Company in its chicken operations consist of live chickens that are raised primarily by independent contract growers. The Company's vertically-integrated chicken process begins with the grandparent breeder flocks. Breeder farms specialize in producing the generations of male and female strains, with the broiler being the final progeny. The breeder flocks are raised to maturity in grandparent growing and laying farms where fertile eggs are produced. The fertile eggs are incubated at the grandparent hatchery and produce male and female pullets (i.e., the parents). The pullets are sent to breeder houses, and the resulting eggs are sent to Company hatcheries. Once the chicks have hatched, they are sent to broiler farms. There, contract growers care for and raise the chicks according to Company standards while receiving advice from Company technical service personnel until the broilers have reached the desired processing weight. The adult chickens are caught and hauled to processing plants. The finished products are sent to distribution centers and then transported to customers. Vertically-integrated poultry companies operate their own feed mills to produce scientifically-formulated feeds. Corn and soybean meal are major production costs in the poultry industry, representing roughly 39% of the cost of growing a chicken. In addition to feed ingredients to grow the chickens, the Company uses cooking ingredients, packaging materials and cryogenic agents. The Company believes that its sources of supply for these materials are adequate for its present needs and the Company does not anticipate any difficulty in acquiring these materials in the future. While the Company produces substantially all of its inventory of breeder chickens and live broilers, it may also purchase live, ice-packed or deboned chicken to meet production requirements.

**Beef** The primary raw material used by the Company in its beef operations is live cattle. The Company does not have facilities of its own to raise cattle in the United States. The Company has approximately 70 cattle buyers located throughout cattle producing areas who visit feed yards and buy a majority of the Company's live cattle on the open spot market. These buyers are trained to select high quality animals and their performance is continually measured by the Company. The Company also enters into various risk-sharing and procurement arrangements with producers that help secure a supply of livestock for daily start-up operations at its facilities. The Company's Canadian subsidiary, Lakeside Farm Industries LTD (Lakeside), primarily has cattle feeding facilities and a beef carcass production and boxed beef processing facility. In 2003, Lakeside's feedlots provided approximately 20% of that facility's fed cattle needs.

**Pork** The primary raw material used by the Company in its pork operations is live swine. The Company raises live swine to sell to outside processors and supplies a minimal amount of live swine for its own processing needs. The majority of the Company's live swine supply is obtained through various procurement arrangements with producers. The Company also employs buyers who purchase hogs on a daily basis, generally a few days before the animals

are required for processing.

**Prepared Foods** The primary raw materials used by the Company in its prepared foods operations are typically commodity based raw materials, including fresh and frozen chicken, beef and pork, corn, flour and frozen vegetables. Some of these raw materials are provided by the chicken, beef and pork segments and can also be purchased from numerous suppliers and manufacturers.

### SEASONAL DEMAND

The demand for the Company's chicken and beef products generally increases during the spring and summer months and generally decreases during the winter months. The Company's pork and prepared foods products generally experience increased demand during the winter months due to the holiday season and decreased demand during the spring and summer months.

### CUSTOMERS

No single customer of the Company accounts for more than ten percent of the Company's consolidated revenues. However, the top three customers of each segment represent approximately 26% of the Chicken segment's sales, approximately 18% of the Beef segment's sales, approximately 22% of Pork segment's sales and approximately 23% of the Prepared Foods segment's sales. The Company believes the loss of any single customer would not have a material adverse effect on the Company's business. Although, any extended discontinuance of sales to any major customer could, if not replaced, have an impact on the Company's operations, the Company does not anticipate any such occurrences due to the demand for its products and its ability to obtain new customers.

### BACKLOG OF ORDERS

There is no significant backlog of unfilled orders for the Company's products.

### COMPETITION

The Company's food products compete with those of other national and regional food producers and processors and certain prepared food manufacturers, namely, Hormel Foods Corporation, Swift and Company, Cargill Incorporated, Smithfield Foods Inc., Pilgrims Pride Corp. and Sanderson Farms Inc. Additionally, the Company's food products compete in international markets around the world. The Company's principal marketing and competitive strategy is to identify target markets for value-enhanced products, to concentrate production, sales and marketing efforts in order to appeal to and enhance the demand from those markets and, utilizing its national distribution systems and customer support services, seek to achieve a leading market position for its products. Past efforts have indicated that customer demand generally can be increased and sustained through application of the Company's marketing strategy, as supported by its distribution systems. The principal competitive elements are brand identification, price, product quality, and customer service.

### INTERNATIONAL

The Company exported to more than 80 foreign countries in fiscal 2003. Major export markets include Canada, China, European Union, Japan, Mexico, Puerto Rico, Russia, Taiwan and South Korea.

The Company continues to explore growth opportunities in Asia, Russia, and Brazil and believes each offers potential in terms of developing processing facilities. The Company's subsidiary in Mexico continues to show growth with a focus on further processed chicken products. The Company's wholly owned subsidiary, Cobb-Vantress, has operations in Argentina, Brazil, India, Indonesia, Japan, the Philippines, Spain, the United Kingdom, Venezuela and the Netherlands. The Company also owns a majority interest in and operates a chicken processing facility in China and has equity interests in a Russian sausage processing facility and a Chinese pork processing facility. The Company continues to be involved in a technical service agreement with Grupo Melo in Panama to assist Grupo Melo with the production of further processed chicken products and to allow it to license the Tyson brand. Additional information regarding the Company's export sales and long-lived assets located in foreign markets is set forth in Note 17, "Segment Reporting" of the Consolidated Financial Statements included herein at pages 51 through 52.

## RESEARCH AND DEVELOPMENT

The Company conducts continuous research and development activities to improve finished product development, to develop ways to automate manual processes in its processing plants and growout operations and to improve the strains of primary chicken breeding stock. The annual cost of such research and

development programs is less than one percent of total consolidated annual sales.

## REGULATION AND FOOD SAFETY

The Company's facilities for processing chicken, beef, pork, prepared foods, milling feed and for housing live chicken and swine are subject to a variety of federal, state and local laws relating to the protection of the environment, including provisions relating to the discharge of materials into the environment, and to the health and safety of its employees. The Company's chicken, beef and pork processing facilities are participants in the government's Hazardous Analysis Critical Control Point (HACCP) program and are subject to the Public Health Security and Bioterrorism Preparedness and Response Act of 2002. The cost of compliance with such laws and regulations has not had a material adverse effect upon the Company's capital expenditures, earnings or competitive position and it is not anticipated to have a material adverse effect in the future. In 2003, the Company incurred expenses of approximately \$79 million to maintain compliance with such regulations. These expenditures relate principally to the normal operation and maintenance of wastewater treatment facilities ("Wastewater Treatment Facilities"), where the Company biologically treats these wastes, and the associated land application of wastes generated at these treatment facilities. The Company incurred \$6 million in capital expenditures, primarily related to its Wastewater Treatment Facilities, in fiscal 2003 and anticipates capital expenditures of approximately \$3 million in fiscal 2004 for environmental projects primarily related to the Wastewater Treatment Facilities. The Company believes that it is in substantial compliance with such applicable laws and regulations and the Company is not aware of any violations of, or pending changes in, such laws and regulations that are likely to result in material penalties or material increases in compliance costs, except as disclosed in Item 3.

The Company works to ensure its products meet high standards of food quality and safety. The Company's chicken, beef, pork and prepared foods products are subject to inspection prior to distribution, primarily by the United States Department of Agriculture. Notwithstanding these efforts, food producers are at risk that their products may contain pathogens unless the product has been properly produced, handled and cooked.

The Company is exposed to risk if its products are determined to be contaminated or cause illness or injury. These risks include (1) the cost of adverse publicity and product recalls, including the associated negative consumer reaction; (2) exposure to related civil litigation; and (3) regulatory administrative penalties, which can include injunctive relief and other civil remedies, including plant closings.

## EMPLOYEES AND LABOR RELATIONS

As of September 27, 2003, the Company employed approximately 120,000 persons. The Company believes that its overall relations with its workforce are good.

Set forth below is a listing of the Company facilities which have employees subject to a collective bargaining agreement together with the name of the union party to the collective bargaining agreement, the number of employees at the facility subject thereto and the expiration date of the collective bargaining agreement currently in effect.

Location	Union	No. of People	Expiration Date
Albertville, AL	UFCW	772	November 2006
Amarillo, TX	Teamsters	3,288	November 2006
Ashland, AL	RWDSU	239	November 2006
Augusta, ME	UFCW	148	December 2006
Berlin, MD	UFCW	108	December 2006
Berlin, MD	Teamsters	109	December 2006
Berlin, MD	Teamsters	23	July 2004
Buena Vista, GA	RWDSU	566	(1) December 2006
Buffalo, NY	IUOE	31	June 2006



Carthage, TX	UFCW	415		November 2006
Center, TX	UFCW	1,028		February 2006
Cherokee, IA	UFCW	595		March 2004

Chicago, IL	Production/Maintenance	520		May 2005
Chicago, IL	UFCW	136	(1)	July 2003
Chicago, IL	Teamsters	1	(1)	April 2001
Concordia, MO	UFCW	191		June 2005
Corydon, IN	Steelworkers	37		April 2005
Corydon, IN	UFCW	385		January 2005
Dakota City, NE	UFCW	3,173		August 2004
Dakota City, NE	Teamsters	33		April 2005
Dardanelle, AR	UFCW	789		November 2006
Gadsden/Blountsville, AL	Teamsters	12		April 2004
Gadsden, AL	RWDSU	818		November 2006
Glen Allen, VA	UFCW	801		November 2006
Hope, AR	UFCW	1,041		March 2006
Jackson, MS	UFCW	728		December 2006
Jefferson, WI	UFCW	416	(2)	June 2002
Joslin, IL	Teamsters	16		June 2007
Joslin, IL	UFCW	2,077		March 2006
Logansport, IN	UFCW	1,641	(1)	October 2003
Manchester, NH	UFCW	432		December 2006
Noel, MO	UFCW	886		December 2006
Norfolk, NE	UFCW	1,254		September 2006
North Richland Hills, TX	UFCW	335		August 2004
Pasco, WA	Teamsters	1,617		May 2004
Perry, IA	UFCW	952		December 2006
Pine Bluff, AR	UFCW	247		November 2006
Ponca City, OK	UFCW	438		March 2004
Robards, KY	UFCW	1,210		November 2006
Shelbyville, TN	RWDSU	1,006		November 2006
Shelbyville, TN	Teamsters	28		August 2004
Waterloo, IA	UFCW	2,137		December 2006
Wilkesboro, NC	Teamsters	219		November 2006
Gomez Palacio, Durango	CTM	2,629		February 2005
Gomez Palacio, Durango	CTM	45		April 2005
Monterrey, Neuvo Leon	FNCSI	52		June 2005
Torreon, Coahuila	CROM	6		February 2005
Parras de la Fuente, Coahuila	CROM	113		February 2005
Mexico, Distrito Federal	CROC	48		March 2004

UFCW - United Food and Commercial Workers Union  
RWDSU - Retail, Wholesale, Department Store Union  
IUOE - International Union of Electrical Workers  
CTM - Confederacion de Trabajadores de Mexico

(1) Contracts are currently under negotiations

(2) The Company is currently experiencing work stoppage of its union employees at its Jefferson, Wisconsin facility, which began on February 28, 2003. The facility continues to operate, although at less than full capacity, through the use of replacement workers hired by the Company.

### **MARKETING AND DISTRIBUTION**

The Company's principal marketing objective is to be the primary provider of chicken, beef, pork and prepared foods products for our customers. The Company identifies distinct markets and business opportunities through extensive consumer and market research. The Company's branding strategy focuses on one national protein brand, the Tyson brand, as well as a number of strong regional brands. All communications stress the quality and value proposition of the products while supporting and building brand awareness. Communications efforts utilize a fully integrated and coordinated mix of activities designed to connect with customers and consumers on both a rational and emotional level. The Company utilizes its national distribution system and customer support services to achieve the leading market position for its products.

The Company has the ability to produce and ship fresh, frozen and refrigerated products. The Company's nationwide distribution system utilizes a network of food distributors which is supported by cold storage warehouses owned or leased by the Company, by public cold storage facilities and by the Company's transportation system. The Company ships products from Company-owned consolidated frozen food distribution centers, from a network of public cold storages, from other owned and leased facilities and directly from plants. The Company's distribution centers facilitate accumulating frozen products so that it can fill and consolidate less-than-truckload orders into full truckloads, thereby decreasing shipping costs while increasing customer service. In addition, customers are provided with a selection of products that do not require large volume orders. The Company's distribution system enables it to supply large or small quantities of products to meet customer requirements anywhere in the continental United States.

### **PATENTS AND TRADEMARKS**

The Company has registered a number of trademarks relating to its products which either have been approved or are in the process of application. Because the Company does a significant amount of brand name and product line advertising to promote its products, it considers the protection of such trademarks to be important to its marketing efforts. The Company has also developed non-public proprietary information regarding its production processes and other product-related matters. The Company utilizes internal procedures and safeguards to protect the confidentiality of such information, and where appropriate, seeks patent protection for the technology it utilizes.

### **INDUSTRY PRACTICES**

The Company's agreements with its customers are generally short-term, due primarily to the nature of its products, industry practice and the fluctuation in demand and price for such products. In certain instances where the Company is selling further processed products to large customers, the Company may enter into written agreements whereby the Company will act as the exclusive or preferred supplier to the customer for periods up to 5 years and on pricing terms which are either fixed or variable.

### **AVAILABILITY OF SEC FILINGS AND CORPORATE GOVERNANCE DOCUMENTS ON INTERNET WEBSITE**

The Company maintains an internet website at [www.tysonfoodsinc.com](http://www.tysonfoodsinc.com). The Company makes available free of charge under the section "Investors" of its website its annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and all amendments to any of those reports, as soon as reasonably practicable after providing such reports to the Securities and Exchange Commission. Also the Company's corporate governance principles, Audit Committee charter, Compensation Committee charter, Governance Committee charter and code of conduct are available under the section "Investors" on the Company's website. The Company's corporate governance documents are available in print to any shareholder who requests them.

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

This report and other written reports and oral statements made from time to time by the Company and its representatives contain forward-looking statements, including forward-looking statements made in this report, with respect to their current views and estimates of future economic circumstances, industry conditions, company performance and financial results. These forward-looking statements are subject to a number of factors and uncertainties that could cause the Company's actual results and experiences to differ materially from the anticipated results and expectations expressed in such forward-looking statements. The Company wishes to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. Tyson undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Among the factors that may affect the operating results of the Company are the following: (i) fluctuations in the cost and availability of raw materials, such as live cattle, live swine or feed grain costs; (ii) changes in the availability and relative costs of labor and contract growers;

(iii) operating efficiencies of facilities; (iv) market conditions for finished products, including the supply and pricing of alternative proteins; (v) effectiveness of advertising and marketing programs; (vi) the ability of the Company to make effective acquisitions and successfully integrate newly acquired businesses into existing operations; (vii) risks associated with leverage, including, but not limited to, cost increases due to rising interest rates; (viii) risks associated with effectively evaluating derivatives and hedging activities; (ix) changes in regulations and laws (both domestic and foreign), including, but not limited to, changes in accounting standards, environmental laws and occupational, health and safety laws; (x) issues related to food safety, including, but not limited to, costs resulting from product recalls, regulatory compliance and any related claims or litigation; (xi) adverse results from ongoing litigation; (xii) access to foreign markets together with foreign economic conditions, including currency fluctuations; and (xiii) the effect of, or changes in, general economic conditions.

## **ITEM 2. PROPERTIES**

The Company currently has sales offices and production and distribution operations in the following states: Alabama, Arkansas, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Mississippi, Missouri, Nebraska, New Hampshire, New Mexico, New York, North Carolina, Oklahoma, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Virginia, Washington and Wisconsin. Additionally, the Company, either directly or through its subsidiaries, has facilities in or participates in joint venture operations in Argentina, Brazil, Canada, China, India, Indonesia, Ireland, Japan, Mexico, the Netherlands, Panama, the Philippines, Russia, Spain, the United Kingdom and Venezuela.

**Chicken** The Company's chicken operations consist of 60 processing plants. These plants are devoted to various phases of slaughtering, dressing, cutting, packaging, deboning or further-processing. The total slaughter capacity is approximately 48 million head per week. In addition, the Company owns 11 rendering plants with the capacity to produce 32 million pounds of animal protein products per week and 16 ground pet food processing operations in connection with chicken processing plants capable of producing nine million pounds of product per week. In addition, there are two blending mill operations, 39 feed mills and 64 broiler hatcheries with sufficient capacity to meet the needs of the chicken growout operations. During 2003, the feed mills operated at 72% of capacity, the hatcheries operated at 87% of capacity and the processing plants operated at 96% capacity.

**Beef** The Company's beef operations consist of 14 beef production facilities, four of which include case-ready operations, and a Canadian cattle feeding facility. These facilities slaughter live cattle, fabricate beef products and some treat and tan hides. One of the beef facilities contains a tallow refinery and two of the case-ready operations share facilities with the pork segment. The carcass facilities reduce live cattle to dressed carcass form. Fed beef consists primarily of steers and heifers specifically raised for beef consumption. The processing facilities conduct fabricating operations to produce boxed beef and allied products. The processing facilities operated in 2003 at approximately 84% of their production capacities. The total slaughter capacity is approximately 240,000 head per week.

**Pork** The Company's pork operations consist of eight pork production facilities, two of which include case-ready operations. These facilities slaughter live hogs and fabricate pork products and allied products. The two case-ready operations share facilities with the beef segment. The processing facilities operated in 2003 at approximately 82% of their production capacities. The total slaughter capacity of these facilities is approximately 427,000 head per week. Additionally the Company's live swine operations have 37 farrowing barns, 75 nursery houses and 69 finishing houses. The Company also utilizes live swine contract growers. The swine growout operations are supported by one dedicated feed mill supplemented by production from the chicken operations' feed mills.

**Prepared Foods** The Company's prepared foods operations consist of 34 processing plants which process fresh beef, pork, chicken and other raw materials into pizza toppings, branded and processed meats, appetizers, hors d'oeuvres, desserts, ethnic foods, soups, sauces, side dishes and pizza crusts, flour and corn tortilla products and specialty pasta and meat dishes. These processing plants have the capacity to produce approximately 61 million pounds per week and operated in 2003 at approximately 76% of capacity.

**Other** The Company's other operations consist of 11 distribution centers, as well as 11 cold storage facilities used by the beef and pork divisions, 44 cold storage facilities at chicken processing plants, three cold storage facilities at chicken rendering plants and five cold storage facilities used by prepared foods plants with a total capacity of approximately 300 million pounds.

The Company owns its major operating facilities with the following exceptions: one chicken emulsified plant is leased month to month, one hatchery is leased month to month, 422 chicken breeder farm houses are leased under agreements expiring at various dates through 2005, 31 chicken breeder farm

houses are leased month to month and 30 broiler farms are leased year to year. Additionally, the Company's live swine operation leases 20 farrowing barns, 24 nursery houses and 38 finishing houses, with the majority expiring in 2004. One prepared foods distribution center is leased month to month and two prepared foods further processing facilities are leased until 2004 and 2005.

Management believes the Company's present facilities are generally adequate and suitable for its current purposes; however, seasonal fluctuations in inventories and production may occur as a reaction to market demands for certain products. The Company regularly engages in construction and other capital improvement projects intended to expand capacity and improve the efficiency of its processing and support facilities.

### ITEM 3. LEGAL PROCEEDINGS

Refer to the discussion of certain legal proceedings pending against the Company under Part II., Item 8. Notes to Consolidated Condensed Financial Statements, Note 19: Contingencies, which discussion is incorporated herein by reference. Listed below are certain additional legal proceedings involving the Company and its subsidiaries.

In January 1997, the State of Illinois brought suit in the Circuit Court for the 14th Judicial Circuit, Rock Island, Illinois, Chancery Division against IBP alleging that IBP's operations at its Joslin, Illinois, facility are violating the "odor nuisance" regulations enacted in the State of Illinois. IBP has already completed additional improvements at its Joslin facility to further reduce odors from this operation, but denies Illinois EPA's contention that its operations at any time amounted to a "nuisance." The Illinois EPA has alleged a damage claim of approximately \$2,000,000. IBP is attempting to discuss these issues with the State of Illinois in an effort to reach a settlement. In May 2003, the State of Illinois attempted to add the Company as a defendant in the suit, which the court subsequently denied. In September 2003, the State of Illinois served the Company with a complaint that had been filed in the Circuit Court for the 14th Judicial Circuit, Rock Island, Illinois, Chancery Division alleging substantially the same causes of action against the Company as had been alleged in the action against IBP. A motion to dismiss has been filed as to all claims.

In June 2001, IBP was advised the SEC had commenced a formal investigation related to the restatement of earnings made by IBP in March 2001, including matters relating to certain improprieties in the financial statements of DFG, a wholly-owned subsidiary. The Company has been informed that three former employees of DFG received a so-called "Wells" notice advising them that the SEC had determined to recommend the initiation of an enforcement action and providing them an opportunity to provide their arguments against such an enforcement action. IBP is cooperating with this investigation, and to date the SEC has made no claims against the Company.

In February 2002, the Company learned that a processing facility owned by Zemco Industries, Inc., a subsidiary of IBP, is the subject of an investigation by the U.S. Attorney's office in Bangor, Maine, into allegedly improper testing and recording practices. The Company acquired Zemco as part of the Company's acquisition of IBP on September 28, 2001. The Company learned in November 2003 that a former Zemco employee at the processing facility has agreed to plead guilty to charges in connection with the investigation. To date there has been no claim by the U.S. Attorney against Zemco, and Zemco will continue to cooperate with the U.S. Attorney's office.

**Other Matters** The Company has approximately 120,000 team members and at any time has various employment practices matters. In the aggregate, these matters are significant to the Company and the Company devotes significant resources to handling employment issues. Additionally, the Company is subject to other lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of its business. While the ultimate results of these matters cannot be determined, they are not expected to have a material adverse effect on the Company's consolidated results of operations or financial position.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

### EXECUTIVE OFFICERS OF THE COMPANY

Officers of the Company serve one year terms from the date of their election, or until their successors are appointed and qualified. The name, title, age and year of initial election to executive office of the Company's executive officers are listed below:

Name	Title	Age
John Tyson	Chairman of the Board of Directors and Chief Executive Officer	50
Richard L. Bond	President and Chief Operating Officer	56
Greg Lee	Chief Administrative Officer and International President	56
Les Baledge (1)	Executive Vice President and General Counsel	46
Steven Hankins	Executive Vice President and Chief Financial Officer	45
Eugene D. Leman	Senior Group Vice President, Fresh Meats	61
Dennis Leatherby	Senior Vice President, Finance and Treasurer	43

No family relationships exist among the above officers. Mr. John Tyson was appointed Chairman of the Board of Directors and Chief Executive Officer in 2001 after serving as Chairman of the Board of Directors, President and Chief Executive Officer since 2000, Chairman of the Board of Directors since 1998 and Vice Chairman of the Board of Directors since 1997. Mr. Bond was appointed President and Chief Operating Officer in 2003, after serving as Co-Chief Operating Officer and Group President, Fresh Meats and Retail since 2001 and President and Chief Operating Officer of IBP from March 1997 until the merger of IBP into a wholly owned subsidiary of the Company on September 28, 2001. Mr. Lee was appointed Chief Administrative Officer and International President in 2003, after serving as Co-Chief Operating Officer and Group President, Food Service and International since 2001, Chief Operating Officer since 1999 and as President of the Foodservice Group since 1998. Mr. Baledge was appointed Executive Vice President and General Counsel in 2000 after serving as Executive Vice President and Associate General Counsel since 1999 upon joining Tyson. Prior to joining Tyson, Mr. Baledge was of counsel to the law firm of Kutak Rock LLP and a partner with the Rose Law Firm. Mr. Hankins was appointed Executive Vice President and Chief Financial Officer in 1998. Mr. Lemman was appointed Senior Group Vice President, Fresh Meats in 2001 after serving as IBP's President of Fresh Meats since 1997 until the merger of IBP into a wholly owned subsidiary of the Company on September 28, 2001. Mr. Leatherby was appointed Senior Vice President, Finance and Treasurer in 1998. Mr. Pless was elected Senior Vice President, Controller and Chief Accounting Officer in 2001 after serving as Vice President, Controller and Chief Accounting Officer since 2000. Prior to joining Tyson, Mr. Pless was Vice President, Controller and Chief Accounting Officer for TransMontaigne, Inc.

(1) Les Baledge has announced his plans to retire his position as Executive Vice President and General Counsel effective January 1, 2004.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company currently has issued and outstanding two classes of capital stock, Class A Common Stock (Class A stock) and Class B Common Stock (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. On October 31, 2003, there were approximately 42,000 holders of record of the Company's Class A stock and 15 holders of record of the Company's Class B stock, excluding holders in the security position listings held by nominees.

#### DIVIDENDS

Cash dividends cannot be paid to holders of Class B stock unless they are simultaneously paid to holders of Class A stock. The per share amount of the cash dividend paid to holders of Class B stock cannot exceed 90% of the cash dividend simultaneously paid to holders of Class A stock. The Company has paid uninterrupted quarterly dividends on its common stock each year since 1977 and expects to continue its cash dividend policy during fiscal 2004. In fiscal 2003, the annual dividend rate for Class A stock was \$0.16 per share and the annual dividend rate for Class B stock was \$0.144 per share.

#### MARKET INFORMATION

The Class A stock is traded on the New York Stock Exchange under the symbol "TSN." No public trading market currently exists for the Class B stock. The high and low closing sales prices of the Company's Class A stock for each quarter of fiscal 2003 and 2002 are represented in the table below.

	Fiscal Year 2003		High
	High	Low	
First Quarter	\$ 12.77	\$ 9.64	\$ 12.13
Second Quarter	11.85	7.28	13.02
Third Quarter	10.90	7.75	15.56
Fourth Quarter	14.42	10.62	15.18

**ITEM 6. SELECTED FINANCIAL DATA****ELEVEN-YEAR FINANCIAL SUMMARY**

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



**ELEVEN-YEAR FINANCIAL SUMMARY**

	in millions, except			
	1997	1996	1995	1
<b>Summary of Operations</b>				
Sales	\$6,356	\$6,454	\$5,511	\$5,
Cost of sales	5,318	5,506	4,423	4,
Gross profit	1,038	948	1,088	
Operating income	400	269	472	
Interest expense	110	133	115	
Provision for income taxes	144	49	131	
Net income (loss)	\$186	\$87	\$219	\$
Year end shares outstanding	213	217	217	
Diluted average shares outstanding	218	218	218	
Diluted earnings (loss) per share	\$0.85	\$0.40	\$1.01	\$(0
Basic earnings (loss) per share	0.86	0.40	1.01	(0.
Dividends per share:				
Class A	0.095	0.080	0.053	0.
Class B	0.086	0.072	0.044	0.
Depreciation and amortization	\$230	\$239	\$205	\$
<b>Balance Sheet Data</b>				
Capital expenditures	\$291	\$214	\$347	\$
Total assets	4,411	4,544	4,444	3,
Net property, plant and equipment	1,925	1,869	2,014	1,
Total debt	1,690	1,975	1,985	1,
Shareholders' equity	\$1,621	\$1,542	\$1,468	\$1,
<b>Other Key Financial Measures</b>				
Return on sales	2.9%	1.4%	4.0%	0.
Annual sales growth (decline)	(1.5)%	17.1%	7.9%	8.
Gross margin	16.3%	14.7%	19.7%	18.
Return on beginning shareholders' equity	12.1%	5.9%	17.0%	(0.
Effective tax rate	43.6%	37.0%	38.1%	101.
Total debt to capitalization	51.0%	56.2%	57.5%	53.
Book value per share	\$7.60	\$7.09	\$6.76	\$5
Closing stock price high	23.63	18.58	18.17	16
Closing stock price low	\$17.75	\$13.83	\$13.83	\$12

**Notes to Eleven-Year Financial Summary**

1. The results for 2003 include \$167 million of pretax gains related to vitamin antitrust litigation settlements received and \$76 million of pretax charges related to the closing of four poultry operations.
2. The results for 2002 include a \$27 million pretax charge related to the identifiable intangible asset write-down of the Thomas E. Wilson brand, \$26 million pretax charge for live swine restructuring charge, \$22 million pretax gain related to the sale of Specialty Brands and \$30 million pretax gain related to vitamin antitrust litigation settlements received.
3. The results for 2001 include \$26 million in pretax charges for expenses related to the IBP acquisition, loss on sale of swine assets,

- and product recall losses.
4. The results for 2000 include a \$24 million pretax charge for bad debt writeoff related to the January 2000 bankruptcy filing of AmeriServe Food Distribution, Inc. and a \$9 million pretax charge related to Tyson de Mexico losses.
  5. Certain costs for years 1999 and prior have not been reclassified as the result of the application of EITF 00-14 and EITF 00-25.
  6. The results for 1999 include a \$77 million pretax charge for loss on sale of assets and impairment write-downs.
  7. Significant business combinations accounted for as purchases: IBP, inc., Hudson Foods, Inc. and Arctic Alaska Fisheries Corporation in August 2001 and September 2001, January 1998 and October 1992, respectively. See Note 2 to the Consolidated Financial Statements for acquisitions during the three-year period ended September 27, 2003.
  8. The results for 1998 include a \$215 million pretax charge for asset impairment and other charges.
  9. The results for 1997 include a \$41 million pretax gain (\$4 million after tax) from the sale of the beef division assets.
  10. The results for 1994 include a \$214 million pretax charge (\$205 million after tax) due to the write-down of certain long-lived assets of Arctic Alaska Fisheries Corporation.

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## **ITEM 7. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **RESULTS OF OPERATIONS**

Earnings for fiscal 2003 were \$337 million or \$0.96 per diluted share compared to \$383 million or \$1.08 per diluted share in fiscal 2002.

Fiscal 2003 pretax earnings include \$167 million received in connection with vitamin antitrust litigation and \$76 million of costs related to the closing of poultry operations during the first, third and fourth quarters of fiscal 2003.

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

### **2003 vs. 2002**

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

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

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

**Selling, general and administrative expenses** decreased \$46 million or 5.4%. As a percent of sales, selling, general and administrative expenses decreased from 3.8% to 3.4%. The decrease is primarily due to the expense reductions of approximately \$42 million related to the sale of Specialty Brands in the fourth quarter of fiscal 2002, and approximately \$16 million associated with the ongoing integration of Tyson and IBP, inc. (IBP) corporate functions. Additional decreases were due to favorable investment returns of approximately \$18 million on Company owned life insurance, actuarial gains of \$13 million related to changes in certain retiree medical benefit plans and decreased litigation costs of approximately \$19 million resulting primarily from the reversal of certain legal accruals which are no longer required due to cases



being closed. The decreases in selling, general and administrative expenses were partially offset by increased professional fees of approximately \$26 million primarily related to the Company's ongoing integration and strategic initiatives and increased sales promotions and marketing costs of approximately \$45 million primarily due to the introduction and rollout of several new products.

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

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

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

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

the loss of the ETI tax benefit may adversely impact the Company's effective tax rate.

### Segment Information

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

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

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

**Pork segment** is primarily involved in the processing of live market hogs and fabrication of pork carcasses into primal and sub-primal meat cuts and case-ready products. This segment also represents the Company's live swine group and related allied product processing activities. The Pork segment markets its products to food retailers, distributors, wholesalers, restaurants, hotel chains and other food processors in domestic and international markets. It also sells allied products to pharmaceutical and technical products manufacturers, as well as live swine and weaned and feeder pigs to pork producers.

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

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

### *Sales by Segment*

	2003	2002
Chicken	\$ 7,427	\$ 7,222
Beef	11,935	10,488
Pork	2,470	2,503
Prepared Foods	2,662	3,072
Other	55	82
Total	\$ 24,549	\$ 23,367

### *Operating Income by Segment*

	2003	2002
Chicken	\$ 158	\$ 428
Beef	320	220
Pork	75	25
Prepared Foods	57	158
Other	227	56
Total	\$ 837	\$ 887

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

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

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

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

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

### **2002 vs. 2001**

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

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

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

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

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

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

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

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

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

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

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

#### Segment Information

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

##### *Sales by Segment*

	2002	2001
Chicken	\$ 7,222	\$ 7,051
Beef	10,488	2,021
Pork	2,503	611
Prepared Foods	3,072	811
Other	82	41
Total	\$ 23,367	\$ 10,561

##### *Operating Income (Loss) by Segment*

	2002	2001
Chicken	\$ 428	\$ 250
Beef	220	32
Pork	25	27
Prepared Foods	158	15
Other	56	(8)
Total	\$ 887	\$ 316

**Chicken segment** sales increased \$165 million or 2.3% compared to 2001, with a 1.1% increase in average sale prices and a 1.2% increase in volume.

Foodservice chicken sales increased 4.9%, retail chicken sales increased 2.0% and international chicken sales decreased 6.3%. In fiscal 2002, the Company's Mexican subsidiary sales increased 36.1% due to the acquisition of a production facility in Mexico in the third quarter of 2001.

This increase was more than offset by decreases in other international sales demand as markets were impacted by import restrictions and political pressures primarily in Russia and China. Operating income for Chicken increased \$178 million as compared to 2001, primarily due to decreases in live and production costs along with improvements in price and growth in value-added product mix. Additionally, fiscal 2001 costs were negatively impacted by weather related effects and higher grain and energy costs.

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

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

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

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

## ACQUISITIONS

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

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

## DISPOSITION

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

## LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations continues to be the Company's primary source of funds to finance operating requirements and capital expenditures. In 2003, net cash of \$820 million was provided by operating activities, down \$354 million from 2002. The decrease from fiscal 2002 is primarily due to a net change in working capital of \$423 million and a decrease in net income of \$46 million, partially offset by an increase in deferred taxes of \$91 million. The change in working capital is primarily due to increased accounts receivable resulting from increased sales and increased inventory values, as well as the timing of cash receipts and payments related to other working capital items. The Company's foreseeable cash needs for operations and capital expenditures are expected to

continue to be met through cash flows provided by operating activities. Additionally, at September 27, 2003, the Company had borrowing capacity of \$1.5 billion consisting of \$705 million available under its \$1 billion unsecured revolving credit facilities and \$750 million under its accounts receivable securitization. At September 27, 2003, the Company had construction projects in progress that will require approximately \$175 million to complete. Capital spending for fiscal 2004 is expected to be in the range of \$450 to \$500 million, which includes spending on plant automation as well as information systems technology improvements. Additionally, on December 5, 2003, the Company announced that in order to further improve long-term manufacturing efficiencies, it will be closing facilities in Manchester, New Hampshire, and Augusta, Maine, in early 2004. The Company anticipates recording pretax charges related to these closings of approximately \$23 to \$27 million or \$0.04 to \$0.05 per diluted share in the first half of fiscal 2004.

### *Cash Provided by Operating Activities*

	2003	2002
	\$ 820	\$ 1,174

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

## Total Capitalization

	2003	2002
Debt	\$ 3,604	\$ 3,987
Equity	3,954	3,662

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

### OFF-BALANCE SHEET ARRANGEMENTS

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

### RECENTLY ISSUED ACCOUNTING STANDARDS

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

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities" (SFAS No. 149). SFAS No. 149 amends SFAS No. 133 to provide clarification on the financial accounting and reporting of derivative

instruments and hedging activities and requires that contracts with similar characteristics be accounted for on a comparable basis. The standard is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The Company's adoption of SFAS No. 149 did not have a material impact on its financial position or results of operations.

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

### CRITICAL ACCOUNTING ESTIMATES

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

**Financial instruments** The Company uses derivative financial instruments to manage its exposure to various market risks, including certain livestock, natural gas, interest rates and grain and feed costs. The Company may hold positions as economic hedges for which hedge accounting is not applied. See Item 7A. Quantitative and Qualitative Disclosure About Market Risks.

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

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



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

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

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS**

**MARKET RISK**

Market risks relating to the Company's operations result primarily from changes in commodity prices, interest rates and foreign exchange rates as well as credit risk concentrations. To address certain of these risks, the Company enters into various derivative transactions as described below. If a derivative instrument is a hedge, as defined by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), as amended, depending on the nature of the hedge, changes in the fair value of the instrument will be either offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of an instrument's change in fair value, as defined by SFAS No. 133, as amended, will be immediately recognized in earnings as a component of cost of sales. Instruments that do not meet the criteria for hedge accounting are marked to fair value with unrealized gains or losses reported currently in earnings. Additionally, the Company holds certain positions, primarily in grain and livestock futures and options, for which it does not apply hedge accounting, but instead marks these positions to fair value through earnings at each reporting date.

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

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

Effect of 10% change in fair value		2003
<b>Livestock:</b>		
Cattle	\$	28
Hogs		12
<b>Grain</b>		
Natural Gas	\$	11

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

The Company hedges exposure to changes in interest rates on certain of its financial instruments. Under the terms of various leveraged equipment loans, the Company enters into interest rate swap agreements to effectively lock in a fixed interest rate for these borrowings. The maturity dates of these leveraged

equipment loans range from 2005 to 2008 with interest rates ranging from 4.7% to 6.0%. Because of the positions taken with respect to these swap agreements, an increase in interest rates would have a minimal effect on the fair value for fiscal years 2003 and 2002.

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

**Concentrations of Credit Risk** The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents and trade receivables. The Company's cash equivalents are in high quality securities placed with major banks and financial institutions. Concentrations of credit risk with respect to receivables are limited due to the large number of customers and their dispersion across geographic areas. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. At September 27, 2003, approximately 10.3% of the Company's net accounts receivable balance was due from one customer. No other single customer or customer group represents greater than 10% of net accounts receivable.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### TYSON FOODS, INC. CONSOLIDATED STATEMENTS OF INCOME

	2003	Three years ended September 28, 2002 in millions
Sales	\$ 24,549	\$ 23,367
Cost of Sales	22,805	21,550
Operating Expenses:		
	1,744	1,817
Selling, general and administrative	831	877
Other charges	76	53
Operating Income	837	887
Other Expense (Income):		
Interest	296	305
Other	18	(11)
	314	294
Income Before Income Taxes and Minority Interest	523	593
Provision for Income Taxes	186	210
Minority Interest	-	-
Net Income	\$ 337	\$ 383

Weighted Average Shares Outstanding:

Basic	346	348
Diluted	352	355
Earnings Per Share:		
Basic	\$ 0.98	\$ 1.10
Diluted	\$ 0.96	\$ 1.08

See accompanying notes

**TYSON FOODS, INC.**  
**CONSOLIDATED BALANCE SHEETS**

September 27, 2003 and  
September 27, 2002  
in millions,

	2003	2002
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 25	25
Accounts receivable, net		1,280
Inventories		1,994
Other current assets		72
<b>Total Current Assets</b>		<b>3,371</b>
Net Property, Plant and Equipment		4,039
Goodwill		2,652
Intangible Assets		182
Other Assets		242
<b>Total Assets</b>	<b>\$ 10,486</b>	<b>10,486</b>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Current debt	\$ 490	490
Trade accounts payable		838
Other current liabilities		1,147
<b>Total Current Liabilities</b>		<b>2,475</b>
Long-Term Debt		3,114
Deferred Income Taxes		722
Other Liabilities		221
Shareholders' Equity:		
Common stock (\$0.10 par value):		
Class A-authorized 900 million shares:		
Issued 267 million shares in 2003 and 2002		27
Class B-authorized 900 million shares:		



Issued 102 million shares in 2003 and 2002	10
Capital in excess of par value	1,861
Retained earnings	2,380
Accumulated other comprehensive loss	(15)
	4,263
Less treasury stock, at cost- 16 million shares in 2003 and 2002	252
Less unamortized deferred compensation	57
<b>Total Shareholders' Equity</b>	<b>3,954</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 10,486</b>

See accompanying notes

**TYSON FOODS, INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

Three years ended

	Common Stock				Cap In Exc Par V
	Class A		Class B		
	Shares	Amount	Shares	Amount	
Balance-September 30, 2000	138	\$14	103	\$10	
Comprehensive Income:					
Net income					
Other comprehensive income (loss) net of tax of \$(11) million					
Cumulative effect of SFAS 133 adoption (net of \$(3) million tax)					
Derivative loss recognized in cost of sales (net of \$(3) million tax)					
Derivative unrealized loss (net of \$(6) million tax)					
Unrealized gain on investments (net of \$1 million tax)					
Currency translation adjustment					
Total Comprehensive income					
Purchase of Treasury Shares					
Restricted Shares Cancelled					
Shares Issued in IBP Acquisition	129	13			
Dividends Paid					
Amortization of Deferred Compensation					
Balance-September 29, 2001	267	27	103	10	
Net income					
Other comprehensive income (loss) net of tax of \$(5) million					
Derivative gain recognized in cost of sales (net of \$2 million tax)					
Derivative unrealized loss (net of \$(1) million tax)					
Unrealized loss on investments (net of \$(1) million tax)					
Currency translation adjustment					
Additional pension liability (net of \$(5) million tax)					
Total Comprehensive income					
Purchase of Treasury Shares					
Restricted Shares Issued					
Restricted Shares Cancelled					

Dividends Paid				
Amortization of Deferred Compensation				
Other			(1)	
Balance-September 28, 2002	267	27	102	10
Comprehensive Income:				
Net income				
Other comprehensive income (loss) net of tax of \$8 million				
Derivative loss recognized in cost of sales (net of \$(1) million tax)				
Derivative unrealized gain (net of \$7 million tax)				
Unrealized gain on investments (net of \$1 million tax)				
Currency translation adjustment				
Additional pension liability (net of \$2 million tax)				
Total Comprehensive income				
Purchase of Treasury Shares				
Restricted Shares Issued				
Restricted Shares Cancelled				
Dividends Paid				
Amortization of Deferred Compensation				
Balance-September 27, 2003	267	\$27	102	\$10

See accompanying notes

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**TYSON FOOD, INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

	Three years ended September			
	Treasury Stock		Unamortized Deferred Compensation	Accumulated Other Comprehensive Income (Loss)
	Shares	Amount		
Balance-September 30, 2000	16	\$(284)	\$(10)	\$(5)
Comprehensive Income:				
Net income				
Other comprehensive income (loss) net of tax of \$(11) million				
Cumulative effect of SFAS 133 adoption (net of \$(3) million tax)				(6)
Derivative loss recognized in cost of sales (net of \$(3) million tax)				(5)
Derivative unrealized loss (net of \$(6) million tax)				(10)
Unrealized gain on investments (net of \$1 million tax)				2
Currency translation adjustment				(11)
Total Comprehensive income				
Purchase of Treasury Shares	5	(48)		
Restricted Shares Cancelled		(1)		
Shares Issued in IBP Acquisition				
Dividends Paid				
Amortization of Deferred Compensation			5	
Balance-September 29, 2001	21	(333)	(5)	(35)
Comprehensive Income:				
Net income				
Other comprehensive income (loss) net of tax of \$(5) million				
Derivative gain recognized in cost of sales (net of \$2 million tax)				

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Derivative unrealized loss (net of \$(1) million tax)				(2)
Unrealized loss on investments (net of \$(1) million tax)				(2)
Currency translation adjustment				(7)
Additional pension liability (net of \$(5) million tax)				(8)
<b>Total Comprehensive income</b>				
Purchase of Treasury Shares	1	(19)		
Restricted Shares Issued	(6)	90	(50)	
Restricted Shares Cancelled		(3)	3	
Dividends Paid				
Amortization of Deferred Compensation			15	
Other				
Balance-September 28, 2002	16	(265)	(37)	(49)
<b>Comprehensive Income:</b>				
Net income				
Other comprehensive income (loss) net of tax of \$8 million				
Derivative loss recognized in cost of sales (net of \$(1) million tax)				(2)
Derivative unrealized gain (net of \$7 million tax)				11
Unrealized gain on investments (net of \$1 million tax)				1
Currency translation adjustment				21
Additional pension liability (net of \$2 million tax)				3
<b>Total Comprehensive income</b>				
Purchase of Treasury Shares	4	(41)		
Restricted Shares Issued	(4)	55	(37)	
Restricted Shares Cancelled		(1)	1	
Dividends Paid				
Amortization of Deferred Compensation			16	
Balance-September 27, 2003	16	\$(252)	\$(57)	\$(15)

See accompanying notes

**TYSON FOODS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three years ended	
	2003	2002
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 337	\$ 385
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	427	431
Amortization	31	36
Plant closing related charges	22	-
Write-down of intangible asset	-	27
Gain on sale of subsidiary	-	(22)
Deferred taxes	113	22
Other	36	20
(Increase) decrease in accounts receivable	(179)	44
Increase in inventories	(78)	(4)
Increase (decrease) in trade accounts payable	60	(30)
Net change in other current assets and liabilities	51	267
<b>Cash Provided by Operating Activities</b>	<b>820</b>	<b>1,174</b>
<b>Cash Flows From Investing Activities:</b>		
Additions to property, plant and equipment	(402)	(433)
Proceeds from sale of assets	30	14

Proceeds from sale of subsidiary	-	131
Net cash paid for IBP acquisition	-	.
Acquisitions of property, plant and equipment	-	(73)
Purchase of Tyson de Mexico minority interest	-	.
Net change in investment in commercial paper	4	94
Net change in other assets and liabilities	7	(61)
<b>Cash Used for Investing Activities</b>	<b>(361)</b>	<b>(328)</b>
<b>Cash Flows From Financing Activities:</b>		
Net change in debt	(387)	(789)
Purchase of treasury shares	(41)	(19)
Proceeds from exercise of IBP stock options	-	.
Dividends and other	(54)	(58)
<b>Cash Provided by (Used for) Financing Activities</b>	<b>(482)</b>	<b>(866)</b>
Effect of Exchange Rate Change on Cash	(3)	1
Increase (Decrease) in Cash and Cash Equivalents	(26)	(19)
Cash and Cash Equivalents at Beginning of Year	51	70
Cash and Cash Equivalents at End of Year	\$ 25	\$ 51
See accompanying notes		

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

**Consolidation:** The consolidated financial statements include the accounts of all majority-owned and wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

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

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

**Cash and Cash Equivalents:** Cash equivalents consist of investments in short-term, highly liquid securities having original maturities of three months or less, which are made as part of the Company's cash management activity. The carrying values of these assets approximate their fair market values. The Company primarily utilizes a cash management system with a series of separate accounts consisting of lockbox accounts for receiving cash, concentration accounts that funds are moved to, and several "zero-balance" disbursement accounts for funding of payroll, accounts payable and grower payments. As a result of the Company's cash management system, checks issued, but not presented to the banks for payment, may create negative book cash balances. Checks outstanding in excess of related book cash balances totaling approximately \$313 million at September 27, 2003, and \$292 million at September 28, 2002, are included in trade accounts payable and accrued salaries, wages and benefits.

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

Total inventory consists of:

		2003
Processed products	\$	1,167

Livestock	532
Supplies and other	295
Total inventory	\$ 1,994

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

**Long-Lived assets:** The Company reviews the carrying value of long-lived assets at each balance sheet date if indication of impairment exists. Recoverability is assessed using undiscounted cash flows based upon historical results and current projections of earnings before interest and taxes. The Company measures impairment using discounted cash flows of future operating results based upon a rate that corresponds to the Company's cost of capital. Impairments are recognized in operating results to the extent that carrying value exceeds discounted cash flows of future operations.

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

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

	2003
Chicken	\$ 936
Beef	1,306
Pork	350
Prepared Foods	60
Total	\$ 2,652

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

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

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

**Capital Stock:** Holders of Class B common stock (Class B stock) may convert such stock into Class A common stock (Class A stock) on a share-for-share basis. Holders of Class B stock are entitled to 10 votes per share while holders of Class A stock are entitled to one vote per share on matters submitted to shareholders for approval. Cash dividends cannot be paid to holders of Class B stock unless they are simultaneously paid to holders of Class A stock. The per share amount of the cash dividend paid to holders of Class B stock cannot exceed 90% of the cash dividend simultaneously paid to holders of Class A stock. The Company pays quarterly cash dividends to Class A and Class B shareholders. The Company paid Class A dividends per share of \$0.16 and Class B dividends per share of \$0.144 in fiscal years 2003, 2002 and 2001.

**Stock Options:** On December 29, 2002, the Company adopted Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" (SFAS No. 148). SFAS No. 148, which amended FASB Statement No. 123, "Accounting for Stock-Based Compensation," does not require use of the fair value method of accounting for stock-based employee compensation. The Company applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its employee stock option plans. Accordingly, no compensation expense was recognized for its stock option plans. Had compensation cost for the employee stock option plans been determined based on the fair value method of accounting for the Company's stock option plans, the tax-effected impact would be as follows:

	in millio	
	2003	2002
Net income as reported	\$ 337	\$ 383
Stock-based employee compensation expense included in net income, net of tax	16	15
Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(20)	(19)
Pro forma net income	\$ 333	\$ 379
<b>Earnings per share</b>		
As reported		
Basic	\$ 0.98	\$ 1.10
Diluted	0.96	1.08
Pro forma		
Basic	0.96	1.09
Diluted	\$ 0.95	\$ 1.07

Pro forma net income reflects only options granted after fiscal 1995. Additionally, the pro forma disclosures are not likely to be representative of the effects on net income for future years.

**Financial Instruments:** The Company is a purchaser of certain commodities, such as corn, soybeans, livestock and natural gas in the course of normal operations. The Company uses derivative financial instruments to reduce its exposure to various market risks. Generally, contract terms of a hedge instrument closely mirror those of the hedged item, providing a high degree of risk reduction and correlation. Contracts that are highly effective at meeting the risk reduction and correlation criteria are recorded using hedge accounting, as defined by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), as amended. If a derivative instrument is a hedge, depending on the nature of the hedge, changes in the fair value of the instrument will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of an instrument's change in fair value will be immediately recognized in earnings as a component of cost of sales. Instruments the Company holds as economic hedges that do not meet the criteria for hedge accounting, as defined by SFAS No. 133, as amended, are marked to fair value with unrealized gains or losses reported currently in earnings. The Company generally does not hedge anticipated transactions beyond 12 months.

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

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

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

**Advertising and Promotion Expenses:** Advertising and promotion expenses are charged to operations in the period incurred. Advertising and promotion expenses for fiscal 2003, 2002 and 2001 were \$504 million, \$396 million and \$337 million, respectively.

**Minority Interest:** The results of operations of IBP for the nine weeks ended September 29, 2001, are included in the Company's consolidated results of

operations. Minority interest in fiscal 2001 primarily consisted of the 49.9% of IBP that was acquired on September 28, 2001.

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

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

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

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

## **NOTE 2: ACQUISITIONS**

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

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

In August 2001, the Company acquired 50.1% of IBP by paying approximately \$1.7 billion in cash. In September 2001, the Company issued approximately 129 million shares of Class A stock, with a fair value of approximately \$1.2 billion, to acquire the remaining IBP shares, and assumed approximately \$1.7

billion of IBP debt. The total acquisition cost of approximately \$4.6 billion was accounted for as a purchase in accordance with SFAS No. 141 "Business Combinations." Accordingly, the tangible and identifiable intangible assets and liabilities have been adjusted to fair values with the remainder of the purchase price recorded as goodwill. The allocation of the purchase price has been completed.

## **NOTE 3: DISPOSITION**

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

## **NOTE 4: OTHER CHARGES**

In April 2003, the Company announced its decision to close its Berlin, Maryland, poultry operation as part of its ongoing plant rationalization efforts. The Berlin poultry operation employed approximately 650 people and included a hatchery, a feed mill, live production and a processing facility. The facility ceased processing chickens November 12, 2003. As a result of this decision, the Company is anticipating total costs of \$29 million that include \$14 million of costs related to closing the plant and \$15 million of estimated impairment charges for assets to



be disposed of. The costs related to closing the plant include \$9 million for estimated liabilities for the resolution of the Company's obligations under 209 grower contracts, and \$5 million of other related costs associated with the closing of the plant including plant clean-up costs and employee termination benefits. The Company is accounting for the closing of the Berlin operations in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." In fiscal 2003, the Company recorded accruals of \$25 million (\$19 million in the third quarter and \$6 million in the fourth quarter) that included \$10 million of costs related to closing the plant and \$15 million of estimated impairment charges for assets to be disposed. This amount is reflected in the Chicken segment as a reduction of operating income and included in the consolidated statements of income in other charges. The costs related to closing the plant that have been accrued as of September 27, 2003, include \$7 million for estimated liabilities for the resolution of the Company's obligations under grower contracts and \$3 million of other related costs associated with the closing of the plant, including plant clean-up costs and employee termination benefits. At September 27, 2003, the accrual balance was \$16 million, as \$4 million of obligations under grower contracts and \$3 million of other closing costs had been paid, and losses related to the disposal of assets of \$2 million were realized. The Company anticipates recording additional costs of approximately \$4 million in the first quarter of fiscal 2004 related to closing the plant.

In the first quarter of fiscal 2003, the Company recorded a \$47 million accrual of costs related to the closing of its Stilwell, Oklahoma, and Jacksonville, Florida, plants that includes \$26 million of costs related to closing the plants and \$21 million of estimated impairment charges for assets to be disposed. The costs related to closing the plants include \$17 million for estimated liabilities for the resolution of the Company's obligations under grower contracts, and \$9 million of other related costs associated with the closing of the plants including plant clean-up costs and employee termination benefits. The costs are reflected in the Chicken segment as a reduction of operating income and included in the consolidated statements of income in other charges. At September 27, 2003, the remaining accrual balance for closing the two poultry operations was \$2 million, as \$16 million of obligations under grower contracts and \$12 million of other closing costs had been paid, and losses related to the disposal of assets of \$17 million were realized. No material adjustments to the total accrual are anticipated at this time.

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

In August 2002, the Company made the decision to capitalize on the strong recognition of the Tyson brand by expanding the Tyson brand to beef and pork. Thus, in the fourth quarter of fiscal 2002 the Company recorded a write-down of \$27 million related to the discontinuation of the Thomas E. Wilson brand.

This amount is reflected in the Prepared Foods segment as a reduction to operating income and included on the consolidated statement of income in other charges.

#### **NOTE 5: ALLOWANCE FOR DOUBTFUL ACCOUNTS**

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

#### **NOTE 6: FINANCIAL INSTRUMENTS**

The Company recognizes all derivatives on the balance sheet at fair value as required by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Derivatives that are not hedges must be adjusted to fair value through earnings. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is recognized in earnings.

The Company had derivative related balances totaling \$20 million and \$1 million recorded in other current assets at September 27, 2003, and September 28, 2002, respectively, and \$37 million and \$19 million recorded in other current liabilities at September 27, 2003, and September 28, 2002, respectively.

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

The effective portion of the cumulative gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) in shareholders' equity and recognized into earnings in the same period or periods during which the hedged transaction affects earnings (for commodity hedges when the chickens that consumed the hedged grain are sold). The remaining cumulative gain or loss on the derivative instrument in excess of the cumulative change in the present value of the future cash flows of the hedged item, if any, is recognized in earnings during the period of change. No ineffectiveness was recognized on cash flow hedges during fiscal 2003, 2002 or 2001. The Company expects that the after tax losses, net of gains, totaling approximately \$6 million recorded in other comprehensive income (loss) at September 27, 2003,



related to cash flow hedges, will be recognized within the next 12 months. The Company generally does not hedge cash flows related to commodities beyond 12 months.

**Fair value hedges:** The Company designates certain futures contracts as fair value hedges of firm commitments to purchase livestock for slaughter and natural gas for the operation of its plants. From time to time, the Company also enters into foreign currency forward contracts to hedge changes in fair value of receivables and purchase commitments arising from changes in the exchange rates of foreign currencies; however, the Company has not entered into any such contracts in fiscal years 2003 or 2002. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair value hedge, along with the loss or gain on the hedged asset or liability that is attributable to the hedged risk (including losses or gains on firm commitments), are recorded in current period earnings. Ineffectiveness results when the change in the fair value of the hedge instrument differs from the change in fair value of the hedged item. Ineffectiveness recorded related to the Company's fair value hedges was not significant during fiscal 2003, 2002 or 2001.

**Undesignated positions:** The Company holds certain commodity futures contracts in the regular course of business to manage its exposure against commodity price fluctuations on anticipated purchases of raw materials and anticipated sales of finished inventories. The contracts are generally for short durations of less than one year. Although these instruments are economic hedges, the Company does not designate these contracts as hedges for accounting

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purposes. As a result, the Company marks these contracts to market and recognizes the change through earnings. At September 27, 2003, these contracts had a fair value of \$14 million recorded as assets on the consolidated balance sheet. At September 28, 2002, these contracts had a fair value liability of \$11 million recorded on the consolidated balance sheet.

**Fair Values of Financial Instruments:**

	2003
Commodity derivative positions - liability	\$ 13
Interest-rate derivative positions - liability	4
<b>Total debt</b>	<b>\$ 4,011</b>

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

**Concentrations of Credit Risk:** The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents and trade receivables. The Company's cash equivalents are in high quality securities placed with major banks and financial institutions. Concentrations of credit risk with respect to receivables are limited due to the large number of customers and their dispersion across geographic areas. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. At September 27, 2003, approximately 10.3% of the Company's net accounts receivable balance was due from one customer. No other customer or customer group represents greater than 10% of net accounts receivable.

**NOTE 7: PROPERTY, PLANT AND EQUIPMENT**

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

	2003
Land	\$ 113
Buildings and leasehold improvements	2,293
Machinery and equipment	3,886
Land improvements and other	184
Buildings and equipment under construction	177
	6,653
<b>Less accumulated depreciation</b>	<b>2,614</b>
<b>Net property, plant and equipment</b>	<b>\$ 4,039</b>

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

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## NOTE 8: OTHER CURRENT LIABILITIES

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

	2003
Accrued salaries, wages and benefits	\$ 263
Self insurance reserves	243
Income taxes payable	244
Property and other taxes	52
Other	345
Total other current liabilities	\$ 1,147

## NOTE 9: COMMITMENTS

The Company leases certain farms and other properties and equipment for which the total rentals thereon approximated \$104 million in 2003, \$105 million in 2002 and \$76 million in 2001. Most farm leases have terms ranging from one to 10 years with varying renewal periods. The most significant obligations assumed under the terms of the leases are the upkeep of the facilities and payments of insurance and property taxes.

Minimum lease commitments under non-cancelable leases at September 27, 2003, total \$164 million composed of \$61 million for fiscal 2004, \$36 million for fiscal 2005, \$30 million for fiscal 2006, \$21 million for fiscal 2007, \$11 million for fiscal 2008 and \$5 million for later years.

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

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

## NOTE 10: LONG-TERM DEBT

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

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

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

Under the terms of the leveraged equipment loans, the Company had cash deposits totaling approximately \$54 million, which is included in other assets at September 27, 2003. Under these leveraged loan agreements, the Company entered into interest rate swap agreements to effectively lock in a fixed interest rate for these borrowings.

Annual maturities of long-term debt for the five fiscal years subsequent to September 27, 2003, are: 2004-\$490 million; 2005-\$185 million; 2006-\$295 million; 2007-\$899 million and 2008-\$16 million.

The revolving credit facilities, senior notes, notes and accounts receivable securitization contain various covenants, the more restrictive of

which contain a maximum allowed leverage ratio and a minimum required interest coverage ratio. The Company is in compliance with these covenants at fiscal year end.

Industrial revenue bonds are secured by facilities with a net book value of \$159 million at September 27, 2003. The weighted average interest rate on all outstanding short-term borrowing was 1.5% at September 27, 2003, and 3.3% at September 28, 2002.

Long-term debt consists of the following:

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

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

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

The Company has fully and unconditionally guaranteed \$498 million of senior notes issued by IBP, now known as Tyson Fresh Meats, Inc., a wholly-owned subsidiary of the Company.

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

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

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

	Tyson	IBP	Adjustments
Sales	\$ 8,092	\$ 16,477	\$ (20)
Cost of Sales	7,135	15,690	(20)
	957	787	-
Operating Expenses:			
Selling, general and administrative	524	307	
Other charges	76	-	
Operating Income	357	480	
Interest and Other Expense	226	88	
Income Before Income Taxes and Minority Interest	131	392	
Provision for Income Taxes	47	139	
<b>Net Income</b>	<b>\$ 84</b>	<b>\$ 253</b>	<b>\$ -</b>

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

	Tyson	IBP	Adjustments
Sales	\$ 7,848	\$ 15,563	\$ (44)
Cost of Sales	6,900	14,694	(44)
	948	869	-
Operating Expenses:			
Selling, general and administrative	509	368	
Other charges	26	27	
Operating Income	413	474	
Interest and Other Expense	243	51	
Income Before Income Taxes and Minority Interest	170	423	
Provision for Income Taxes	53	157	
Minority Interest			
Net Income	\$ 117	\$ 266	\$ -

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

	Tyson	IBP	Adjustments
Sales	\$ 7,520	\$ 3,048	\$ (5)
Cost of Sales	6,764	2,901	(5)
	756	147	-
Selling, General and Administrative	510	77	
Operating Income	246	70	
Interest and Other Expense	135	16	
Income Before Income Taxes and Minority Interest	111	54	
Provision for Income Taxes	40	18	
Minority Interest	1	18	
Net Income	\$ 70	\$ 18	\$ -

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 Condensed Consolidating Balance Sheet as of September 27, 2003
 

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	Tyson	IBP	Adjustments
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 15	\$ 10	\$ -
Accounts receivable, net	699	747	(166)
Inventories	1,049	945	
Other current assets	40	32	
<b>Total Current Assets</b>	<b>1,803</b>	<b>1,734</b>	<b>(166)</b>
Net Property, Plant and Equipment	2,222	1,817	
Goodwill	960	1,692	
Intangible Assets	-	182	
Other Assets	3,045	103	(2,906)
<b>Total Assets</b>	<b>\$ 8,030</b>	<b>\$ 5,528</b>	<b>\$ (3,072)</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities:</b>			
Current debt	\$ 487	\$ 3	\$ -
Trade accounts payable	401	437	
Other current liabilities	611	2,394	(1,858)
<b>Total Current Liabilities</b>	<b>1,499</b>	<b>2,834</b>	<b>(1,858)</b>
Long-Term Debt	2,590	524	
Deferred Income Taxes	486	236	
Other Liabilities	55	166	
Shareholders' Equity	3,400	1,768	(1,214)
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 8,030</b>	<b>\$ 5,528</b>	<b>\$ (3,072)</b>

## Condensed Consolidating Balance Sheet as of September 28, 2002

	Tyson	IBP	Adjust
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 42	\$ 9	\$
Accounts receivable, net	896	610	
Inventories	1,078	807	
Other current assets	28	79	
<b>Total Current Assets</b>	<b>2,044</b>	<b>1,505</b>	
Net Property, Plant and Equipment	2,138	1,900	
Goodwill	941	1,692	
Intangible Assets	-	190	
Other Assets	3,118	155	(
<b>Total Assets</b>	<b>\$ 8,241</b>	<b>\$ 5,442</b>	<b>\$ (</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities:</b>			
Current debt	\$ 253	\$ 1	\$
Trade accounts payable	352	403	
Other current liabilities	635	2,546	(
<b>Total Current Liabilities</b>	<b>1,240</b>	<b>2,950</b>	<b>(</b>
Long-Term Debt	3,160	573	
Deferred Income Taxes	378	265	
Other Liabilities	70	171	
Shareholders' Equity	3,393	1,483	(
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 8,241</b>	<b>\$ 5,442</b>	<b>\$ (</b>

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

	Tyson	IBP	Adjustm
<b>Cash Flows From Operating Activities:</b>			
Net income	\$ 84	\$ 253	\$
Depreciation and amortization	271	187	
Plant closing related charges	22	-	
Deferred taxes	82	31	
Other	3	33	
Net changes in working capital	265	(411)	
<b>Cash Provided by Operating Activities</b>	<b>727</b>	<b>93</b>	
<b>Cash Flows From Investing Activities:</b>			
Additions to property, plant and equipment	(316)	(86)	
Proceeds from sale of assets	25	5	
Net change in other assets and liabilities	(30)	41	
<b>Cash Used for Investing Activities</b>	<b>(321)</b>	<b>(40)</b>	
<b>Cash Flows From Financing Activities:</b>			
Net change in debt	(340)	(47)	
Purchase of treasury shares	(41)	-	
Dividends and other	(56)	2	
<b>Cash Used for Financing Activities</b>	<b>(437)</b>	<b>(45)</b>	
<b>Effect of Exchange Rate Change on Cash</b>	<b>4</b>	<b>(7)</b>	
Decrease in Cash and Cash Equivalents	(27)	1	
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>42</b>	<b>9</b>	
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 15</b>	<b>\$ 10</b>	<b>\$</b>

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

	Tyson	IBP	Adjustme
<b>Cash Flows From Operating Activities:</b>			
Net income	\$ 117	\$ 266	\$
Depreciation and amortization	295	172	
Write-down of intangible asset	-	27	
Gain on sale of subsidiary	-	(22)	
Deferred taxes	(19)	41	
Other	7	13	
Net changes in working capital	680	(403)	
<b>Cash Provided by Operating Activities</b>	<b>1,080</b>	<b>94</b>	
<b>Cash Flows From Investing Activities:</b>			
Additions to property, plant and equipment	(272)	(161)	
Proceeds from sale of assets	12	2	
Proceeds from sale of subsidiary	-	131	
Acquisitions of property, plant and equipment	(73)	-	
Net change in investment in commercial paper	94	-	
Net change in other assets and liabilities	(73)	12	

Cash Used for Investing Activities	(312)	(16)
Cash Flows From Financing Activities:		
Net change in debt	(701)	(88)
Purchase of treasury shares	(19)	-
Dividends and other	(54)	(4)
Cash Used for Financing Activities	(774)	(92)
Effect of Exchange Rate Change on Cash	1	-
Decrease in Cash and Cash Equivalents	(5)	(14)
Cash and Cash Equivalents at Beginning of Year	47	23
Cash and Cash Equivalents at End of Year	\$ 42	\$ 9

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

	Tyson	IBP	Adjustments
Cash Flows From Operating Activities:			
Net income	\$ 70	\$ 18	\$ -
Depreciation and amortization	303	32	
Deferred taxes	(73)	26	
Other	6	15	
Net changes in working capital	128	(14)	
Cash Provided by Operating Activities	434	77	
Cash Flows From Investing Activities:			
Additions to property, plant and equipment	(214)	(47)	
Proceeds from sale of assets	32	1	
Net cash paid for IBP acquisition	(1,707)	37	
Purchase of Tyson de Mexico minority interest	(19)	-	
Net change in other assets and liabilities	(95)	(6)	
Cash Used for Investing Activities	(2,003)	(15)	
Cash Flows From Financing Activities:			
Net change in debt	1,656	(72)	
Purchase of treasury shares	(48)	-	
Proceeds from exercise of IBP stock options	-	34	
Dividends and other	(34)	(1)	
Cash Provided by (Used for) Financing Activities	1,574	(39)	
Effect of Exchange Rate Change on Cash	(1)	-	
Increase in Cash and Cash Equivalents	4	23	
Cash and Cash Equivalents at Beginning of Year	43	-	
Cash and Cash Equivalents at End of Year	\$ 47	\$ 23	\$ -

**NOTE 11: COMPREHENSIVE INCOME (LOSS)**

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



and 2001, respectively; and minimum pension liability adjustment, net of taxes, of \$(5) million and \$(8) million for 2003 and 2002, respectively.

## NOTE 12: STOCK OPTIONS AND RESTRICTED STOCK

The shareholders approved the Tyson Foods, Inc. 2000 Stock Incentive Plan (Incentive Plan) in January 2001. The Incentive Plan is administered by the Compensation Committee of the Board of Directors and permits awards of shares of Class A stock, awards of derivative securities related to the value of Class A stock and tax reimbursement payments to eligible persons. The Incentive Plan provides for the award of a variety of equity-based incentives such as incentive stock options, nonqualified stock options, stock appreciation rights, dividend equivalent rights, performance unit awards and phantom shares. The Incentive Plan provides for granting incentive stock options for shares of Class A stock at a price not less than the fair market value at the date of grant. Nonqualified stock options may be granted at a price equal to, less than or more than the fair market value of Class A stock on the date that the option is granted. Stock options under the Incentive Plan generally become exercisable ratably over three to eight years from the date of grant and must be exercised within 10 years from the date of grant.

In May 2000, the Company cancelled approximately four million option shares and granted approximately one million restricted shares of Class A stock. The restriction expires over periods through December 1, 2003. At September 27, 2003, the Company had outstanding approximately nine million restricted shares

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of Class A stock with restrictions expiring over periods through July 1, 2020. The unearned portion of the restricted stock is classified on the Consolidated Balance Sheets as unamortized deferred compensation in shareholders' equity. The Company issues restricted stock at the market value as of the date of grant. The weighted average fair value of restricted stock granted was \$11.20 per share during 2003 \$9.52 per share during 2002.

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

	Shares under option	Weighted price
Outstanding, September 30, 2000	6,798,005	
Exercised	-	
Canceled	(689,520)	
Granted	4,291,650	
Options assumed with IBP acquisition	5,918,068	
Outstanding, September 29, 2001	16,318,203	
Exercised	(800,596)	
Canceled	(997,816)	
Granted	2,509,695	
Outstanding, September 28, 2002	17,029,486	
Exercised	(775,682)	
Canceled	(1,697,581)	
Granted	6,316,704	
Outstanding, September 27, 2003	20,872,927	

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

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

Options outstanding				Options exercisable
Range of exercise prices	Shares outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Shares exercisable
\$4.93-\$6.69	665,219	4.9	\$5.59	665,219
6.71-10.91	3,275,013	4.1	9.32	3,275,013
10.92-13.85	232,206	4.7	11.71	232,206
9.30-9.75	4,194,022	8.5	9.49	44,700

11.23-11.63	4,919,286	9.6	11.45	961,5
13.33-15.17	4,950,981	7.3	13.89	1,893,0
17.92-18.00	2,636,200	3.1	17.92	2,063,5
	20,872,927			9,135,3

The weighted average fair value of options granted during 2003 was approximately \$4.32. The fair value of each option grant is established on the date of grant using the Black-Scholes option-pricing model. Assumptions include an expected life of six years, risk-free interest rate ranging from 2.56% to 3.30%, expected volatility ranging from 38.2% to 40.1% and dividend yield ranging from 1.20% to 1.72% in 2003

### NOTE 13: BENEFIT PLANS

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

### NOTE 14: TRANSACTIONS WITH RELATED PARTIES

The Company has operating leases for farms, equipment and other facilities with the former Senior Chairman of the Board of Directors of the Company and certain members of his family, as well as a trust controlled by him, for rentals of \$8 million in 2003, \$9 million in 2002 and \$9 million in 2001. Other facilities have been leased from other officers and directors for rentals totaling \$2 million in fiscal years 2003, 2002 and 2001.

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

Certain officers and directors are engaged in chicken and swine growout operations with the Company whereby these individuals purchase animals, feed, housing and other items to raise the animals to market weight. The total value of these transactions, which were discontinued during fiscal 2003, amounted to \$10 million in fiscal years 2003, 2002 and 2001.

### NOTE 15: INCOME TAXES

Detail of the provision for income taxes consists of:

	2003	2002
Federal	\$ 156	\$ 173
State	10	17
Foreign	20	20
	\$ 186	\$ 210
Current	\$ 73	\$ 188
Deferred	113	22
	\$ 186	\$ 210

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

	2003	2002
U.S. federal income tax rate	35.0%	35.0%
Amortization of goodwill	-	-
State income taxes	2.2	3.0
Extraterritorial income exclusion (1)	(1.9)	(1.4)
Other	0.2	(1.1)
	35.5%	35.5%

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

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

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

	2003		
	Deferred Tax		Defi
	Assets	Liabilities	Assets
Property, plant and equipment	\$ 4	\$ 543	\$
Suspended taxes from conversion			
To accrual method	-	138	
Intangible assets	28	28	
Inventory	5	86	
Accrued expenses	120	2	
Net operating loss carryforwards	77	-	
All other	93	190	
	\$ 327	\$ 987	\$
Valuation allowance	(49)		
Net deferred tax liability		\$ 709	

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

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

The valuation allowance totaling \$49 million consists of \$13 million state tax carryforwards, which have been fully reserved, and \$36 million for net operating loss carryforwards. The state tax credit carryforwards expire in the years 2004 through 2008. At September 27, 2003, after considering utilization restrictions, the Company's acquired tax loss carryforwards approximated \$192 million. The net operating loss carryforwards, which are subject to utilization limitations due to ownership changes, may be utilized to offset future taxable income subject to limitations. These carryforwards expire during the years 2004 through 2022.

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

#### NOTE 16: EARNINGS PER SHARE

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

	in million	
	2003	2002
Numerator:		
Net Income	\$ 337	\$ 383
Denominator:		
Denominator for basic earnings per share - weighted average shares	346	348
Effect of dilutive securities:		
Stock options and restricted stock	6	7
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	352	355
Basic earnings per share	\$ 0.98	\$ 1.10
Diluted earnings per share	\$ 0.96	\$ 1.08

Approximately 8 million, 6 million and 10 million of the Company's option shares outstanding at September 27, 2003, September 28, 2002, and September 29, 2001, respectively, were antidilutive and were not included in the dilutive earnings per share calculation. On September 28, 2001, the Company issued approximately 129 million shares for the remaining IBP shares. These shares were excluded from the fiscal 2001

weighted average share calculation along with the dilutive effect of acquired stock options and restricted shares.

## NOTE 17: SEGMENT REPORTING

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

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

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

**Pork segment** is primarily involved in the processing of live market hogs and fabrication of pork carcasses into primal and sub-primal cuts and case-ready products. This segment also represents the Company's live swine group and related allied product processing activities. The Pork segment markets its products to food retailers, distributors, wholesalers, restaurants, hotel chains and other food processors in domestic and international markets. It also sells allied products to pharmaceutical and technical products manufacturers, as well as live swine to pork processors.

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

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

	Chicken	Beef	Pork	Prepared Foods	Other
Fiscal year ended September 27, 2003					
Sales	\$ 7,427	\$ 11,935	\$ 2,470	\$ 2,662	\$ 2,158
Operating income	158	320	75	57	2
Other expense					
Income before income taxes and minority interest					
Depreciation	217	90	26	54	
Total assets	4,322	3,385	879	1,141	7
Additions to property, plant and equipment	286	40	9	15	
Fiscal year ended September 28, 2002					
Sales	\$ 7,222	\$ 10,488	\$ 2,503	\$ 3,072	\$ 2,158
Operating income	428	220	25	158	
Other expense					
Income before income taxes and minority interest					
Depreciation	226	80	26	48	
Total assets	4,221	3,234	834	1,261	8
Additions to property, plant and equipment	229	82	19	53	
Fiscal year ended September 29, 2001					
Sales	\$ 7,057	\$ 2,027	\$ 619	\$ 818	\$ 2,158
Operating income (loss)	250	32	27	15	
Other expense					
Income before income taxes and minority interest					
Depreciation	214	15	5	22	
Total assets	4,084	3,203	944	1,406	9
Additions to property, plant and equipment	176	19	4	26	

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

The Company sells certain of its products in foreign markets, primarily Canada, China, European Union, Japan, Mexico, Puerto Rico, Russia, Taiwan and South Korea. The Company's export sales for 2003, 2002 and 2001 totaled \$2.6 billion, \$2.0 billion and \$1.2 billion, respectively. Substantially all of the Company's export sales are facilitated through unaffiliated brokers, marketing associations and foreign sales staffs.

Foreign sales, which are sales of products produced in a country other than the United States, were less than 10% of total consolidated sales for 2003, 2002 and 2001, respectively. Approximately 15%, 11% and 15% for 2003, 2002 and 2001, respectively, of income before taxes were from foreign operations.

**NOTE 18: QUARTERLY FINANCIAL DATA (UNAUDITED)**

	in million		
	First Quarter	Second Quarter	Third Quarter
2003			
Sales	\$ 5,802	\$ 5,845	\$ 6,330
Gross profit	400	380	438
Operating income	145	183	201
Net income	39	72	79
Basic earnings per share	0.11	0.21	0.23
Diluted earnings per share	0.11	0.20	0.23
2002			
Sales	\$ 5,865	\$ 5,839	\$ 5,902
Gross profit	510	397	464
Operating income	273	179	247
Net income	127	65	107
Basic earnings per share	0.36	0.19	0.31
Diluted earnings per share	0.36	0.18	0.30

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

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

**NOTE 19: CONTINGENCIES**

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

**Wage and Hour/ Labor Matters** In 2000, the Wage and Hour Division of the U.S. Department of Labor (DOL) conducted an industry-wide investigation of poultry producers, including the Company, to ascertain compliance with various wage and hour issues. As part of this investigation, the DOL inspected 14 of the Company's processing facilities. On May 9, 2002, the Secretary of Labor filed a civil complaint against the Company in the U.S. District Court for the Northern District of Alabama. The complaint alleges that the Company violated the overtime provisions of the federal Fair Labor Standards Act (FLSA) at the Company's chicken-processing facility in Blountsville, Alabama. The complaint does not contain a definite statement of what acts constituted alleged violations of the statute. The Secretary of Labor seeks unspecified back wages for all employees at the Blountsville facility for a period of two years prior to the date of the filing of the Complaint, an additional amount in unspecified liquidated damages, and an injunction against future violations at that facility and all other facilities operated by the Company. The Company has filed its initial answer and discovery has commenced.

On June 22, 1999, 11 current and former employees of the Company filed the case of *M.H. Fox, et al. v. Tyson Foods, Inc. (Fox v. Tyson)* in the U.S. District Court for the Northern District of Alabama claiming the Company violated requirements of the FLSA. The suit alleges the Company failed to pay employees for all hours worked and/or improperly paid them for overtime hours. The suit specifically alleges that (1) employees should be paid for time taken to put on and take off certain working supplies at the beginning and end of their shifts and breaks and (2) the use of "mastercard" or "line" time fails to pay employees for all time actually worked. Plaintiffs seek to represent themselves and all similarly situated current and former employees of the Company, and plaintiffs seek reimbursement for an unspecified amount of unpaid wages, liquidated damages, attorney fees and costs. At filing, 159 current and/or former employees consented to join the lawsuit and, to date, approximately 5,000 consents have been filed with the court. Discovery in this case is ongoing. A hearing was held on March 6, 2000, to consider the plaintiff's request for collective action certification and court-supervised notice. No decision has been rendered.

On August 22, 2000, seven employees of the Company filed the case of *De Asencio v. Tyson Foods, Inc.* in the U.S. District Court for the



Eastern District of Pennsylvania. This lawsuit is similar to *Fox v. Tyson* in that the employees claim violations of the FLSA for allegedly failing to pay for time taken to put on, take off and sanitize certain working supplies, and violations of the Pennsylvania Wage Payment and Collection Law. Plaintiffs seek to represent themselves and all similarly situated current and former employees of the poultry processing plant in New Holland, Pennsylvania, and plaintiffs seek reimbursement for an unspecified amount of unpaid wages, liquidated damages, attorney fees and costs. Currently, there are approximately 500 additional current or former employees who have filed consents to join the lawsuit. The court, on January 30, 2001, ordered that notice of the lawsuit be issued to all potential plaintiffs at the New Holland facilities. On July 17, 2002, the court granted the plaintiffs' motion to certify the state law claims. On September 23, 2002, the Third Circuit Court of Appeals agreed to hear the Company's petition to review the court's decision to certify the state law claims. On September 8, 2003, the Court of Appeals reversed the district court's certification of a class under the Pennsylvania Wage Payment & Collection Law, ruling that those claims could not be pursued in federal court. The appellate court further ruled that the Company must reissue notice of their potential FLSA claims to approximately 1,500 employees who did not previously receive notice. The Court of Appeals remanded the matter to the district court to proceed accordingly on September 30, 2003.

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

On November 5, 2001, a lawsuit entitled *Maria Chavez, et al. vs. IBP, Lasso Acquisition Corporation and Tyson Foods, Inc. (Chavez)* was filed in the U.S. District Court for the Eastern District of Washington against IBP, inc. (IBP; now known as Tyson Fresh Meats, Inc.) and the Company by several employees of IBP's Pasco, Washington, beef slaughter and processing facility alleging various violations of the FLSA, 29 U.S.C. Sections 201 - 219, as well as violations of the Washington State Minimum Wage Act, RCW chapter 49.46, Industrial Welfare Act, RCW chapter 49.12, and the Wage Deductions-Contribution-Rebates Act, RCW chapter 49.52. The *Chavez* lawsuit alleges IBP and/or the Company required employees to perform unpaid work related to the donning and doffing of certain personal protective clothing, both prior to and after their shifts, as well as during meal periods. Plaintiffs further allege that similar prior litigation entitled *Alvarez, et al. vs. IBP (Alvarez)*, which resulted in a \$3.1 million final judgment against IBP, supports a claim of collateral estoppel and/or is res judicata as to the issues raised in this new litigation. Plaintiffs are seeking reimbursement for an unspecified amount of damages, exemplary damages, liquidated damages, prejudgment interest, attorney fees and costs. IBP filed a timely Notice of Appeal in *Alvarez* and plaintiffs filed a timely notice of Cross-Appeal. On August 5, 2003, the Ninth Circuit Court of Appeals affirmed the lower court's decision in part and reversed the lower court's decision in part, and remanded the case to the lower court for recalculation of damages. If the ruling of the Ninth Circuit Court of Appeals is upheld in its entirety, IBP will have additional exposure in *Alvarez* of approximately \$5 million. IBP filed a petition for rehearing by the panel of the Ninth Circuit Court of Appeals that heard *Alvarez* or, in the alternative, a rehearing en banc, and it also filed a petition to certify state law claims to the Washington Supreme Court. On September 23, 2003, the Court denied the petition for certification. The petition for rehearing or rehearing en banc is pending before the Court. *Chavez* initially was pursued as an opt-in, collective action under 29 U.S.C. 216(b), but the U.S. District Court for the Eastern District of Washington granted plaintiff's motion seeking certification of a class of opt-out, state law plaintiffs under Federal Rule of Civil Procedure 23 and notice has been sent to potential

state law claim class members. A trial date of September 7, 2004 in *Chavez* has been set by the court.

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

**Environmental Matters** On October 23, 2001, a putative class action lawsuit was filed in the District Court for Mayes County, Oklahoma, against the Company by R. Lynn Thompson and Deborah S. Thompson on behalf of all owners of Grand Lake O' the Cherokee's littoral (lake front) property. The suit alleges that the Company "or entities over which it has operational control" conduct operations in such a way as to interfere with the putative class action plaintiffs' use and enjoyment of their property, allegedly caused by diminished water quality in the lake. Plaintiffs are seeking injunctive relief and an unspecified amount of compensatory damages, punitive damages, attorney fees and costs. Simmons Foods, Inc. ("Simmons") and Peterson Farms, Inc. have been joined as defendants. The Company and Simmons are seeking leave to



file a third party complaint against entities that contribute wastes and wastewater into Grand Lake. The class certification hearing was held in October 2003, and two classes were certified on December 11, 2003. The defendants are in the process of filing an interlocutory appeal of the class certification.

**Securities Matters** Between January and March 2001, a number of lawsuits were filed by certain stockholders in the U.S. District Court for the District of South Dakota and one suit filed in the U.S. District Court for the Southern District of New York seeking to certify a class of all persons who purchased IBP stock between February 7, 2000, and January 25, 2001. The plaintiff in the New York action voluntarily dismissed and refiled its complaint in South Dakota, where the suits were consolidated under the name *In re IBP, inc. Securities Litigation* and a single, consolidated amended complaint was filed. The complaint, seeking unspecified compensatory damages, alleges that IBP and certain members of management violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder, and claims IBP issued materially false statements about IBP's financial results in order to inflate its stock price. IBP filed a Motion to Dismiss on December 21, 2001, which was then fully briefed. While the motion was awaiting decision, IBP and the plaintiffs reached a tentative settlement of all claims, as reflected by a Memorandum of Understanding ("MOU") that was executed on March 19, 2003. The MOU set forth the essential terms of a settlement to be reflected in final settlement documents to be prepared and submitted to the court for approval, including, among other terms and conditions, the dismissal with prejudice of all claims against defendants, releases by class members, and a payment by IBP of a total amount of \$8 million. In July 2003, a finalized Stipulation of Settlement consistent with the MOU was executed and submitted to the court for its preliminary approval. The tentative settlement is subject to various conditions, including among other things, execution of definitive documentation and receiving preliminary and final court approvals. In light of this tentative settlement, IBP was permitted by the court to withdraw its pending motion to dismiss,

without prejudice. On July 31, 2003, the court issued an order preliminarily approving the settlement, preliminarily certifying a Settlement Class of all persons who purchased IBP common stock during the period from February 7, 2000, through January 25, 2001, and approving proposed notice to the Settlement Class members. The court also set December 8, 2003 as the date for a hearing as to whether the settlement should receive final court approval. The Company does not anticipate that effectuation of the tentative settlement will have any material impact on its financial condition, especially in view of IBP's insurance coverage for the matter.

Between June 22 and July 20, 2001, various plaintiffs commenced actions (the Delaware Federal Actions) against the Company, Don Tyson, John Tyson and Les Baledge in the U.S. District Court for the District of Delaware, seeking monetary damages on behalf of a purported class of those who sold IBP stock or traded in certain IBP options from March 29, 2001, when the Company announced its intention to terminate the Merger Agreement with IBP, through June 15, 2001, when the Delaware Court rendered its Post-Trial Opinion in the Consolidated Action. The actions, entitled *Meyer v. Tyson Foods, Inc., et al.*, C.A. No. 01-425 SLR; *Banyan Equity Mgt. v. Tyson Foods, Inc., et al.*, C.A. No. 01-426 GMS; *Steiner v. Tyson Foods, Inc., et al.*, C.A. No. 01-462 GMS; *Aetos Corp., et al. v. Tyson, et al.*, C.A. No. 01-463 GMS; *Meyers, et al. v. Tyson Foods, Inc., et al.*, C.A. No. 01-480; *Binsky v. Tyson Foods, Inc., et al.*, C.A. No. 01-495; *Management Risk Trading LP v. Tyson Foods, Inc., et al.*, C.A. No. 01-496; and *Stark Investments, L.P., et al. v. Tyson et al.*, C.A. No. 01-565 alleged that the defendants violated federal securities laws by making, or causing to be made, certain false and misleading statements in connection with the Company's attempted termination of the Merger Agreement. Plaintiffs are seeking an unspecified amount of compensatory damages, interest, attorney fees and costs. The various actions were subsequently consolidated under the caption *In re Tyson Foods, Inc. Securities Litigation*. On December 4, 2001, the plaintiffs in the consolidated action filed a Consolidated Class Action Complaint. The plaintiffs allege that, as a result of the defendants' alleged conduct, the purported class members were harmed. On January 22, 2002, the defendants filed a motion to dismiss the consolidated complaint. By memorandum order dated October 23, 2002, the court granted in part and denied in part the defendants' motion to dismiss. On October 6, 2003, the court certified the class proposed by plaintiffs. Factual discovery in the case is in the process of concluding.

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

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

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

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## REPORT OF INDEPENDENT AUDITORS

We have audited the accompanying consolidated balance sheets of Tyson Foods, Inc. as of September 27, 2003 and September 28, 2002, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended September 27, 2003. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the consolidated financial position of Tyson Foods, Inc. at September 27, 2003, and September 28, 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 27, 2003, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ERNST & YOUNG LLP  
ERNST & YOUNG LLP

Little Rock, Arkansas  
November 19, 2003

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**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**  
Not applicable.

**ITEM 9A. CONTROLS AND PROCEDURES**

(a) Evaluation of Disclosure Controls and Procedures

An evaluation as of the end of the period covered by this annual report was carried out under the supervision and with the participation of the Company's management, including the Company's Chairman and Chief Executive Officer and its Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures," which are defined under SEC rules as controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within required time periods. Based upon that evaluation, the Company's Chairman and Chief Executive Officer and its Executive Vice President and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

(b) Changes in Internal Controls over Financial Reporting

The Company's management, including the Company's Chairman and Chief Executive Officer and its Executive Vice President and Chief Financial Officer, has evaluated any changes in the company's internal control over financial reporting that occurred during the quarterly period covered by this report, and has concluded that there was no change during the company's fourth quarter of its 2003 fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART III

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

See information set forth under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement, which information is incorporated herein by reference. Pursuant to general instruction G(3) of the instructions to Annual Report on Form 10-K, certain information concerning the Company's executive officers is included under the caption "Executive Officers of the Company" in Part I of this Report.

**ITEM 11. EXECUTIVE COMPENSATION**

See the information set forth under the captions "Executive Compensation and Other Information" and "Report of Compensation Committee" in the Proxy Statement, which information is incorporated herein by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

See the information included under the captions "Principal Shareholders" and "Security Ownership of Management" in the Proxy Statement, which information is incorporated herein by reference.

**EQUITY COMPENSATION PLAN INFORMATION**

See the information included under the captions "Equity Compensation Plan Information" in the Proxy Statement, which information is incorporated herein by reference.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

See the information included under the caption "Certain Transactions" in the Proxy Statement, which information is incorporated herein by reference.

**ITEM 14. PRINCIPLE ACCOUNTING FEES AND SERVICES**

See the information included under the captions "Audit Fees," "Audit-Related Fees," "Tax Fees," "All Other Fees" and "Pre-Approval Policies" in the Proxy Statement, which information is incorporated herein by reference.

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**PART IV****ITEM 15. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K**

(a) The following documents are filed as a part of this report:

- Consolidated Statements of Income  
for the three years ended September 27, 2003
- Consolidated Balance Sheets at  
September 27, 2003 and September 28, 2002
- Consolidated Statements of Shareholders' Equity  
for the three years ended September 27, 2003
- Consolidated Statements of Cash Flows  
for the three years ended September 27, 2003
- Notes to Consolidated Financial Statements
- Report of Independent Auditors
- Financial Statement Schedule - Schedule II Valuation and Qualifying  
Accounts for the three years ended  
September 27, 2003

All other schedules are omitted because they are neither applicable nor required.

The exhibits filed with this report are listed in the Exhibit Index at the end of the Item 15.

(b) Reports on Form 8-K

On July 10, 2003, the Company furnished a current report on Form 8-K announcing its expected fully diluted GAAP earnings per share for the third quarter 2003.

On July 28, 2003, the Company furnished a current report on Form 8-K containing its earnings release for the third quarter 2003.



## EXHIBIT INDEX

### Exhibit No.

- 2.1 Agreement and Plan of Merger dated as of January 1, 2001, among the Company, IBP, inc. and Lasso Acquisition Corporation (previously filed as Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q for the period ended December 30, 2000, Commission File No. 0-3400, and incorporated herein by reference).
- 3.1 Restated Certificate of Incorporation of the Company (previously filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 1998, Commission File No. 0-3400, and incorporated herein by reference).
- 3.2 Second Amended and Restated Bylaws of the Company (previously filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the period ended January 1, 2000, Commission File No. 0-3400, and incorporated herein by reference).
- 4.1 Form of Indenture between the Company and The Chase Manhattan Bank, N.A., as Trustee (the "Company Indenture") relating to the issuance of Debt Securities (previously filed as Exhibit 4 to Amendment No. 1 to Registration Statement on Form S-3, filed with the Commission on May 8, 1995, Registration No. 33-58177, and incorporated herein by reference).
- 4.2 Form of 6.75% \$150 million Note due June 1, 2005 issued under the Company Indenture (previously filed as Exhibit 4(b) to the Company's Quarterly Report on Form 10-Q for the period ended July 1, 1995, Commission File No. 0-3400, and incorporated herein by reference).
- 4.3 Form of Fixed Rate Medium-Term Note issued under the Company Indenture (previously filed as Exhibit 4.2 to the Company's Current Report on Form 8-K, filed with the Commission on July 20, 1995, Commission File No. 0-3400, and incorporated herein by reference).
- 4.4 Form of Floating Rate Medium-Term Note issued under the Company Indenture (previously filed as Exhibit 4.3 to the Company's Current Report on Form 8-K, filed with the Commission on July 20, 1995, Commission File No. 0-3400, and incorporated herein by reference).
- 4.5 Form of Calculation Agent Agreement relating to the Medium Term Notes issued under the Company Indenture (previously filed as Exhibit 4.4 to the Company's Current Report on Form 8-K, filed with the Commission on July 20, 1995, Commission File No. 0-3400, and incorporated herein by reference).
- 4.6 Amended and Restated Note Purchase Agreement, dated June 30, 1993, by and between the Company and various Purchasers as listed in the Purchaser Schedule attached to said agreement, together with the following documents (all purchasers and series issued under this agreement have been repaid except the Series G Notes with John Hancock Mutual Life Insurance Company):  
(a) Form of Series G Note (previously filed as Exhibit 4(b) to the Company's Quarterly Report on Form 10-Q for the period ended July 3, 1993, Commission File No. 0-3400, and incorporated herein by reference).
- 4.7 Amendment Agreement, dated November 1, 1994, to Amended and Restated Note Purchase Agreements, dated June 30, 1993, by and between the Company and various Purchasers as listed in the Purchaser Schedule attached to said agreement (John Hancock Mutual Life Insurance Company is only remaining Purchaser with notes outstanding) (previously filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 1994, Commission File No. 0-3400, and incorporated herein by reference).

Agreements, dated June 30, 1993, by and between the Company and various Purchasers as listed in the Purchaser Schedule attached to said agreement (John Hancock Mutual Life Insurance Company is only remaining Purchaser with notes outstanding) (previously filed as Exhibit 4.8 to the Company's Annual Report on Form 10-K for the fiscal year ended September 28, 1996, Commission File No. 0-3400, and incorporated herein by reference).

- 4.9 Third Amendment Agreement dated as of May 2, 2001, to Amended and Restated Note Purchase Agreements, dated June 30, 1993, by and between the Company and John Hancock Mutual Life Insurance Company (previously filed as Exhibit 4.9 to the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2001, Commission File No. 0-3400, and incorporated herein by reference).
- 4.10 Form of 7.0% \$200 million Note due May 1, 2018 issued under the Company Indenture (previously filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 28, 1998, Commission File No. 0-3400, and incorporated herein by reference).
- 4.11 Form of 7.0% \$40 million Note due May 1, 2018 issued under the Company Indenture (previously filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the period ended March 28, 1998, Commission File No. 0-3400, and incorporated herein by reference).
- 4.12 Supplemental Indenture between the Company and The Chase Manhattan Bank, N.A., as Trustee, dated as of October 1, 2004, supplementing the Company Indenture and relating to the issuance of the Company's \$500 million 6.625% Notes due 2004, together with form of 6.625% Note (previously filed as Exhibit 4.12 to the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2001, Commission File No. 0-3400, and incorporated herein by reference).
- 4.13 Supplemental Indenture between the Company and The Chase Manhattan Bank, N.A., as Trustee, dated as of October 2, 2001, supplementing the Company Indenture and relating to the issuance of the Company's \$750 million 7.250% Notes due 2006, together with form of 7.250% Note (previously filed as Exhibit 4.13 to the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2001, Commission File No. 0-3400, and incorporated herein by reference).
- 4.14 Supplemental Indenture between the Company and The Chase Manhattan Bank, N.A., as Trustee, dated as of October 2, 2001, supplementing the Company Indenture and relating to the issuance of the Company's \$1 billion 8.250% Notes due 2011, together with form of 8.250% Note (previously filed as Exhibit 4.14 to the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2001, Commission File No. 0-3400, and incorporated herein by reference).
- 4.15 Indenture, dated January 26, 1996, between IBP, inc. ("IBP") and The Bank of New York (the "IBP Indenture") (previously filed as Exhibit 4 to IBP's Registration Statement on Form S-3, filed with the Commission on November 20, 1995, Commission File No. 33-64459, and incorporated herein by reference).
- 4.16 Form of Senior Note issued under the IBP Indenture for the issuance of (a) \$100 million 6.125% Senior Notes due February 1, 2006, (b) \$100 million 7.125% Senior Notes due February 1, 2026 and (c) \$300 million 7.95% Senior Notes due February 1, 2010 (previously filed as Exhibit 4.16 to the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2001, Commission File No. 0-3400, and incorporated herein by reference).

- 4.17 Form of \$125 million 7.45% Senior Note due June 1, 2007 issued under the IBP Indenture (previously filed as Exhibit 4.17 to the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2001, Commission File No. 0-3400, and incorporated herein by reference).
- 4.18 First Supplemental Indenture, dated as of September 28, 2001, among the Company, Lasso Acquisition Corporation and The Bank of New York, pursuant to which the Company guaranteed the Notes issued under the IBP Indenture (previously filed as Exhibit 4.18 to the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2001, Commission File No. 0-3400, and incorporated herein by reference).
- 10.1 Amended and Restated 364-Day Credit Agreement, dated as of June 11, 2003, among the Company, as Borrower, the several banks and other financial institutions and entities from time to time parties thereto, Merrill Lynch Bank USA, as Syndication Agent, SunTrust Bank, Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. "Rabobank International", New York Branch and BNP Paribas, as Documentation Agents, and JP Morgan Chase Bank, as Administrative Agent (previously filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 28, 2003, Commission File No. -3400, and incorporated herein by reference).
- 10.2 Five-Year Credit Agreement, dated as of September 24, 2001, by and among the Company, as Borrower, The Chase Manhattan Bank, as Administrative Agent, Merrill Lynch Capital Corporation, as Syndication Agent, Suntrust Bank, as Documentation Agent, Mizuho Financial Group and Rabobank International, as Co-Documentation Agents and certain lenders parties thereto (previously filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2001, Commission File No. 0-3400, and incorporated herein by reference).
- 10.3 Amendment Agreement, dated as of April 3, 2002, to the Company's Five-Year Credit Agreement, dated as of September 24, 2001, by and among the Company, as Borrower, The Chase Manhattan Bank, as Administrative Agent, Merrill Lynch Capital Corporation, as Syndication Agent, Suntrust Bank, as Documentation Agent, Mizuho Financial Group and Rabobank International, as Co-Documentation Agents and certain lenders parties thereto (previously filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 2000, Commission File No. 0-3400, and incorporated herein by reference).
- 10.4 Amendment, dated June 12, 2002, to Five Year Five-Year Credit Agreement dated as of September 24, 2001, among Tyson Foods, Inc., the several banks and other financial institutions and entities from time to time parties thereto, Merrill Lynch Capital Corporation, as Syndication Agent, SunTrust Bank, as Documentation Agent, Mizuho Financial Group and Rabobank International, as Co-Documentation Agents, and JPMorgan Chase Bank, as Administrative Agent (previously filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2002, Commission File No. 0-3400, and incorporated herein by reference).
- 10.5 Three-Year Credit Agreement dated as of June 12, 2002, among Tyson Foods, Inc., the several banks and other financial institutions and entities from time to time parties thereto, Merrill Lynch Capital Corporation, as Syndication Agent, SunTrust Bank, Mizuho Financial Group and Rabobank International, as Documentation Agents, and JPMorgan Chase Bank, as Administrative Agent (previously filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2002, Commission File No. 0-3400, and incorporated herein by reference).



- 10.6 Amendment, dated as of June 11, 2003, to the Company's Three-Year Credit Agreement, dated as of June 12, 2002, by and among the Company, as Borrower, the several banks and other financial institutions and entities thereto, Merrill Lynch Capital Corporation (now know as Merrill Lynch Bank USA), as Syndication Agent, SunTrust Bank, Rabobank International (now known as Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. "Rabobank International", New York Branch) and Mizuho Financial Group (now known as Mizuho Corporate Bank, LTD), as Documentation Agents, and JP Morgan Chase Bank, as Administrative Agent (previously filed as Exhibit 10.2 to the company's Quarterly report on Form 10-Q for the period ended June 28, 2003, Commission File No. 0-3400, and incorporated herein by reference).
- 10.7 Amendment No. 3, dated as of August 15, 2003, to the Company's Amended and Restated Receivables Transfer Agreement dated as of August 16, 2002, as originally dated October 17, 2001, by and among Tyson Receivables Corporation, as Transferor, the Company, as Collection Agent and Guarantor, JPMorgan Chase Bank, as Administrative Agent and certain other entities that are parties thereto as CP Conduit Purchasers, Committed Purchasers and Funding Agents.
- 10.8 Receivables Transfer Agreement, as amended and restated as of August 16, 2002, by and among Tyson Receivables Corporation, as Transferor, the Company, as Collection Agent and Guarantor, JP Morgan Chase Bank, as Administrative Agent and certain other persons that are parties thereto as CP Conduit Purchasers, Committed Purchasers and Funding Agents (previously filed as Exhibit 10.6 to the Company's Annual report on Form 10-K for the period ended September 28, 2002, Commission File No. 0-3400, and incorporated herein by reference).
- 10.9 Receivables Purchase Agreement, executed in connection with the Receivables Transfer Agreement described in item 10.8 immediately above, among the Company and certain subsidiaries of the Company, as Sellers and Tyson Receivables Corporation, as Purchaser (previously filed as Exhibit 10.6 to the Company's Annual report on Form 10-K for the period ended September 28, 2002, Commission File No. 0-3400, and incorporated herein by reference).
- 10.10 Issuing and Paying Agency Agreement dated as of January 12, 2001, between the Company and The Chase Manhattan Bank (previously filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended December 30, 2000, Commission File No. 0-3400, and incorporated herein by reference).
- 10.11 Commercial Paper Dealer Agreement dated as of January 12, 2001, between the Company and Banc of America Securities LLC (previously filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended December 30, 2000, Commission File No. 0-3400, and incorporated herein by reference).
- 10.12 Commercial Paper Dealer Agreement dated as of January 12, 2001, between the Company and Credit Suisse First Boston Corporation (previously filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the period ended December 30, 2000, Commission File No. 0-3400, and incorporated herein by reference).
- 10.13 Commercial Paper Dealer Agreement dated as of January 12, 2001, between the Company and Merill Lynch Money Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith (previously filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the period ended December 30, 2000, Commission File No. 0-3400, and incorporated herein by reference).
- 10.14 Commercial Paper Dealer Agreement dated as of January 12, 2001, between the Company and SunTrust Equitable Securities Corporation (previously filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the period ended December 30, 2000, Commission File No. 0-3400, and incorporated herein by reference).

Securities, Inc. (previously filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the period ended December 30, 2000, Commission File No. 0-3400, and incorporated herein by reference).

- 10.16 Commercial Paper Dealer Agreement dated as of January 12, 2001, between the Company and Chase Securities Inc. (previously filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the period ended December 30, 2000, Commission File No. 0-3400, and incorporated herein by reference).
- 10.17 Senior Advisor Agreement, dated October 19, 2001, by and between Don Tyson and the Company (previously filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2001, Commission File No. 0-3400, and incorporated herein by reference).
- 10.18 Senior Advisor Agreement, dated October 1, 2001, by and between Robert L. Peterson and the Company (previously filed as Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2001, Commission File No. 0-3400, and incorporated herein by reference).
- 10.19 Amended and Restated Employment Agreement, dated as of July 29, 2003, by and between John Tyson and the Company
- 10.20 Amended and Restated Employment Agreement, dated as of July 29, 2003, by and between Richard L. Bond and the Company
- 10.21 Amended and Restated Employment Agreement, dated as of July 29, 2003, by and between Greg Lee and the Company
- 10.22 Form of Employment Agreement used for all other Executive Officers of the Company, including named executive officers whose contracts are not specifically referenced above (previously filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2001, Commission File No. 0-3400, and incorporated herein by reference).
- 10.23 Senior Executive Employment Agreement dated November 20, 1998 between the Company and Leland E. Tollett (previously filed as Exhibit 10.20 to the Company's Annual Report on Form 10K for the fiscal year ended October 3, 1998, Commission File No. 0-3400, and incorporated herein by reference).
- 10.24 Tyson Foods, Inc. Senior Executive Performance Bonus Plan adopted November 18, 1994 (previously filed as Exhibit 10(k) to the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 1994, Commission File No. 0-3400, and incorporated herein by reference).
- 10.25 Tyson Foods, Inc. Restricted Stock Bonus Plan, effective August 21, 1989, as amended and restated on April 15, 1994; and Amendment to Restricted Stock Bonus Plan effective November 18, 1994 (previously filed as Exhibit 10(l) to the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 1994, Commission File No. 0-3400, and incorporated herein by reference).
- 10.26 Tyson Foods, Inc. Amended and Restated Employee Stock Purchase Plan, dated as of December 13, 1999 (previously filed as Exhibit 10.12 to the Company's Form 10-K for the fiscal year ended October 2, 1999, Commission File No. 0-3400, and incorporated herein by reference).

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- 10.27 Amended and Restated Executive Savings Plan of Tyson Foods, Inc. effective October 1, 1997, and First Amendment to the Amended and Restated Executive Savings Plan of Tyson Foods, Inc. effective December 31, 1998 (previously filed as exhibit 10.15 to the Company's Form 10-K for the fiscal year ended October 2,

1999, Commission File No. 0-3400, and incorporated herein by reference).

- 10.28 Tyson Foods, Inc. Non-statutory Stock Option Plan of 1982, as amended and restated on November 18, 1994, (previously filed as Exhibit 99 to the Company's Registration Statement of Form S-8 filed with the Commission on January 30, 1995, Commission File No. 33-54716, and incorporated herein by reference).
- 10.29 Tyson Foods, Inc. 2000 Stock Incentive Plan dated August 11, 2000 (previously filed as exhibit 10.19 to the Company's Form 10-K for the fiscal year ended September 30, 2000, Commission File No. 0-3400, and incorporated herein by reference).
- 10.30 IBP 1987 Stock Option Plan (previously filed as Exhibit No. 28(a) to IBP's Registration Statement on Form S-8, dated January 5, 1988, File No. 33-19441 and incorporated herein by reference).
- 10.31 IBP Officer Long-Term Stock Plan (previously filed as Exhibit No. 10.5.3 to IBP's Annual Report on Form 10-K for the fiscal year ended December 25, 1993, File No. 1-6085 and incorporated herein by reference).
- 10.32 IBP Directors Stock Option Plan (previously filed as Exhibit No. 10.5.4 to IBP's Annual Report on Form 10-K for the fiscal year ended December 25, 1993, File No. 1-6085 and incorporated herein by reference).
- 10.33 IBP 1993 Stock Option Plan (previously filed as Exhibit No. 10.5.5 to IBP's Annual Report on Form 10-K for the fiscal year ended December 25, 1993, File No. 1-6085 and incorporated herein by reference).
- 10.34 1996 Officer Long-Term Stock Plan (previously filed as Exhibit No. 10.5.6 to IBP's Annual Report on Form 10-K for the fiscal year ended December 28, 1996, File No. 1-6085 and incorporated herein by reference).
- 10.35 IBP 1996 Stock Option Plan (previously filed as Exhibit 10.5.7 to IBP's Annual Report on Form 10-K for the fiscal year ended December 28, 1996, File No. 1-6085 and incorporated herein by reference).
- 10.36 Text of Retirement Income Plan of IBP, inc. (as amended and Restated Effective as of January 1, 1992), as amended (previously filed as Exhibit No. 10.28 to IBP's Annual Report on Form 10-K for the fiscal year ended December 26, 1992, File No. 1-6085 and incorporated herein by reference).
- 10.37 Form of Indemnity Agreement between Tyson Foods, Inc. and its directors and certain of its executive officers (previously filed as Exhibit 10(t) to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1995, Commission File No. 0-3400, and incorporated herein by reference).
- 10.38 Form of IBP's Indemnification Agreement with officers and directors (previously filed as Exhibit No. 10.8 to IBP's Registration Statement on Form S-1, dated August 19, 1987, File No. 1-6085 and incorporated hereby by reference).
- 12.1 Calculation of Ratio of Earnings to Fixed Charges.

- 31.1 Certification of Chief Executive Officer pursuant to SEC Rule 13a-14(a)/15d-14(a), as adopted pursuant to Sections 302 and 404 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to SEC Rule 13a-14(a)/15d-14(a), as adopted pursuant to Sections 302 and 404 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

### **SIGNATURES**

Pursuant to requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### **TYSON FOODS, INC.**

By: /s/ Steven Hankins  
Steven Hankins  
Executive Vice President  
and Chief Financial Officer

December 15, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

<u>/s/ Richard L. Bond</u> Richard L. Bond	President and Chief Operating Officer	December 15, 2011
<u>/s/ Lloyd V. Hackley</u> Lloyd V. Hackley	Director	December 15, 2011
<u>/s/ Steven Hankins</u> Steven Hankins	Executive Vice President and Chief Financial Officer	December 15, 2011
<u>/s/ David A. Jones</u> David A. Jones	Director	December 15, 2011
<u>/s/ Jim Keever</u> Jim Keever	Director	December 15, 2011
<u>/s/ Rodney S. Pless</u> Rodney S. Pless	Senior Vice President, Controller and Chief Accounting Officer	December 15, 2011
<u>/s/ Jo Ann R. Smith</u> Jo Ann R. Smith	Director	December 15, 2011
<u>/s/ Leland E. Tollett</u> Leland E. Tollett	Director	December 15, 2011
<u>/s/ Barbara A. Tyson</u> Barbara A. Tyson	Director	December 15, 2011
<u>/s/ Don Tyson</u> Don Tyson	Director	December 15, 2011
<u>/s/ John H. Tyson</u> John H. Tyson	Chairman of the Board of Directors and Chief Executive Officer	December 15, 2011

**FINANCIAL STATEMENT SCHEDULE  
 TYSON FOODS, INC.  
 SCHEDULE II  
 VALUATION AND QUALIFYING ACCOUNTS**

Three Years Ended September 27, 2003

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Additions (Deductions)
Allowance for Doubtful Accounts				
2003	\$ 26	\$ 19 (1)	\$ -	\$ (29) (1)
2002	\$ 27	\$ 4	\$ -	\$ (5)
2001	\$ 17	\$ 2	\$ -	\$ 8 (2)

(1) During the year the Company fully reserved certain receivables and then wrote off the full amount against Accounts Receivable.

(2) Includes \$14 million reserve due to IBP acquisition

**EXHIBIT 10.7**

This AMENDMENT NO.3, dated as of August 15, 2003 (this "Amendment") to the Amended and Restated Receivables Transfer Agreement dated as of August 16, 2002, as originally dated October 17, 2001 (the "Receivables Transfer Agreement"), by and among TYSON RECEIVABLES CORPORATION, a Delaware corporation, as transferor (in such capacity, the "Transferor"), TYSON FOODS, INC., a Delaware corporation, individually ("Tyson"), as collection agent (in such capacity, the "Collection Agent") and as guarantor under the Limited Guaranty set forth in Article IX of the Receivables Transfer Agreement (in such capacity, the "Guarantor"), the several commercial paper conduits identified on Schedule B of the Receivables Transfer Agreement and their respective permitted successors and assigns (the "CP Conduit Purchasers"; each, individually, a "CP Conduit Purchaser"), the several financial institutions identified on Schedule B of the Receivables Transfer Agreement as "Committed Purchasers" and their respective permitted successors and assigns (the "Committed Purchasers"; each, individually, a "Committed Purchaser"), the agent bank set forth opposite the name of each CP Conduit Purchaser and Committed Purchaser on Schedule B of the Receivables Transfer Agreement and its permitted successor and assign (the "Funding Agent" with respect to such CP Conduit Purchaser and Committed Purchaser), and JPMORGAN CHASE BANK (formerly known as The Chase Manhattan Bank), a New York state banking corporation ("JPMCB"), as administrative agent for the benefit of the CP Conduit Purchasers, the Committed Purchasers and the Funding Agents (in such capacity, the "Administrative Agent").



## RECITALS

WHEREAS, the parties hereto have previously entered into the Receivables Transfer Agreement;

WHEREAS, the parties to the Receivables Transfer Agreement wish to amend the Receivables Transfer Agreement pursuant to Section 10.02 of the Receivables Transfer Agreement, subject to the terms and conditions set forth herein;

NOW THEREFORE, for and in consideration of the premises and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto consent and agree as follows:

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## AGREEMENTS

SECTION 1. Definitions. Unless otherwise defined in this Amendment, all defined terms used in this Amendment, including the Recitals hereto, shall have the meanings ascribed to such terms in the Receivables Transfer Agreement.

SECTION 2. Amendment to Schedule A (Definitions). Schedule A of the Receivables Transfer Agreement is hereby amended by adding the definition of Consolidation Program Fee in its entirety as follows:

""Consolidation Program Fee" shall have the meaning specified in the Fee Letter, as amended."

SECTION 3. Amendment to Definition of Facility B Commitment Expiry Date. The definition of Facility B Commitment Expiry Date in Schedule A of the Receivables Transfer Agreement is hereby amended and restated in its entirety as follows:

"" Facility B Commitment Expiry Date " shall mean either:

(a) the day that is three years after the Amendment Date; or

(b) upon the occurrence of any change in accounting standards or the issuance of any pronouncement or release by any accounting body or any other body charged with the promulgation or administration of accounting standards (including, without limitation, the Financial Accounting Standards Board, the American Institute of Certified Public Accountants, the Securities and Exchange Commission or De Nederlandsche Bank) or the occurrence of any change in the interpretation or application of any accounting standard, the effect of which (in any such event) is, in the sole judgment of a Committed Purchaser, (1) to cause or require the consolidation of all or any portion of the assets and liabilities of a CP Conduit Purchaser related to such Committed Purchaser with the assets and liabilities of such Committed Purchaser or any of such Committed Purchaser's Affiliates or (2) deemed to cause or require the consolidation of all or any portion of the assets and liabilities of a CP Conduit Purchaser to be consolidated with the assets and liabilities of such Committed Purchaser or any of such Committed Purchaser's Affiliates, then the Facility B Commitment Expiry Date

(i) with respect to any affected Committed Purchaser, at its option upon not less than 30 days prior notice to the Transferor, and

(ii) with respect to any other Committed Purchaser, at its option upon not less than 30 days prior notice to the Transferor, shall mean the Facility A Commitment Expiry Date"

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SECTION 4. Amendment to Section 2.23 (Other Costs, Expenses, and Related Matters). Section 2.23 (b) is hereby amended and restated in its entirety as follows:

"(b) The Transferor shall pay the Administrative Agent, for the account of the relevant CP Conduit Purchasers and the Committed Purchasers, as applicable, on demand (i) any Early Collection Fee due on account of the reduction of a Tranche on any day prior to the last day of its Tranche Period or (ii) with respect to the replacement of any Funding Agent and such Funding Agent's Related Group pursuant to Section 10.14, the excess, if any, of (i) the additional Discount that such Funding Agent's related CP Conduit Purchaser and related Committed Purchaser, would have accrued on its Net Investment, during the Tranche Period in which it is replaced, if such Funding Agent's related CP Conduit Purchaser and related Committed Purchaser had not been replaced as CP Conduit Purchaser and Committed Purchaser, respectively, minus (ii) the income, if any, received by such Funding Agent's related CP Conduit Purchaser and related Committed Purchaser from investing the funds received with respect to its Net Investment due to such replacement for the remainder of such Tranche Period."

SECTION 5. Amendment to Section 2.26 (Expiration or Extension of Commitments). Section 2.26 is hereby amended by adding the following header "(a)" before the words "The Transferor may request the extension of any Committed Purchaser's" and further amended by adding clause (b) as follows:

"(b) No more than 90 days, and no less than 60 days, prior to the Facility A Commitment Expiry Date, the Transferor shall send to each Committed Purchaser, with copies to the Administrative Agent, a request in writing to confirm the date of its Facility B Commitment Expiry Date. Each Committed Purchaser may, if clause (b) of the definition of the "Facility B Commitment Expiry Date" is applicable, elect to accelerate its Facility B Commitment Expiry Date to its Facility A Commitment Expiry Date upon receipt of such request by written notice given to the Transferor, the Administrative Agent and the applicable CP Conduit Purchaser no later than 30 days prior to such Committed Purchaser's Facility A Commitment Expiry Date then in effect. If no such notice is given at least 30 days before such date, the Commitment of such Committed Purchaser shall be deemed to have not been accelerated to the Facility A Commitment Expiry Date. On the Business Day after the Commitment Expiry Date of any Committed Purchaser accelerating the Facility B Commitment Expiry Date to the Facility A Commitment Expiry Date, a Partial Liquidation shall be implemented with respect to such Committed Purchaser."

SECTION 6. Amendment to Section 10.14 (Replacement Due to De Nederlandsche Bank Required Consolidation). Section 10.14 (Replacement Due to De Nederlandsche Bank Required Consolidation) of the Receivables Transfer Agreement is hereby amended and restated in its entirety as follows:

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"SECTION 10.14. Replacement Due to Accounting Based Consolidation. (a) If a Funding Agent decides to (x) apply the Consolidation Program Fee or (y) accelerate the Facility B Commitment Expiry Date to the Facility A Commitment Expiry Date as provided in clause B of the definition of Facility B Commitment Expiry Date, the Transferor shall have the right for a 60-day period following the date of receipt by the Transferor of notice from such Funding Agent regarding such determination:

(i) to replace such Funding Agent's related CP Conduit Purchaser with a successor CP Conduit Purchaser (the "Replacement CP Conduit Purchaser") acceptable to the Administrative Agent and the Transferor, and such Funding Agent's related CP Conduit Purchaser shall be obliged to assign all of its rights and obligations hereunder to such Replacement CP Conduit Purchaser, provided that (w) such Replacement CP Conduit Purchaser shall assume all the obligations of such Funding Agent's related CP Conduit Purchaser hereunder or under any other Transaction Document with respect to such Funding Agent's related CP Conduit Purchaser's Interest, (x) such Funding Agent's CP Conduit Purchaser, receives payment in full, of an amount equal to its CP Conduit Funded Amount, any accrued and unpaid interest and any other amounts due and owing to such CP Conduit Purchaser under this Agreement and the other Transaction Documents (the "CP Conduit Replacement Price"), (y) such Replacement CP Conduit Purchaser (1) has a CP rating of at least A-1 by S&P and P-1 by Moody's and (2) if written confirmation of such CP rating is required under such Replacement CP Conduit Purchaser's program documents, has received written confirmation from S&P and Moody's of its CP rating and (z) the

Transferor shall have given such CP Conduit Purchaser at least 15 days prior notice of such replacement; and/or

(ii) to replace such Funding Agent's related Committed Purchaser, with a successor Committed Purchaser (the "Replacement Committed Purchaser") acceptable to the Administrative Agent and the Transferor, and such Funding Agent's related Committed Purchaser shall be obliged to assign all of its rights and obligations hereunder to such Replacement Committed Purchaser, provided that (w) such Replacement Committed Purchaser shall assume all the obligations of such Funding Agent's related Committed Purchaser hereunder or under any other Transaction Document with respect to such Funding Agent's CP Conduit Purchaser's Interest, (x) such Funding Agent's related Committed Purchaser receives payment in full of an amount equal to its Committed Purchaser Funded Amount, any accrued and unpaid interest and any other amounts due and owing to such Committed Purchaser under this Agreement and the other Transaction Documents (the "Committed Purchaser Replacement Price"), (y) such Replacement Committed Purchaser shall be (1) a financial institution incorporated in an OECD country and rated at least A-1/P-1 (or the equivalent short-term ratio) by the Rating Agencies and (2) a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act of 1933, as amended) and (z) the Transferor shall have given such Committed Purchaser at least 15 days prior notice of such replacement; and/or

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(iii) to replace such Funding Agent with a successor Funding Agent (the "Replacement Funding Agent") acceptable to the Administrative Agent and the Transferor, and such Funding Agent shall be obliged to assign all of its rights and obligations hereunder to such Replacement Funding Agent, provided that (x) each of the Replacement CP Conduit Purchaser and the Replacement Committed Purchaser shall appoint and authorize such Replacement Funding Agent, and such Replacement Funding Agent shall accept such appointment and authorization, to take such actions as agent on its behalf and to exercise such powers under this Agreement and the other Transaction Documents as are delegated to the Replacement Funding Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto, (y) such Funding Agent receives payment in full of any amounts due and owing to such Funding Agent under this Agreement and the other Transaction Documents (the "Funding Agent Replacement Price") and (z) the Transferor shall have given such Funding Agent at least 15 days prior notice of such replacement.

(b) Upon (A) execution of all documents necessary for the assignments contemplated in clause (a) above, (B) delivery of an executed copy thereof to the Transferor and the Administrative Agent, (C) payment by the Replacement Committed Purchaser to such Funding Agent's related Committed Purchaser of the Committed Purchaser Replacement Price (not including any amounts due pursuant to Section 2.23(b), such amounts due pursuant to Section 2.23(b) to be paid by the Transferor upon the replacement of such Funding Agent and its Related Group), (D) payment by the Replacement CP Conduit Purchaser to such Funding Agent's CP Conduit Purchaser of the CP Conduit Replacement Price (not including any amounts due pursuant to Section 2.23(b), such amounts due pursuant to Section 2.23(b) to be paid by the Transferor upon the replacement of such Funding Agent and its Related Group), (E) payment by the Replacement Funding Agent to such Funding Agent of the Funding Agent Replacement Price and (F) if a Rating Confirmation is required under the Replacement CP Conduit Purchaser's program documents, receipt by such Replacement CP Conduit Purchaser of its Rating Confirmation, such Funding Agent, its related CP Conduit Purchaser and its related Committed Purchaser shall be released from its obligations hereunder and under the other Transaction Documents and each of the Replacement CP Conduit Purchaser, the Replacement Committed Purchaser, and the Replacement Funding Agent shall, for all purposes, be a CP Conduit Purchaser, a Committed Purchaser or a Funding Agent, as the case may be, party to this Agreement and shall have all the rights and obligations of a CP Conduit Purchaser, Committed Purchaser or Funding Agent, as the case may be, under this Agreement to the same extent as if it were an original party hereto, and no further consent or action by the CP Conduit Purchasers, the Committed Purchasers, Funding Agents, Transferor or the Administrative Agent shall be required. The amount of such Funding Agent's

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related CP Conduit Purchaser's Commitment Pro Rata Share of the CP Conduit Funded Amount allocable to the Replacement CP Conduit Purchaser shall be equal to such Funding Agent's related CP Conduit Purchaser's Commitment Pro Rata Share of the CP Conduit Funded Amount which is transferred thereunder. The amount of such Funding Agent's related Committed Purchaser's Commitment Pro Rata Share of the Committed Purchaser Funded Amount allocable to the Replacement Committed Purchaser shall be equal to such Funding Agent's related Committed Purchaser's Commitment Pro Rata Share of the Committed Purchaser Funded Amount which is transferred thereunder. Any such assignment pursuant to this Section 10.14 shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of the Replacement CP Conduit Purchaser as a CP Conduit Purchaser, the Replacement Committed Purchaser as a Committed Purchaser and the Replacement Funding Agent as a Funding Agent and the resulting adjustment of such Funding Agent's related CP Conduit Purchaser's Commitment arising from the purchase by the Replacement Purchaser of all of such Funding Agent's related CP Conduit Purchaser's rights, obligations and interest hereunder. Such assignment and amendment does not require the consent of any other Related Group. Such assignment and amendment shall be consented to by the Administrative Agent (such consent not to be unreasonably withheld), and (y) if such Funding Agent, its related CP Conduit Purchaser or its related Committed Purchaser has not assigned all of its rights and obligations pursuant to clause (a) above, by such party, at its sole discretion. Furthermore, if the Transferor decides to replace any member of such Funding Agent's Related Group pursuant to the terms of this Section 10.14, the Transferor shall, at the request of such Funding Agent, replace all members of such Funding Agent's Related Group pursuant to the terms of this Section 10.14

(c) Further Assurances. Each of the Transferor, the Funding Agents, the CP Conduit Purchasers and the Committed Purchasers agrees to execute and deliver such further agreements and documents (including amendments and supplements to this Agreement) and take such other actions as the Administrative Agent may reasonably request to evidence and give effect to this Section 10.14."

SECTION 7. Acknowledgment of Guarantor. The Guarantor hereby acknowledges receipt of and notice of, and consents to the terms of, this Amendment.

SECTION 8. Counterparts; Conditions to Effectiveness. This Amendment may be executed in two or more counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument. This Amendment will be effective on the date (the "Effective Date") when:

(i) executed counterparts of this Amendment are delivered by each party hereto to the Administrative Agent,

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(ii) the Transferor shall have paid to each Committed Purchaser any fee then due and payable to each Committed Purchaser under the Fee Letter, as amended,

(iii) the Rating Agencies have provided the Rating Confirmations to the Administrative Agent and the Funding Agents, as may be necessary, and

(iv) the Administrative Agent has received such other documents, instruments, certificates and opinions as the Administrative Agent or any Funding Agent shall reasonably request.

SECTION 9. Governing Law. This Amendment shall be governed by and construed in accordance

with the laws of the State of New York, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

SECTION 10. Headings. The headings of this Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have each caused this Amendment to be duly executed by their respective officers as of the day and year first above written.

TYSON  
RECEIVABLES  
CORPORATION, as  
Transferor

By: \_\_\_\_\_

Name:  
Title:

TYSON FOODS, INC.,  
individually as  
Collection Agent and as  
Guarantor

By: \_\_\_\_\_

Name:  
Title:

JPMORGAN CHASE  
BANK (formerly known  
as The Chase Manhattan  
Bank), as  
Administrative Agent

By: \_\_\_\_\_

Name:  
Title:

PARK AVENUE  
RECEIVABLES  
CORPORATION, as CP  
Conduit Purchaser

By: \_\_\_\_\_

Name:  
Title:

JPMORGAN CHASE  
BANK (formerly known  
as The Chase Manhattan  
Bank), as Committed  
Purchaser for Park  
Avenue Receivables  
Corporation

By: \_\_\_\_\_

Name:  
Title:

JPMORGAN CHASE  
BANK (formerly known  
as The Chase Manhattan  
Bank), as Funding  
Agent for Park Avenue  
Receivables Corporation

By: \_\_\_\_\_

Name:  
Title:



THREE PILLARS  
FUNDING  
CORPORATION, as CP  
Conduit Purchaser

By: \_\_\_\_\_

Name:  
Title:

SUNTRUST BANK, as  
Committed Purchaser  
for Three Pillars  
Funding Corporation

By: \_\_\_\_\_

Name:  
Title:

SUNTRUST BANK, as  
Funding Agent for  
Three Pillars Funding  
Corporation

By: \_\_\_\_\_

Name:  
Title:

NIEUW AMSTERDAM  
RECEIVABLES  
CORPORATION, as CP  
Conduit Purchaser

By: COOPERATIEVE  
CENTRALE  
RAIFFEISEN-  
BOERENLEENBANK  
B.A.,  
"RABOBANK  
INTERNATIONAL",  
NEW YORK  
BRANCH, as  
Attorney-in-Fact

By: \_\_\_\_\_

Name:  
Title:

By: \_\_\_\_\_

Name:  
Title:

COOPERATIEVE  
CENTRALE  
RAIFFEISEN-  
BOERENLEENBANK  
B.A., "RABOBANK  
INTERNATIONAL",  
NEW YORK  
BRANCH, as  
Committed Purchaser  
for Nieuw Amsterdam  
Receivables Corporation

By: \_\_\_\_\_

Name:  
Title:

By: \_\_\_\_\_

Name:  
Title:

COOPERATIEVE  
CENTRALE  
RAIFFEISEN-  
BOERENLEENBANK  
B.A., "RABOBANK  
INTERNATIONAL",  
NEW YORK  
BRANCH, as Funding

Agent for Nieuw  
Amsterdam Receivables  
Corporation

By:\_\_\_\_\_

Name:  
Title:

By:\_\_\_\_\_

Name:  
Title:

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**EXHIBIT 10.19**

**AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT**

**THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT** (the "Agreement"), made as of July 29, 2003 by and between Tyson Foods, Inc., a Delaware corporation (the "Company"), and John Tyson, a resident of the State of Arkansas (the "Executive"), amends and restates that certain Employment Agreement by and between the Company and the Executive dated as of October 1, 2001 ("Original Agreement").

**RECITALS**

To induce Executive's service as Chairman and Chief Executive Officer of the Company during the Term (as defined in Section 2 below), the Company desires to provide Executive with compensation and other benefits on the terms and conditions set forth in this Agreement.

Executive is willing to accept such employment and perform services for the Company, on the terms and conditions hereinafter set forth.

It is therefore hereby agreed by and between the parties as follows:

1. **Employment**.

1.1 Subject to the terms and conditions of this Agreement, the Company agrees to employ Executive during the Term as Chairman and Chief Executive Officer. In such capacity, Executive shall report to the Company's Board of Directors and shall have the powers, responsibilities and authorities as are assigned by the Company's Board of Directors.

1.2 Subject to the terms and conditions of this Agreement, Executive hereby accepts employment as the Chairman and Chief Executive Officer of the Company as of the date hereof and agrees to devote his full working time and efforts, to the best of his ability, experience and talent, to the performance of services, duties and responsibilities in connection therewith. Executive shall perform such duties and exercise such powers, commensurate with his position, as the Company's Board of Directors shall from time to time delegate to him on such terms and conditions and subject to such restrictions as the Company's Board of Directors may reasonably from time to time impose.

2. **Term of Employment**. Executive's term of employment under this Agreement shall commence as of October 1, 2001 and, subject to the terms hereof, shall terminate on such date (the "Termination Date") which is the earlier of (i) February 12, 2008 or (ii) the termination of Executive's

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employment pursuant to this Agreement (the period from October 1, 2001 until the Termination Date shall be the "Term"). The Termination Date (and the Term) shall automatically be extended for an additional year on February 12, 2008 and on each subsequent February 12 thereafter unless (a) Executive's employment has been terminated prior to such day, or (b) not later than 30 days prior to such day, either party to this Agreement shall have given written notice to the other party that he or it does not wish to extend further the Termination Date (and the Term).

3. **Compensation**.

3.1 **Salary**. The Company shall pay Executive a base salary ("Base Salary") at the rate of \$1,000,000 per annum during the Term; provided, however, that on no less than an annual basis the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") shall review the Executive's annual Base Salary for potential increase; however, Executive's right to annual increases shall not be unreasonably denied, and the Base Salary shall not be decreased at any time during the Term. Base Salary shall be payable in accordance with the ordinary payroll practices of the Company. Any increase in Base Salary shall constitute "Base Salary" hereunder.

3.2 **Annual Bonus**. It is expressly understood and contemplated that Executive's bonus plan will be mutually agreed to by the parties hereto for each fiscal year during the Term and shall be subject to final approval by the Compensation Committee.

3.3 **Stock Option Awards**. In addition to the option awards made prior to the date hereof pursuant to the terms of the Original Agreement, as of the later of the date of approval by the Compensation Committee or the execution of this Agreement, Executive shall receive an option to purchase 500,000 shares of Company Class A common stock at an exercise price equal to the market price of Company Class A common stock on the date of the grant; the other terms and conditions of such award shall be governed by the terms of the Tyson Foods, Inc. 2000 Stock Incentive Plan (the "Stock Plan") and a stock option award agreement in a form substantially similar to that presently used by the Company. On such day of each of the Company's 2004, 2005, 2006, 2007 and 2008 fiscal years that option grants are awarded generally to other employees of the Company (in each case so long as the Termination Date has not occurred), the Company shall award Executive an additional option to acquire 500,000 shares of Company Class A

stock at an exercise price equal to the market price of Company Class A common stock on the date of the grant; the other terms and conditions of such awards shall be governed by the terms of the Stock Plan and a stock option award agreement in a form substantially similar to that then used by the Company. The options awarded pursuant to this Section 3.3 shall be for a term of ten (10) years and shall vest forty percent (40%) on the second anniversary of the date of the award and in twenty (20%) increments annually thereafter until fully vested.

3.4 Restricted Stock. In addition to the restricted stock awards made prior to the date hereof pursuant to the terms of the Original Agreement, as of the later of the date of approval by the Compensation Committee or the execution of this Agreement, Executive shall receive an award of 1,501,994 shares of restricted Company Class A common stock (less any shares withheld to satisfy applicable tax withholding requirements) pursuant to the Stock Plan and a restricted stock award agreement in a form substantially similar to that presently used by the Company and which shall vest on February 12, 2008.

3.5 Performance Shares. On the first business day of each of the Company's 2004, 2005 and 2006 fiscal years, Executive shall receive an award of phantom shares of the Company's Class A Common Stock having a maximum aggregate value of \$2,467,500 on the date of the award, subject to the terms and conditions of the Stock Plan and a performance share agreement to be adopted by the Compensation Committee prior to the date of each award. Subject to satisfaction of the performance criteria set forth in the applicable performance share agreement, the award made in 2004 shall vest two (2) business days after the Company publicly releases its earnings for the 2006 fiscal year, the award made in 2005 shall vest two (2) business days after the Company publicly releases its earnings for the 2007 fiscal year, and the award made in 2006 shall vest two (2) business days after the Company publicly releases its earnings for the second quarter of the 2008 fiscal year.

3.6 Perquisites. During the Term, the Company shall provide Executive with the following:

(a) Reimbursement for country club dues incurred by Executive during the Term, together with the use of, and the payment of all reasonable expenses relating to, the Company's "national" club memberships, and the Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection therewith;

(b) Use of, and the payment of all reasonable expenses (including, without limitation, insurance, repairs, maintenance, fuel and oil) for, an automobile. The monthly lease payment or allowance for such automobile shall be consistent with the past practices for other executives at the Company and the Company

will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection therewith;

(c) Pay to Executive the amount required for Executive to maintain a split dollar life insurance policy presently in effect for Executive, and the Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection therewith. Notwithstanding the foregoing, it is hereby understood and agreed that the Company may at any time during the Term replace this split dollar life insurance with a different policy, plan or benefit having a similar financial benefit to Executive;

(d) Reasonable personal use of the Company-owned aircraft; provided, however, that Executive's personal use of the Company-owned aircraft shall not interfere with Company use of the Company-owned aircraft and the Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection therewith;

(e) Payment of, or reimbursement for, costs incurred by Executive relating to income tax, estate tax or bookkeeping matters;

(f) Use of, and the payment of all reasonable expenses associated with, personal cellular phones, home phone and internet lines;

(g) Reasonable personal use of the Company-owned entertainment assets; provided, however, that Executive's personal use of the Company-owned entertainment assets shall not interfere with Company use of the Company-owned entertainment assets, and the Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection therewith; and

(h) Monitoring of Executive's residences by Company security, together with security on limited international travel.

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3.7 Compensation Plans and Programs. Executive shall be eligible to participate in any compensation plan or program maintained by the Company other than plans or programs related to (i) Company options, (ii) restricted stock and (iii) performance shares.

4. Retirement; Senior Executive Employment Agreement. Executive may at any time after February 12, 2008 and in Executive's sole discretion, elect to retire as an employee of the Company and upon such retirement, Executive shall provide advisory services to the Company under the terms and conditions contained in the Senior Executive Employment Agreement attached hereto as Exhibit "A," and shall be paid by the Company the compensation and benefits described therein. In any event, the Company shall enter into said Senior Executive Employment Agreement with Executive on the earlier of (i) the date of Executive's Permanent Disability, (ii) Executive's death (in which event, the Senior Executive Employment Agreement shall become effective, and the benefits thereunder shall become available, upon the Executive's death), or (iii) such date on or after February 12, 2008 on which the

Termination Date occurs, unless Executive has been terminated for Cause.

5. **Employee Benefits** .

5.1 Employee Benefit Programs, Plans and Practices . The Company shall provide Executive during the Term with coverage under all employee pension and welfare benefit programs, plans and practices (commensurate with his position in the Company and to the extent permitted under any employee benefit plan) in accordance with the terms thereof, which the Company generally makes available to its senior executives.

5.2 Vacation and Fringe Benefits . Executive shall be entitled to no less than twenty-five (25) business days paid vacation in each calendar year (or such greater time as Company policy permits a person of his employment seniority), which shall be taken at such times as are consistent with Executive's responsibilities hereunder. In addition, Executive shall be entitled to the perquisites and other fringe benefits generally made available to senior executives of the Company, commensurate with his position with the Company.

6. **Expenses** . Executive is authorized to incur reasonable expenses in carrying out his duties and responsibilities under this Agreement, including, without limitation, expenses for travel and similar items related to such duties and responsibilities. The Company will reimburse Executive for all such expenses upon presentation by Executive, from time to time, of accounts of such expenditures (appropriately itemized and approved consistent with the Company's policy).

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7. **Termination of Employment** .

7.1 Termination by the Company Not for Cause or by Executive for Good Reason .

(a) The Company may terminate Executive's employment at any time for any reason. If Executive's employment is terminated prior to the Termination Date, as that date may be extended from time to time under the terms of Section 2 hereof, (i) by the Company (other than for Cause (as defined in Section 7.2(c) hereof) or by reason of Executive's death or Permanent Disability (as defined in Section 7.2(d) hereof)), or (ii) by the Executive for Good Reason (as defined in Section 7.1(c) hereof) prior to the Termination Date, Executive shall receive the following items and payments:

(i) An amount (the "Termination Amount") in lieu of any bonus in respect of all or any portion of the fiscal year in which such termination occurs and any other cash compensation, which Termination Amount shall be payable in a single lump sum within thirty (30) days following the date of such termination. The Termination Amount shall consist of an amount equal to the sum of (x) three (3) times Executive's Base Salary for the fiscal year immediately preceding the year in which such termination occurs plus (y) three (3) times Executive's bonus for the fiscal year immediately preceding the year in which such termination occurs;



(ii) Executive shall be entitled to receive a cash lump sum payment in respect of accrued but unused vacation days (the "Vacation Payment") and to Base Salary earned but not yet paid (the "Compensation Payment");

(iii) Any then unvested restricted stock, performance shares and/or time-vesting stock option awards previously granted to Executive by the Company, including, without limitation, those grants set forth in Sections 3.3, 3.4 and 3.5 hereof, shall become immediately one-hundred percent vested. Any portion of a time-vesting stock option award accelerated pursuant to this Section 7.1(a) shall be exercisable pursuant to the terms of the stock option plan and the stock option award agreement applicable to such award; and

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(iv) Any other benefits due to Executive pursuant to the terms of any employee benefit plan or policy maintained generally for employees or a group of management employees.

(b) The Vacation Payment and the Compensation Payment shall be paid by the Company to Executive within 30 days after the termination of Executive's employment by check payable to the order of Executive or by wire transfer to an account specified by Executive.

(c) For purposes of this Agreement, "Good Reason" shall mean any of the following (without Executive's express prior written consent):

(i) Any material breach by the Company of this Agreement, including any material reduction by the Company of Executive's, title, duties or responsibilities (except in connection with the termination of Executive's employment for Cause, as a result of Permanent Disability, as a result of Executive's death or by Executive other than for Good Reason); or

(ii) A reduction by the Company in Executive's Base Salary, other than a reduction which is part of a general salary reduction program affecting senior executives of the Company generally; or

(iii) Any change by the Company of the Executive's place of employment to a location more than fifty (50) miles from the Company's headquarters.

## 7.2 Discharge for Cause; Voluntary Termination by Executive; Termination Because of Death or Permanent Disability.

(a) The Company shall have the right to terminate the employment of Executive for Cause. In the event that Executive's employment is terminated prior to the Termination Date (i) by the Company for Cause, or (ii) by Executive other than (A) for Good Reason or (B) as a result of the Executive's Permanent Disability or death, Executive shall only be entitled to receive the Compensation Payment and the Vacation Payment. Executive shall not be entitled, among other things, to the payment of any bonus in respect of all or any portion

of the fiscal year in which such termination occurs, but shall be entitled to the payment of any unpaid bonus earned with respect to any prior fiscal year. After the termination of Executive's employment under this Section 7.2, the obligations of the Company under this Agreement to make any further payments, or provide any benefits specified herein, to Executive shall thereupon cease and terminate.

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(b) If Executive's employment is terminated as a result of Executive's Permanent Disability or death:

(i) Executive shall be entitled to receive the annual bonus described in Section 3.2 hereof prorated to the date of Executive's Permanent Disability or death;

(ii) Any then unvested restricted stock, performance shares and/or time-vesting stock option awards previously granted to Executive by the Company, including, without limitation, those grants set forth in Sections 3.3, 3.4 and 3.5 hereof, shall become immediately one-hundred percent vested; provided, however that in the event of Executive's death future option awards shall;

(iii) The Executive shall receive any other benefits due to Executive pursuant to the terms of any employee benefit plan or policy maintained generally for employees or a group of management employees; and

(iv) In addition to any other payment to be made hereunder in the event of Executive's death, (A) Executive's designee(s), which shall be determined pursuant to an executed Designation of Beneficiary form attached hereto as Exhibit "B" and which may be made at any time and changed from time to time by Executive, shall for twenty (20) years after the date of Executive's death receive an annual payment equal to twenty-five percent (25%) of Executive's Base Salary at the time of Executive's death, and (B) Executive's dependents at the time of his death shall be provided health insurance as generally available to Executive at the time of death.

(c) As used herein, the term "Cause" shall be limited to (i) willful malfeasance, willful misconduct or gross negligence by Executive in connection with his employment, (ii) willful and continuing refusal by Executive to perform his duties hereunder or any lawful direction of the Company's Board of Directors (the "Board"), after notice of any such refusal to perform such duties or direction was given to Executive and Executive is provided a reasonable opportunity to cure such deficiency, (iii) any material breach of the provisions of Section 13 of this Agreement

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by Executive or any other material breach of this Agreement by Executive after notice of any such breach and an opportunity to cure such breach or (iv) the conviction of Executive of any (A) felony or (B) a misdemeanor

involving moral turpitude. Termination of Executive pursuant to this Section 7.2 shall be made by delivery to Executive of a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the then members of the Board at a meeting of the Board called and held for the purpose (after 30 days prior written notice to Executive and reasonable opportunity for Executive to be heard before the Board prior to such vote), finding that in the reasonable judgment of the Board, Executive was guilty of conduct set forth in any of clauses (i) through (iv) above and specifying the particulars thereof.

(d) For purposes of this Agreement "Permanent Disability" shall have the same meaning ascribed thereto in the Company's Long-Term Disability Benefit Plan applicable to senior executive officers as in effect on the date hereof.

8. **Mitigation of Damages**. Executive shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise after the termination of his employment hereunder, and any amounts earned by Executive, whether from self-employment, as a common-law employee or otherwise, shall not reduce the amount of any Termination Amount otherwise payable to him.

9. **Notices**. All notices or communications hereunder shall be in writing, addressed as follows:

To the Company:       Tyson Foods, Inc.  
                              2210 Oaklawn Drive  
                              Springdale, Arkansas 72762-6999  
                              FAX: (479) 290-4028  
                              Attn: General Counsel

To Executive:           John Tyson  
                              P.O. Box 2020  
                              Springdale, Arkansas 72765-2020

Any such notice or communication shall be delivered by hand or by courier or sent certified or registered mail, return receipt requested, postage prepaid, addressed as above (or to such other address as such party may designate in a notice duly delivered as described above), and the third business day after the actual date of mailing shall constitute the time at which notice was given.

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10. **Separability; Legal Fees**. If any provision of this Agreement shall be declared to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the remaining provisions hereof which shall remain in full force and effect. Each party hereto shall be solely responsible for any and all legal fees incurred by him or it in connection with this Agreement, including the enforcement. In the event the Executive is required to bring any action to enforce rights or to collect monies due under this Agreement and is successful in such action, the Company shall reimburse the Executive for all of Executive's reasonable attorneys' fees and expenses in preparing, investigating and pursuing such action.

11. **Assignment**. This Agreement shall be binding upon and inure to the benefit of the heirs and

representatives of Executive and the assigns and successors of the Company, but neither this Agreement nor any rights or obligations hereunder shall be assignable or otherwise subject to hypothecation by Executive (except by will or by operation of the laws of intestate succession) or by the Company, except that the Company may assign this Agreement to any successor (whether by merger, purchase or otherwise) to the stock, assets or business(es) of the Company.

12. **Amendment**. This Agreement may only be amended by written agreement of the parties hereto.

13. **Nondisclosure of Confidential Information; Non-Competition; Non-Disparagement**.

(a) Executive shall not, without the prior written consent of the Company, use, divulge, disclose or make accessible to any other person, firm, partnership, corporation or other entity any Confidential Information (as defined below) pertaining to the business of the Company or any of its affiliates, except (i) while employed by the Company, in the business of and for the benefit of the Company, or (ii) when required to do so by a court of competent jurisdiction, by any governmental agency having supervisory authority over the business of the Company, or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order Executive to divulge, disclose or make accessible such information. For purposes of this Section 13(a), "Confidential Information" shall mean non-public information concerning the financial data, strategic business plans, product development (or other proprietary product data), customer lists, marketing plans and other non-public, proprietary and confidential information of the Company or its affiliates (the "Restricted Group") or customers, that, in any case, is not otherwise available to the public (other than by Executive's breach of the terms hereof).

(b) During the Term and for one (1) year thereafter, Executive agrees that, without the prior written consent of the Company, (A) he will not, directly or indirectly, in the United States, participate in any Position (as defined below) in any business which is in direct competition with any business of the Restricted Group and (B) he shall not, on his own behalf or on behalf of any person, firm or company, directly or indirectly, solicit or offer employment to any person who has been employed by the Restricted Group at any time during the 13 months immediately preceding such solicitation, and (C) he shall not, on his own behalf or on behalf of any person, firm or company, solicit, call upon, or otherwise communicate in any way with any client, customer, prospective client or prospective customer of the Company or of any member of the Restricted Group for the purposes of causing or of attempting to cause any such person to purchase products sold or services rendered by the Company or by any member of the Restricted Group from any person other than the Company or any member of the Restricted Group. The term "Position" shall include, without limitation, a partner, director, holder of more than 5% of the outstanding voting shares, principal, executive, officer, manager or any employment or consulting position. It is acknowledged and agreed that the scope of the clause as set forth above is essential, because (i) a more restrictive definition of "Position" (e.g. limiting it to the "same" position with a competitor) will subject the Company to serious, irreparable harm by allowing competitors to describe positions in ways to evade the operation of this clause, and substantially restrict the protection sought by the Company, and (ii) by the allowing Executive to escape the application of this clause by accepting a position

designated as a "lesser" or "different" position with a competitor, the Company is unable to restrict the Executive from providing valuable information to such competing company to the harm of the Company.

(c) Executive agrees that he will not, directly or indirectly, individually or in concert with others, engage in any conduct or make any statement that is likely to have the effect of undermining or disparaging the reputation of the Company or any member of the Restricted Group, or their good will, products, or business opportunities, or that is likely to have the effect of undermining or disparaging the reputation of any officer,

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director, agent, representative or employee, past or present, of the Company or any member of the Restricted Group. Company agrees that it shall not, directly or indirectly, engage in any conduct or make any statement that is likely to have the effect of undermining or disparaging the reputation of Executive.

(d) For purposes of this Section 13, a business shall be deemed to be in competition with the Restricted Group if it is principally involved in the purchase, sale or other dealing in any property or the rendering of any service purchased, sold, dealt in or rendered by the Restricted Group as a material part of the business of the Restricted Group within the same geographic area in which the Restricted Group effects such purchases, sales or dealings or renders such services. Nothing in this Section 13 shall be construed so as to preclude Executive from investing in any company pursuant to the provisions of Section 1.3 hereof.

(e) Executive and the Company agree that this covenant not to compete is a reasonable covenant under the circumstances, and further agree that if in the opinion of any court of competent jurisdiction such restraint is not reasonable in any respect, such court shall have the right, power and authority to excise or modify such provision or provisions of this covenant as to the court shall appear not reasonable and to enforce the remainder of the covenant as so modified. Executive agrees that any breach of the covenants contained in this Section 13 would irreparably injure the Company. Accordingly, Executive agrees that the Company may, in addition to pursuing any other remedies it or they may have in law or in equity, cease making any payments otherwise required by this Agreement and obtain an injunction against Executive from any court having jurisdiction over the matter restraining any further violation of this Agreement by Executive.

14. **Beneficiaries; References**. Executive shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death, and may change such election, in either case by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of his incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to his beneficiary, estate or other legal representative. Any reference to the masculine gender in this Agreement shall include, where appropriate, the feminine.

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15. **Survivorship**. The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations. In particular, the provisions of Section 13 hereunder shall remain in effect as long as is necessary to give effect thereto.

16. **Governing Law**. This Agreement shall be construed, interpreted and governed in accordance with the laws of Arkansas, without reference to rules relating to conflicts of law.

17. **Effect on Prior Agreements**. Except as specifically herein provided, this Agreement contains the entire understanding among the parties hereto and supersedes in all respects any prior or other agreement or understanding among the parties or any affiliate or predecessor of the Company and Executive with respect to Executive's employment, including but not limited to any severance arrangements. Under no circumstances shall Executive be entitled to any other severance payments or benefits of any kind, except for the payments and benefits described herein.

18. **Withholding**. The Company shall be entitled to withhold from payment any amount of withholding required by law.

19. **Counterparts**. This Agreement may be executed in two or more counterparts, each of which will be deemed an original.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement on the day and year first above written.

**TYSON FOODS, INC.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_

John Tyson

**SENIOR EXECUTIVE EMPLOYMENT AGREEMENT**

THIS SENIOR EXECUTIVE EMPLOYMENT AGREEMENT dated \_\_\_\_\_, 20\_\_\_\_ (the "Effective Date") is by and between TYSON FOODS, INC., a corporation organized under the laws of Delaware (the "Company"), and John Tyson ("Executive").

**WITNESSETH :**

WHEREAS, following Executive's retirement from full time employment with the Company and/or one of its subsidiaries, the Company wishes to retain Executive's services and access to Executive's experience and knowledge; and

WHEREAS, the Executive wishes to furnish advisory services to the Company upon the terms, provisions and conditions herein provided;

NOW, THEREFORE, in consideration of the foregoing and of the agreements hereinafter contained, the parties hereby agree as follows:

1. The term of this Agreement (the "Term") shall begin on the Effective Date and end ten (10) years thereafter.
2. During the Term, Executive will, upon reasonable request, provide advisory services to the Company as follows:
  - (a) Services hereunder shall be provided as an employee of the Company;
  - (b) Executive may be required to devote up to twenty (20) hours per month to the Company;
  - (c) Executive may perform advisory services hereunder at any location but may be required to be at the offices of the Company and/or its subsidiaries upon reasonable notice; and
  - (d) Executive shall not be obligated to render services under this Agreement during any period when he is disabled due to illness or injury.
3. Beginning the Effective Date, the Company shall (i) pay Executive each year for five (5) years the sum of \$\_\_\_\_\_ [an amount equal to sixty percent (60%) of the aggregate of Executive's Base Salary at the Termination Date under his Employment Agreement plus Executive's average annual bonus for the three (3) years prior to said Termination Date] per year, and for the next five (5) years the sum of \$\_\_\_\_\_ [an amount equal to thirty percent (30%) of Executive's Base Salary at the Termination Date under his Employment Agreement plus Executive's average annual bonus for the three (3) years prior to said Termination Date] per year, such sums to be payable as the parties may from time to

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time agree; (ii) provide Executive and his spouse, if any, with health insurance during the Term as generally available to Executive at the time of retirement, and (iii) permit Executive to continue all options to purchase Company stock existing on the date of this Agreement. In addition, the Company shall continue to provide Executive with the following perquisites in accordance with the Company's policies:



(a) Reimbursement for country club dues incurred by Executive during the Term, together with the use of, and the payment of all reasonable expenses relating to, the Company's "national" club memberships, and the Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection therewith;

(b) Use of, and the payment of all reasonable expenses (including, without limitation, insurance, repairs, maintenance, fuel and oil) for, an automobile. The monthly lease payment or allowance for such automobile shall be consistent with the past practices for other executives at the Company and the Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection therewith;

(c) Pay to Executive the amount required for Executive to maintain a split dollar life insurance policy presently in effect for Executive, and the Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection therewith;

(d) Reasonable personal use of the Company-owned aircraft; provided, however, that Executive's personal use of the Company-owned aircraft shall not interfere with Company use of the Company-owned aircraft and the Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection therewith;

(e) Payment of, or reimbursement for, costs incurred by Executive relating to income tax, estate tax or bookkeeping matters;

(f) Use of, and the payment of all reasonable expenses associated with, personal cellular phones, home phone and internet lines;

(g) Reasonable personal use of the Company-owned entertainment assets; provided, however, that Executive's personal use of the Company-owned entertainment assets shall not interfere with Company use of the Company-owned entertainment assets, and the Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection therewith; and

(h) Monitoring of Executive's residences by Company security, together with security on limited international travel.

In the event of the Executive's death, the compensation, perquisites and benefits described above shall continue to be paid to the Executive's estate for the duration of the Term.

4. In the event of Executive's death, the Company will, upon written notice given within sixty (60) days of death by Executive's designated beneficiary, if any, or otherwise by the administrator of Executive's estate, terminate all Executive owned options to purchase Company common stock, whether or not then currently vested, in exchange for payment equal to the aggregate spread between the strike price and the market value of such stock at the close of business on the next business day succeeding Executive's death.
5. While this Agreement is in effect and thereafter, the Executive shall not divulge to anyone, except in the regular course of the Company's business, any confidential or proprietary information regarding the Company's records, plans or any other aspects of the Company's business which it considers confidential or proprietary; provided, an insubstantial or inadvertent disclosure by Executive causing no material harm to Company is not deemed a breach of this provision.

6. This Agreement shall terminate in the event Executive accepts employment from anyone deemed by the Company to be a competitor.
7. The right of the Executive or any other beneficiary under this Agreement to receive payments may not be assigned, pledged or encumbered, except by will or by the laws of descent and distribution, without the permission of the Company which it may withhold in its sole and absolute discretion.
8. This Agreement represents the complete agreement between the Company and Executive concerning the subject matter hereof and supersedes all prior employment or benefit agreements or understandings, written or oral. No attempted modification or waiver of any of the provisions hereof shall be binding on either party unless in writing and signed by both Executive and Company.
9. It is the intention of the parties hereto that all questions with respect to the construction and performance of this Agreement shall be determined in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date written above.

TYSON FOODS, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
John Tyson

**EXHIBIT "B"**

Designation of Beneficiary

I, John Tyson, party to that certain Amended and Restated Employment Agreement with Tyson Foods, Inc. dated as of July \_\_, 2003, hereby the designate the following person or persons to receive the payments to be made pursuant to Section 7.2(b)(iv) of said Agreement:

Primary Beneficiary:

\_\_\_\_\_

Secondary Beneficiary:

\_\_\_\_\_

Further, this Designation of Beneficiary may be revoked at any time by (i) a writing to such effect or (ii) a subsequently executed Designation of Beneficiary.

**IN WITNESS WHEREOF**, the undersigned has executed this Designation of Beneficiary on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_

John Tyson

**ACKNOWLEDGMENT**

State of \_\_\_\_\_

County of \_\_\_\_\_

On this the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, a notary public, personally appeared John Tyson, known to me or satisfactorily proven to be the person whose name was subscribed to the within instrument and acknowledged that he had executed the same for the purposes therein contained.

In witness whereof I hereunto set my hand and official seal.

\_\_\_\_\_

My Commission Expires:

**EXHIBIT 10.20**

**AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT**

**THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT** (the "Agreement"), made as of July 29, 2003 by and between Tyson Foods, Inc., a Delaware corporation (the "Company"), and Richard L. Bond, a resident of the State of Arkansas (the "Executive"), amends and restates that certain Employment Agreement by and between the Company and the Executive dated as of September 28, 2001 ("Original Agreement").

**RECITALS**

To induce Executive's service as an officer of the Company during the Term (as defined in Section 2 below), the Company desires to provide Executive with compensation and other benefits on the terms and conditions set forth in this Agreement.

Executive is willing to accept such employment and perform services for the Company, on the terms and conditions hereinafter set forth.

It is therefore hereby agreed by and between the parties as follows:

1. **Employment.**

1.1 Subject to the terms and conditions of this Agreement, the Company agrees to employ Executive as President and Chief Operating Officer effective February 13, 2003. In such capacity, Executive shall report to the Company's Chairman and Chief Executive Officer and shall have the powers, responsibilities and authorities as are assigned by the Company's Chairman and Chief Executive Officer.

1.2 Subject to the terms and conditions of this Agreement, Executive hereby accepts employment as President and Chief Operating Officer of the Company as of February 13, 2003 and agrees to devote his full working time and efforts, to the best of his ability, experience and talent, to the performance of services, duties and responsibilities in connection therewith. Executive shall perform such duties and exercise such powers, commensurate with his position, as the Company's Chairman and Chief Executive Officer shall from time to time delegate to him on such terms and conditions and subject to such restrictions as the Company's Chairman and Chief Executive Officer may

reasonably from time to time impose.

1.3 Except as provided in Section 13 hereof and provided that, in the reasonable determination of the Company's Chairman and Chief Executive Officer, the following activities do not interfere with Executive's duties and responsibilities hereunder, nothing in this Agreement shall preclude Executive from (i) engaging in charitable and community affairs, (ii) managing any passive investment made by him in publicly traded equity securities or other property (provided that no such investment may exceed 5% of the equity of any publicly traded entity, without the prior approval of the Company's Chairman and Chief Executive Officer), or (iii) serving as a member of boards of directors or as a trustee of any other corporation, association or entity. For purposes of the preceding sentence, any required approval shall not be unreasonably withheld.

2. **Term of Employment**. Executive's term of employment under this Agreement shall commence as of September 28, 2001 (the "Effective Date") and, subject to the terms hereof, shall terminate on such date (the "Termination Date") which is the earlier of (i) February 12, 2008 or (ii) the termination of Executive's employment pursuant to this Agreement (the period from September 28, 2001 until the Termination Date shall be the "Term"). The Termination Date (and the Term) shall automatically be extended for an additional year on February 12, 2008 and on each subsequent February 12 thereafter unless (a) Executive's employment has been terminated prior to such day, or (b) not later than 30 days prior to such day, either party to this Agreement shall have given written notice to the other party that he or it does not wish to extend further the Termination Date (and the Term).

3. **Compensation**.

3.1 **Salary**. The Company shall pay Executive a base salary ("Base Salary") at the rate of \$970,000 per annum, effective February 13, 2003; provided, however, that on no less than an annual basis, the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") shall review the Executive's annual Base Salary for potential increase; however, Executive's right to annual increases shall not be unreasonably denied, and the Base Salary shall not be decreased at any time during the Term. Base Salary shall be payable in accordance with the ordinary payroll practices of the Company. Any increase in Base Salary shall constitute "Base Salary" hereunder.

3.2 **Annual Bonus**. It is expressly understood and contemplated that Executive's bonus plan will be mutually agreed to by the parties hereto for each fiscal year during the Term and shall be subject to final approval by the Compensation Committee.

3.3 **Stock Option Awards**. In addition to the option awards made prior to the date hereof pursuant to the terms of the Original Agreement, and in replacement of the options to be awarded after the date hereof pursuant to the terms of the Original Agreement, as of the later of the date of approval by the Compensation Committee or the

execution of this Agreement, Executive shall receive an option to purchase 280,000 shares of Company Class A common stock at an exercise price equal to the market price of Company Class A common stock on the date of the grant; the other terms and conditions of such award shall be governed by the terms of the Tyson Foods, Inc. 2000 Stock Incentive Plan (the "Stock Plan") and a stock option award agreement in a form substantially similar to that presently used by the Company. On such day of each of the Company's 2004, 2005, 2006, 2007 and 2008 fiscal years that option grants are awarded generally to other employees of the Company (in each case so long as the Termination Date has not occurred), the Company shall award Executive an additional option to acquire 280,000 shares of Company Class A common stock at an exercise price equal to the market price of Company Class A common stock on the date of the grant; the other terms and conditions of such awards shall be governed by the terms of the Stock Plan and a stock option award agreement in a form substantially similar to that then used by the Company. The options awarded pursuant to this Section 3.3 shall be for a term of ten (10) years and shall vest forty percent (40%) on the second anniversary of the date of the award and in twenty (20%) increments annually thereafter until fully vested.

3.4 Restricted Stock and Phantom Stock. In addition to the restricted stock and phantom stock awards made prior to the date hereof pursuant to the terms of the Original Agreement, as of the later of the date of approval by the Compensation Committee or the execution of this Agreement, Executive shall receive an award of 821,117 shares of restricted Company Class A common stock (less any shares withheld to satisfy applicable tax withholding requirements) pursuant to the Stock Plan and a restricted stock award agreement in a form substantially similar to that presently used by the Company and which shall vest on February 12, 2008.

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3.5 Performance Shares. On the first business day of each of the Company's 2004, 2005 and 2006 fiscal years, Executive shall receive an award of phantom shares of the Company's Class A Common Stock having a maximum aggregate value of \$1,237,500 on the date of the award, subject to the terms and conditions of the Stock Plan and a performance share agreement to be adopted by the Compensation Committee prior to the date of each award. Subject to satisfaction of the performance criteria set forth in the applicable performance share agreement, the award made in 2004 shall vest two (2) business days after the Company publicly releases its earnings for the 2006 fiscal year, the award made in 2005 shall vest two (2) business days after the Company publicly releases its earnings for the 2007 fiscal year, and the award made in 2006 shall vest two (2) business days after the Company publicly releases its earnings for the second quarter of the 2008 fiscal year.

3.6 Deferred Compensation. The Company shall pay Executive (or his estate or legal representative, if applicable) \$2,000,000 (plus accrued interest at the rate of 6.75% per annum from September 28, 2001 until the date of payment) on the first business day of the next Company fiscal year after the Termination Date. Nothing contained in this Section 3.6 and no action taken pursuant to the provisions of this section shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and the Executive, his designated beneficiary or any other person. Any funds which may be invested under the provisions of this Section 3.6 or earmarked to pay the deferred compensation hereunder shall continue for all purposes to be a part of the general funds of the Company and no person (including Executive) other than the Company shall by virtue of the provisions of this Section 3.6 have any interest in such funds nor have any property interest in any specific assets of the Company. To the extent that any



person acquires a right to receive payments from the Company under this Agreement, such right shall be no greater than the right of any unsecured general creditor of the Company. The right of the Executive or any other persons to the payment of deferred compensation or other benefits under this Section 3.6 shall not be assigned, transferred, pledged or encumbered except by will or by the laws of descent and distribution.

3.7 Perquisites. During the Term, the Company shall provide Executive with the following:

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(a) Reimbursement for annual country club dues incurred by Executive during the Term consistent with the past practices of Executive at the Company, and the Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection therewith;

(b) Use of, and the payment of all reasonable expenses (including, without limitation, insurance, repairs, maintenance, fuel and oil) for, an automobile. The monthly lease payment or allowance for such automobile shall be consistent with the past practices for other executives at the Company and the Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection therewith;

(c) For the term of the Original Agreement (i.e. through October 1, 2006), Company provided split dollar life insurance with a face amount of no less than \$5,000,000, in a form similar to that provided by the Company to its other senior executive officers, and the Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection therewith;

(d) Reasonable personal use of the Company-owned aircraft; provided, however, that Executive's personal use of the Company-owned aircraft shall not interfere with Company use of the Company-owned aircraft and the Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection therewith;

(e) Subject to the prior approval of the Chairman and Chief Executive Officer, reasonable personal use of the Company-owned entertainment assets; provided, however, that Executive's personal use of the Company-owned entertainment assets shall not interfere with Company use of the Company-owned entertainment assets, and the Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection therewith;

(f) Use of, and the payment of all reasonable expenses associated with, personal cellular phones, home phone and internet lines; and

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(g) Reimbursement from the Company during the Term for costs incurred by Executive for tax and estate planning advice from an entity recommended by the Company.

3.8 Compensation Plans and Programs. Executive shall be eligible to participate in any compensation plan or program maintained by the Company other than plans or programs related to (i) Company options, (ii) restricted stock and (iii) performance shares.

3.9. Previously Earned Compensation. For compensation earned by Executive for services rendered by Executive to IBP, inc. ("IBP") prior to September 28, 2001, the Company shall pay or cause to be paid to Executive compensation to include, but not limited to, the following:

(a) Stock Options. During the Term, all options to purchase IBP common stock (as converted to options to purchase Company Class A common stock using the Exchange Ratio (as that term is defined in the Agreement and Plan of Merger dated as of January 1, 2001 among IBP, the Company and Lasso, as modified by the Stipulation and Order dated June 27, 2001 among IBP, the Company and Lasso Acquisition Corporation (the "Stipulation") (as modified by the Stipulation, the "Merger Agreement") held by Executive on September 28, 2001 shall be fully exercisable by Executive in accordance with their terms.

(b) IBP Retirement Income Plan. During the Term, Executive's account under the RIP (or any successor thereof) shall continue to be adjusted for investment earnings as provided therein, as well as for additional contributions made by Executive while Executive is an employee of the Company. Upon Executive's retirement as an employee, Executive's RIP account shall be paid by the Company to Executive in accordance with the provisions of the RIP and Executive's elections thereunder.

4. **Retirement; Senior Executive Employment Agreement**. Executive may at any time after February 12, 2008 and in Executive's sole discretion, elect to retire as an employee of the Company and upon such retirement, Executive shall provide advisory services to the Company under the terms and conditions contained in the Senior Executive Employment Agreement attached hereto as Exhibit "A", and shall be paid by the Company the compensation and benefits described therein. In any event, the Company shall enter into said Senior Executive Employment Agreement with Executive on the earlier of (i) the date of Executive's Permanent Disability, (ii) Executive's death (in which event, the Senior Executive Employment Agreement shall become effective, and the benefits thereunder shall become available, upon the Executive's death), or (iii) such date on or after February 12, 2008 on which the Termination Date occurs, unless Executive has been terminated for Cause.

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5. **Employee Benefits**.

5.1 Employee Benefit Programs, Plans and Practices. The Company shall provide Executive during the Term with coverage under all employee pension and welfare benefit programs, plans and practices (commensurate with his position in the Company and to the extent permitted under any employee benefit plan) in accordance with the terms thereof, which the Company generally makes available to its senior executives. Executive shall receive credit for past

service with IBP for purposes of determining benefits pursuant to the Company's benefit plans and other Company policies.

5.2 Vacation and Fringe Benefits. Executive shall be entitled to no less than twenty (20) business days paid vacation in each calendar year (or such greater time as Company policy permits a person of his employment seniority), which shall be taken at such times as are consistent with Executive's responsibilities hereunder. In addition, Executive shall be entitled to the perquisites and other fringe benefits generally made available to senior executives of the Company, commensurate with his position with the Company.

6. Expenses. Executive is authorized to incur reasonable expenses in carrying out his duties and responsibilities under this Agreement, including, without limitation, expenses for travel and similar items related to such duties and responsibilities. The Company will reimburse Executive for all such expenses upon presentation by Executive, from time to time, of accounts of such expenditures (appropriately itemized and approved consistent with the Company's policy).

7. Termination of Employment.

7.1 Termination by the Company Not for Cause or by Executive for Good Reason.

(a) The Company may terminate Executive's employment at any time for any reason. If Executive's employment is terminated prior to the Termination Date, as that date may be extended from time to time under the terms of Section 2 hereof, (i) by the Company (other than for Cause (as defined in Section 7.2 (c) hereof) or by reason of Executive's death or Permanent Disability (as defined in Section 7.2(d) hereof)), or

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(ii) by the Executive for Good Reason (as defined in Section 7.1(c) hereof) prior to the Termination Date, Executive shall receive the following items and payments:

(i) An amount (the "Termination Amount") in lieu of any bonus in respect of all or any portion of the fiscal year in which such termination occurs and any other cash compensation, which Termination Amount shall be payable in a single lump sum within thirty (30) days following the date of such termination. The Termination Amount shall consist of an amount equal to the sum of (x) three (3) times Executive's Base Salary for the fiscal year immediately preceding the year in which such termination occurs plus (y) three (3) times Executive's Bonus for the fiscal year immediately preceding the year in which such termination occurs;

(ii) Executive shall be entitled to receive a cash lump sum payment in respect of accrued but unused vacation days (the "Vacation Payment") and to Base Salary earned but not yet paid (the "Compensation Payment");

(iii) Any then unvested restricted stock, performance shares and/or time-vesting stock option

awards previously granted to Executive by the Company, including, without limitation, those grants set forth in Section 3.3, 3.4 and 3.5 hereof, shall become immediately one-hundred percent vested. Any portion of a time-vesting stock option award accelerated pursuant to this Section 7.1(a) shall be exercisable pursuant to the terms of the stock option plan and the stock option award agreement applicable to such award;

- (iv) The amounts set forth in Section 3.6 of this Agreement;
- (v) Any amounts or items not previously paid to Executive under Section 3.8 hereof; and
- (vi) Any other benefits due to Executive pursuant to the terms of any employee benefit plan or policy maintained generally for employees or a group of management employees.

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(b) The Vacation Payment and the Compensation Payment shall be paid by the Company to Executive within 30 days after the termination of Executive's employment by check payable to the order of Executive or by wire transfer to an account specified by Executive.

(c) For purposes of this Agreement, "Good Reason" shall mean any of the following (without Executive's express prior written consent):

(i) Any material breach by the Company of this Agreement, including any material reduction by the Company of Executive's, title, duties or responsibilities (except in connection with the termination of Executive's employment for Cause, as a result of Permanent Disability, as a result of Executive's death or by Executive other than for Good Reason); or

(ii) A reduction by the Company in Executive's Base Salary, other than a reduction which is part of a general salary reduction program affecting senior executives of the Company generally; or

(iii) Any change by the Company of the Executive's place of employment to a location more than fifty (50) miles from the Company's headquarters.

## 7.2 Discharge for Cause; Voluntary Termination by Executive; Termination Because of Death or Permanent Disability.

(a) The Company shall have the right to terminate the employment of Executive for Cause. In the event that Executive's employment is terminated prior to the Termination Date (i) by the Company for Cause, or (ii) by Executive other than (A) for Good Reason or (B) as a result of the Executive's Permanent Disability or death, Executive shall only be entitled to receive the Compensation Payment the Vacation Payment and the amounts set forth in Section 3.6 of this Agreement. Executive shall not be entitled, among other things, to the payment of any bonus in respect of all or any portion of the fiscal year in which such termination occurs, but

shall be entitled to the payment of any unpaid bonus earned with respect to any prior fiscal year. After the termination of Executive's employment under this Section 7.2, the obligations of the Company under this Agreement to make any further payments, or provide any benefits specified herein, to Executive shall thereupon cease and terminate.

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(b) If Executive's employment is terminated as a result of Executive's Permanent Disability or death:

(i) Executive, Executive's estate or Executive's legal representative (as applicable) and the Company shall enter into the Senior Executive Employment Agreement referred to in Section 4 hereof;

(ii) Executive shall be entitled to receive the annual bonus described in Section 3.2 hereof prorated to the date of Executive's Permanent Disability or death;

(iii) Any then unvested restricted stock, stock performance and/or time-vesting stock option awards previously granted to Executive by the Company, including, without limitation, those grants set forth in Sections 3.3, 3.4 and 3.5 hereof, shall become immediately one-hundred percent vested; provided, however that in the event of Executive's death the option awards shall promptly thereafter terminate in accordance with Paragraph 4 of the Senior Executive Employment Agreement referred to hereinabove;

(iv) The Executive shall receive the amounts set forth in Section 3.6 of this Agreement;

(v) The Executive shall receive any amounts or items not previously paid to Executive under Section 3.9 hereof; and

(vi) The Executive shall receive any other benefits due to Executive pursuant to the terms of any employee benefit plan or policy maintained generally for employees or a group of management employees.

(c) As used herein, the term "Cause" shall be limited to (i) willful malfeasance, willful misconduct or gross negligence by Executive in connection with his employment, (ii) willful and continuing refusal by Executive to perform his duties hereunder or any lawful direction of the Company's Board of Directors (the "Board"), after notice of any such refusal to perform such duties or direction was given to Executive and

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Executive is provided a reasonable opportunity to cure such deficiency, (iii) any material breach of the provisions of Section 13 of this Agreement by Executive or any other material breach of this Agreement by Executive after notice of any such breach and an opportunity to cure such breach or (iv) the conviction of



To Executive: Richard L. Bond  
2210 Oaklawn Drive  
Springdale, Arkansas 72762-6999

Any such notice or communication shall be delivered by hand or by courier or sent certified or registered mail, return receipt requested, postage prepaid, addressed as above (or to such other address as such party may designate in a notice duly delivered as described above), and the third business day after the actual date of mailing shall constitute the time at which notice was given.

10. **Separability; Legal Fees**. If any provision of this Agreement shall be declared to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the remaining provisions hereof which shall remain in full force and effect. Each party hereto shall be solely responsible for any and all legal fees incurred by him or it in connection with this Agreement, including the enforcement thereof. In the event the Executive is required to bring any action to enforce rights or to collect monies due under this Agreement and is successful in such action, the Company shall reimburse the Executive for all of Executive's reasonable attorneys' fees and expenses in preparing, investigating and pursuing such action.

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11. **Assignment**. This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of Executive and the assigns and successors of the Company, but neither this Agreement nor any rights or obligations hereunder shall be assignable or otherwise subject to hypothecation by Executive (except by will or by operation of the laws of intestate succession) or by the Company, except that the Company may assign this Agreement to any successor (whether by merger, purchase or otherwise) to the stock, assets or business(es) of the Company.

12. **Amendment**. This Agreement may only be amended by written agreement of the parties hereto.

13. **Nondisclosure of Confidential Information; Non-Competition; Non-Disparagement**.

(a) Executive shall not, without the prior written consent of the Company, use, divulge, disclose or make accessible to any other person, firm, partnership, corporation or other entity any Confidential Information (as defined below) pertaining to the business of the Company or any of its affiliates, except (i) while employed by the Company, in the business of and for the benefit of the Company, or (ii) when required to do so by a court of competent jurisdiction, by any governmental agency having supervisory authority over the business of the Company, or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order Executive to divulge, disclose or make accessible such information. For purposes of this Section 13(a), "Confidential Information" shall mean non-public information concerning the financial data, strategic business plans, product development (or other proprietary product data), customer lists, marketing plans and other non-public, proprietary and confidential information of the Company or its affiliates (the "Restricted Group") or customers, that, in any case, is not otherwise available to the public (other than by Executive's breach of the



terms hereof).

(b) During the Term and for one (1) year thereafter, Executive agrees that, without the prior written consent of the Company, (A) he will not, directly or indirectly, in the United States, participate in any Position (as defined below) in any business which is in direct competition with any business of the Restricted Group and (B) he shall not, on his own behalf or on behalf of any person, firm or company, directly or indirectly,

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solicit or offer employment to any person who has been employed by the Restricted Group at any time during the 12 months immediately preceding such solicitation, and (C) he shall not, on his own behalf or on behalf of any person, firm or company, solicit, call upon, or otherwise communicate in any way with any client, customer, prospective client or prospective customer of the Company or of any member of the Restricted Group for the purposes of causing or of attempting to cause any such person to purchase products sold or services rendered by the Company or by any member of the Restricted Group from any person other than the Company or any member of the Restricted Group. The term "Position" shall include, without limitation, a partner, director, holder of more than 5% of the outstanding voting shares, principal, executive, officer, manager or any employment or consulting position. It is acknowledged and agreed that the scope of the clause as set forth above is essential, because (i) a more restrictive definition of "Position" (e.g. limiting it to the "same" position with a competitor) will subject the Company to serious, irreparable harm by allowing competitors to describe positions in ways to evade the operation of this clause, and substantially restrict the protection sought by the Company, and (ii) by the allowing Executive to escape the application of this clause by accepting a position designated as a "lesser" or "different" position with a competitor, the Company is unable to restrict the Executive from providing valuable information to such competing company to the harm of the Company.

(c) Executive agrees that he will not, directly or indirectly, individually or in concert with others, engage in any conduct or make any statement that is likely to have the effect of undermining or disparaging the reputation of the Company or any member of the Restricted Group, or their good will, products, or business opportunities, or that is likely to have the effect of undermining or disparaging the reputation of any officer, director, agent, representative or employee, past or present, of the Company or any member of the Restricted Group. Company agrees that it shall not, directly or indirectly, engage in any conduct or make any statement that is likely to have the effect of undermining or disparaging the reputation of Executive.

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(d) For purposes of this Section 13, a business shall be deemed to be in competition with the Restricted Group if it is principally involved in the purchase, sale or other dealing in any property or the rendering of any service purchased, sold, dealt in or rendered by the Restricted Group as a material part of the business of the Restricted Group within the same geographic area in which the Restricted Group effects such purchases, sales or dealings or renders such services. Nothing in this Section 13 shall be construed so as to



preclude Executive from investing in any company pursuant to the provisions of Section 1.3 hereof.

(e) Executive and the Company agree that this covenant not to compete is a reasonable covenant under the circumstances, and further agree that if in the opinion of any court of competent jurisdiction such restraint is not reasonable in any respect, such court shall have the right, power and authority to excise or modify such provision or provisions of this covenant as to the court shall appear not reasonable and to enforce the remainder of the covenant as so modified. Executive agrees that any breach of the covenants contained in this Section 13 would irreparably injure the Company. Accordingly, Executive agrees that the Company may, in addition to pursuing any other remedies it or they may have in law or in equity, cease making any payments otherwise required by this Agreement and obtain an injunction against Executive from any court having jurisdiction over the matter restraining any further violation of this Agreement by Executive.

14. **Beneficiaries; References**. Executive shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death, and may change such election, in either case by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of his incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to his beneficiary, estate or other legal representative. Any reference to the masculine gender in this Agreement shall include, where appropriate, the feminine.

15. **Survivorship**. The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations. In particular, the provisions of Section 13 hereunder shall remain in effect as long as is necessary to give effect thereto.

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16. **Governing Law**. This Agreement shall be construed, interpreted and governed in accordance with the laws of Arkansas, without reference to rules relating to conflicts of law.

17. **Effect on Prior Agreements**. Except as specifically herein provided, this Agreement contains the entire understanding among the parties hereto and supersedes in all respects any prior or other agreement or understanding among the parties or any affiliate or predecessor of the Company (including IBP) and Executive with respect to Executive's employment, including but not limited to any severance arrangements (save and except solely those benefits under Executive's prior employment which are expressly preserved in Section 3.9 hereof). Under no circumstances shall Executive be entitled to any other severance payments or benefits of any kind, except for the payments and benefits described herein.

18. **Withholding**. The Company shall be entitled to withhold from payment any amount of withholding required by law.

19. **Counterparts**. This Agreement may be executed in two or more counterparts, each of which will be deemed an original.



**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement on the day and year first above written.

**TYSON FOODS, INC.**

By: \_\_\_\_\_

Name: John Tyson

Title: Chairman and Chief Executive Officer

\_\_\_\_\_  
Richard L. Bond

EXHIBIT "A"

**SENIOR EXECUTIVE EMPLOYMENT AGREEMENT**

THIS SENIOR EXECUTIVE EMPLOYMENT AGREEMENT dated \_\_\_\_\_, 20\_\_\_\_ (the "Effective Date") is by and between TYSON FOODS, INC., a corporation organized under the laws of Delaware (the "Company"), and Richard L. Bond ("Executive").

**WITNESSETH :**

WHEREAS, following Executive's retirement from full time employment with the Company and/or one of its subsidiaries, the Company wishes to retain Executive's services and access to Executive's experience and knowledge; and

WHEREAS, the Executive wishes to furnish advisory services to the Company upon the terms, provisions and conditions herein provided;

NOW, THEREFORE, in consideration of the foregoing and of the agreements hereinafter contained, the parties hereby agree as follows:

1. The term of this Agreement (the "Term") shall begin on the Effective Date and end ten (10) years thereafter.
2. During the Term, Executive will, upon reasonable request, provide advisory services to the Company as follows:
  - (a) Services hereunder shall be provided as an employee of the Company;
  - (b) Executive may be required to devote up to twenty (20) hours per month to the Company;
  - (c) Executive may perform advisory services hereunder at any location but may be required to be at the offices of the Company and/or its subsidiaries upon reasonable notice; and
  - (d) Executive shall not be obligated to render services under this Agreement during any period when he is disabled due to illness or injury.
3. Beginning the Effective Date, the Company shall (i) pay Executive each year for five (5) years the sum of \$\_\_\_\_\_ [an amount equal to sixty percent (60%) of Executive's Base Salary at the Termination Date under his Employment Agreement] per year, and for the next five (5) years the sum of \$\_\_\_\_\_ [an amount equal to thirty percent (30%) of Executive's Base Salary at the Termination Date under his Employment Agreement] per year, such sums to be payable as the parties may from time to time agree; (ii) provide Executive and his spouse with health insurance during the Term as generally available to Executive at the time of retirement, and (iii) permit Executive to continue all options to purchase Company stock existing on the date of this Agreement. In addition, the Company shall continue to provide Executive with the following perquisites in accordance with the Company's policies:

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    - (a) Reimbursement for annual country club dues incurred by Executive during the Term consistent with the past practices of Executive at the Company;
    - (b) Use of, and the payment of all reasonable expenses (including, without limitation, insurance, repairs, maintenance, fuel and oil) for, an automobile. The monthly lease payment or allowance for such automobile shall be consistent with past practices under Executive's Employment Agreement with the Company dated September 28, 2001;
    - (c) Company provided split dollar life insurance with a face amount of no less than \$5,000,000, in a form similar to that provided by the Company to its other senior executive officers;
    - (d) Personal use of the Company-owned aircraft for the first five (5) years during the Term; provided, however, that Executive's personal use of the Company-owned aircraft shall not interfere with Company use of the Company-owned aircraft. The Company will reimburse and gross-up Executive for any and all income tax

liability incurred by Executive in connection with his personal use of the Company-owned aircraft; and

(e) Reimbursement from the Company during the Term for costs incurred by Executive for tax and estate planning advice from an entity recommended by the Company.

In the event of the Executive's death, the compensation, perquisites and benefits described above shall continue to be paid to the Executive's spouse for the duration of the Term. In the event of death by both Executive and his spouse, all benefits under this Agreement shall cease.

5. In the event of Executive's death, the Company will, upon written notice given within sixty (60) days of death by Executive's designated beneficiary, if any, or otherwise by the administrator of Executive's estate, terminate all Executive owned options to purchase Company common stock, whether or not then currently vested, in exchange for payment equal to the aggregate spread between the strike price and the market value of such stock at the close of business on the next business day succeeding Executive's death.
6. While this Agreement is in effect and thereafter, the Executive shall not divulge to anyone, except in the regular course of the Company's business, any confidential or proprietary information regarding the Company's records, plans or any other aspects of the Company's business which it considers confidential or proprietary; provided, an insubstantial or inadvertent disclosure by Executive causing no material harm to Company is not deemed a breach of this provision.

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7. This Agreement shall terminate in the event Executive accepts employment from anyone deemed by the Company to be a competitor.
  8. The right of the Executive or any other beneficiary under this Agreement to receive payments may not be assigned, pledged or encumbered, except by will or by the laws of descent and distribution, without the permission of the Company which it may withhold in its sole and absolute discretion.
  9. This Agreement represents the complete agreement between the Company and Executive concerning the subject matter hereof and supersedes all prior employment or benefit agreements or understandings, written or oral. No attempted modification or waiver of any of the provisions hereof shall be binding on either party unless in writing and signed by both Executive and Company.
  10. It is the intention of the parties hereto that all questions with respect to the construction and performance of this Agreement shall be determined in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date written above.

TYSON FOODS, INC.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_

Richard L. Bond

**EXHIBIT 10.21****AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT**

**THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT** (the "Agreement"), made as of July 29, 2003 by and between Tyson Foods, Inc., a Delaware corporation (the "Company"), and Greg Lee, a resident of the State of Arkansas (the "Executive"), amends and restates that certain Employment Agreement by and between the Company and the Executive dated as of October 1, 2001 ("Original Agreement").

**RECITALS**

To induce Executive's service as an officer of the Company during the Term (as defined in Section 2 below), the Company desires to provide Executive with compensation and other benefits on the terms and conditions set forth in this Agreement.

Executive is willing to accept such employment and perform services for the Company, on the terms and conditions hereinafter set forth.

It is therefore hereby agreed by and among the parties as follows:

1. **Employment** .

1.1 Subject to the terms and conditions of this Agreement, the Company agrees to employ Executive as Chief Administrative Officer and President, International. In such capacity, Executive shall report to the Company's Chairman and Chief Executive Officer and shall have the powers, responsibilities and authorities as are assigned by the Company's Chairman and Chief Executive Officer.

1.2 Subject to the terms and conditions of this Agreement, Executive hereby accepts employment as Chief Administrative Officer and President, International of the Company as of February 13, 2003 and agrees to devote his full working time and efforts, to the best of his ability, experience and talent, to the performance of services, duties and responsibilities in connection therewith. Executive shall perform such duties and exercise such powers, commensurate with his position, as the Company's Chairman and Chief Executive Officer shall from time to time delegate to him on such terms and conditions and subject to such restrictions as the Company's Chairman and Chief Executive Officer may reasonably from time to time impose.

1.3 Except as provided in Section 13 hereof, and provided that, in the reasonable determination of the Company's Chairman and Chief Executive Officer, the following activities do not interfere with Executive's duties and responsibilities hereunder, nothing in this Agreement shall preclude Executive from (i) engaging in charitable and community affairs, (ii) managing any passive investment made by him in publicly traded equity securities or

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other property (provided that no such investment may exceed 5% of the equity of any publicly traded entity, without the prior approval of the Company's Chairman and Chief Executive Officer) or (iii) serving as a member of boards of directors or as a trustee of any other corporation, association or entity. For purposes of the preceding sentence, any required approval shall not be unreasonably withheld.

2. **Term of Employment**. Executive's term of employment under this Agreement shall commence as of October 1, 2001 and, subject to the terms hereof, shall terminate on such date (the "Termination Date") which is the earlier of (i) February 12, 2008 or (ii) the termination of Executive's employment pursuant to this Agreement (the period from October 1, 2001 until the Termination Date shall be the "Term"). The Termination Date (and the Term) shall automatically be extended for an additional year on February 12, 2008 and on each subsequent last day of the Company's fiscal year thereafter unless (a) Executive's employment has been terminated prior to such day, or (b) not later than 30 days prior to such day, either party to this Agreement shall have given written notice to the other party that he or it does not wish to extend further the Termination Date (and the Term).

3. **Compensation**.

3.1 **Salary**. The Company shall pay Executive a base salary ("Base Salary") at the rate of \$700,000 per annum effective February 13, 2003; provided, however, that on no less than an annual basis, the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") shall review the Executive's annual Base Salary for potential increase; however, Executive's right to annual increases shall not be unreasonably denied, and the Base Salary shall not be decreased at any time during the Term. Base Salary shall be payable in accordance with the ordinary payroll practices of the Company. Any increase in Base Salary shall constitute "Base Salary" hereunder.

3.2 **Annual Bonus**. It is expressly understood and contemplated that Executive's bonus plan will be mutually agreed to by the parties hereto for each fiscal year during the Term and shall be subject to final approval by the Compensation Committee.

3.3 **Stock Option Awards**. In addition to the option awards made prior to the date hereof pursuant to the terms of the Original Agreement, and in replacement of the options to be awarded after the date hereof pursuant to the terms of the Original Agreement, as of the later of the date of

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approval by the Compensation Committee or the execution of this Agreement, Executive shall receive an option to purchase 160,000 shares of Company Class A common stock at an exercise price equal to the market price of Company Class A common stock on the date of the grant; the other terms and conditions of such award shall be governed by the terms of the Tyson Foods, Inc. 2000 Stock Incentive Plan (the "Stock Plan") and a stock option award agreement in a form substantially similar to that presently used by the Company. On such day of each of the Company's 2004, 2005,

2006, 2007 and 2008 fiscal years that option grants are awarded generally to other employees of the Company (in each case so long as the Termination Date has not occurred), the Company shall award Executive an additional option to acquire 160,000 shares of Company Class A common stock at an exercise price equal to the market price of Company Class A common stock on the date of the grant; the other terms and conditions of such awards shall be governed by the terms of the Stock Plan and a stock option award agreement in a form substantially similar to that then used by the Company. The options awarded pursuant to this Section 3.3 shall be for a term of ten (10) years and shall vest forty percent (40%) on the second anniversary of the date of the award and in twenty (20%) increments annually thereafter until fully vested.

3.4 Restricted Stock. In addition to the restricted stock awards made prior to the date hereof pursuant to the terms of the Original Agreement, as of the later of the date of approval by the Compensation Committee or the execution of this Agreement, Executive shall receive an award of 465,638 shares of restricted Company Class A common stock (less any shares withheld to satisfy applicable tax withholding requirements) pursuant to the Stock Plan and a restricted stock award agreement in a form substantially similar to that presently used by the Company and which shall vest on February 12, 2008.

3.5 Performance Shares. On the first business day of each of the Company's 2004, 2005 and 2006 fiscal years, Executive shall receive an award of phantom shares of the Company's Class A Common Stock having a maximum aggregate value of \$712,500 on the date of the award, subject to the terms and conditions of the Stock Plan and a performance share agreement to be adopted by the Compensation Committee prior to the date of each award. Subject to satisfaction of the performance criteria set forth in the applicable performance share agreement, the award made in 2004 shall vest two (2) business days after the Company publicly releases its earnings for the 2006 fiscal year, the award made in 2005 shall vest two (2) business days after the Company publicly releases its earnings for the 2007 fiscal year, and the award made in 2006 shall vest two (2) business days after the Company publicly releases its earnings for the second quarter of the 2008 fiscal year.

3.6 Perquisites. During the Term, the Company shall provide Executive with the following:

(a) Reimbursement for annual country club dues incurred by Executive during the Term consistent with the past practices of Executive at the Company, and the Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection therewith;

(b) Use of, and the payment of all reasonable expenses (including, without limitation, insurance, repairs, maintenance, fuel and oil) for, an automobile. The monthly lease payment or allowance for such automobile shall be consistent with the past practices for other executives at the Company and the Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection therewith;

(c) For the term of the Original Agreement (i.e. through October 1, 2006), Company provided split dollar life insurance with a face amount of no less than \$3,000,000, in a form similar to that provided by the Company to its other senior executive officers, and the Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection therewith;



(d) Reasonable personal use of the Company-owned aircraft; provided, however, that Executive's personal use of the Company-owned aircraft shall not interfere with Company use of the Company-owned aircraft, and the Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection with his personal use of the Company-owned aircraft;

(e) Subject to the prior approval of the Chairman and Chief Executive Officer, reasonable personal use of the Company-owned entertainment assets; provided, however, that Executive's personal use of the Company-owned entertainment assets shall not interfere with Company use of the Company-owned entertainment assets, and the Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection therewith;

(f) Use of, and the payment of all reasonable expenses associated with, personal cellular phones, home phone and internet lines; and

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(g) Reimbursement from the Company during the Term for costs incurred by Executive for tax and estate planning advice from an entity recommended by the Company.

3.6 Compensation Plans and Programs. Executive shall be eligible to participate in any compensation plan or program maintained by the Company other than plans or programs related to (i) Company options , (ii) restricted stock and (iii) performance shares.

4. **Retirement; Senior Executive Employment Agreement**. Executive may at any time after February 12, 2008 and in Executive's sole discretion, elect to retire as an employee of the Company and upon such retirement, Executive shall provide advisory services to the Company under the terms and conditions contained in the Senior Executive Employment Agreement attached hereto as Exhibit "A", and shall be paid by the Company the compensation and benefits described therein. In any event, the Company shall enter into said Senior Executive Employment Agreement with Executive on the earlier of (i) the date of Executive's Permanent Disability, (ii) Executive's death (in which event, the Senior Executive Employment Agreement shall become effective, and the benefits thereunder shall become available, upon the Executive's death), or (iii) such date on or after February 12, 2008 on which the Termination Date occurs, unless Executive has been terminated for Cause.

5. **Employee Benefits**.

5.1 Employee Benefit Programs, Plans and Practices. The Company shall provide Executive during the Term with coverage under all employee pension and welfare benefit programs, plans and practices (commensurate with his position in the Company and to the extent permitted under any employee benefit plan) in accordance with the terms thereof, which the Company generally makes available to its senior executives.

5.2 Vacation and Fringe Benefits. Executive shall be entitled to no less than twenty (20) business days paid vacation in each calendar year (or such greater time as Company policy permits a person of his employment seniority),

which shall be taken at such times as are consistent with Executive's responsibilities hereunder. In addition, Executive shall be entitled to the perquisites and other fringe benefits generally made available to senior executives of the Company, commensurate with his position with the Company.

6. **Expenses**. Executive is authorized to incur reasonable expenses in carrying out his duties and responsibilities under this Agreement, including, without limitation, expenses for travel and similar items related to such duties and responsibilities. The Company will reimburse Executive for all such expenses upon presentation by Executive, from time to time, of accounts of such expenditures (appropriately itemized and approved consistent with the Company's policy).

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7. **Termination of Employment**.

7.1 **Termination by the Company Not for Cause or by Executive for Good Reason**.

(a) The Company may terminate Executive's employment at any time for any reason. If Executive's employment is terminated prior to the Termination Date, as that date may be extended from time to time under the terms of Section 2 hereof, (i) by the Company (other than for Cause (as defined in Section 7.2(c) hereof) or by reason of Executive's death or Permanent Disability (as defined in Section 7.1(d) hereof)), or (ii) by the Executive for Good Reason (as defined in Section 7.1(c) hereof) prior to the Termination Date, Executive shall receive the following items and payments:

(i) An amount (the "Termination Amount") in lieu of any Bonus in respect of all or any portion of the fiscal year in which such termination occurs and any other cash compensation, which Termination Amount shall be payable in a single lump sum within thirty (30) days following the date of such termination. The Termination Amount shall consist of an amount equal to the sum of (x) three (3) times Executive's Base Salary for the fiscal year immediately preceding the year in which such termination occurs plus (y) three (3) times Executive's Bonus for the fiscal year immediately preceding the year in which such termination occurs;

(ii) Executive shall be entitled to receive a cash lump sum payment in respect of accrued but unused vacation days (the "Vacation Payment") and to Base Salary earned but not yet paid (the "Compensation Payment");

(iii) Any then unvested restricted stock, performance shares and/or time-vesting stock option awards previously granted to Executive by the Company, including, without limitation, those grants set forth in Sections 3.3, 3.4 and 3.5 hereof, shall become immediately one-hundred percent vested. Any portion of a time-vesting stock option award accelerated pursuant to this Section 7.1(a) shall be exercisable pursuant to the terms of the stock option plan and the stock option award agreement applicable to such award; and

(iv) Any other benefits due to Executive pursuant to the terms of any employee benefit plan or policy maintained generally for employees or a group of management employees.

(b) The Vacation Payment and the Compensation Payment shall be paid by the Company to Executive within 30 days after the termination of Executive's employment by check payable to the order of Executive or by wire transfer to an account specified by Executive.

(c) For purposes of this Agreement, "Good Reason" shall mean any of the following (without Executive's express prior written consent):

(i) Any material breach by the Company of this Agreement, including any material reduction by the Company of Executive's, title, duties or responsibilities (except in connection with the termination of Executive's employment for Cause, as a result of Permanent Disability, as a result of Executive's death or by Executive other than for Good Reason); or

(ii) A reduction by the Company in Executive's Base Salary, other than a reduction which is part of a general salary reduction program affecting senior executives of the Company generally; or

(iii) Any change by the Company of the Executive's place of employment to a location more than fifty (50) miles from the Company's headquarters.

7.2 Discharge for Cause; Voluntary Termination by Executive; Termination Because of Death or Permanent Disability.

(a) The Company shall have the right to terminate the employment of Executive for Cause. In the event that Executive's employment is terminated prior to the Termination Date (i) by the Company for Cause, or (ii) by Executive other than (A) for Good Reason or (B) as a result of the Executive's Permanent Disability or death, Executive shall only be entitled to receive the Compensation Payment and the Vacation Payment. Executive shall not be entitled, among other things, to the payment of any Bonus in respect of all or any portion of the fiscal year in which such termination occurs, but shall be entitled to the payment of any unpaid bonus earned with respect to any prior fiscal year. After the termination of Executive's employment under this Section 7.2, the obligations of the Company under this Agreement to make any further payments, or provide any benefits specified herein, to Executive shall thereupon cease and terminate.

(b) If Executive's employment is terminated as a result of Executive's Permanent Disability or death:

(i) Executive shall be entitled to receive the annual bonus described in Section 3.2 hereof



FAX: (479) 290-4028  
Attn: General Counsel

To Executive: Greg Lee  
4553 Crossover Road  
Springdale, Arkansas 72764

Any such notice or communication shall be delivered by hand or by courier or sent certified or registered mail, return receipt requested, postage prepaid, addressed as above (or to such other address as such party may designate in a notice duly delivered as described above), and the third business day after the actual date of mailing shall constitute the time at which notice was given.

10. **Separability; Legal Fees**. If any provision of this Agreement shall be declared to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the remaining provisions hereof which shall remain in full force and effect. Each party hereto shall be solely responsible for any and all legal fees incurred by him or it in connection with this Agreement, including the enforcement. In the event the Executive is required to bring any action to enforce rights or to collect monies due under this Agreement and is successful in such action, the Company shall reimburse the Executive for all of Executive's reasonable attorneys' fees and expenses in preparing, investigating and pursuing such action.

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11. **Assignment**. This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of Executive and the assigns and successors of the Company, but neither this Agreement nor any rights or obligations hereunder shall be assignable or otherwise subject to hypothecation by Executive (except by will or by operation of the laws of intestate succession) or by the Company, except that the Company may assign this Agreement to any successor (whether by merger, purchase or otherwise) to the stock, assets or business(es) of the Company.

12. **Amendment**. This Agreement may only be amended by written agreement of the parties hereto.

13. **Nondisclosure of Confidential Information; Non-Competition; Non-Disparagement**.

(a) Executive shall not, without the prior written consent of the Company, use, divulge, disclose or make accessible to any other person, firm, partnership, corporation or other entity any Confidential Information (as defined below) pertaining to the business of the Company or any of its affiliates, except (i) while employed by the Company, in the business of and for the benefit of the Company, or (ii) when required to do so by a court of competent jurisdiction, by any governmental agency having supervisory authority over the business of the Company, or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order Executive to divulge, disclose or make accessible such information. For purposes of this Section 13(a), "Confidential Information" shall mean non-public information concerning the financial data, strategic business plans, product development (or other proprietary product data), customer lists, marketing plans and other non-public, proprietary and confidential information of the Company or its affiliates (the "Restricted Group") or customers, that, in any case, is not otherwise available to the public (other than by Executive's breach of the

terms hereof).

(b) During the Term and for one (1) year thereafter, Executive agrees that, without the prior written consent of the Company, (A) he will not, directly or indirectly, in the United States, participate in any Position (as defined below) in any business which is in direct competition with any business of the Restricted Group and (B) he shall not, on his own behalf or on behalf of any person, firm or company, directly or indirectly, solicit or offer employment to any person who has been employed by the Restricted Group at any time during the 12 months immediately preceding such solicitation, and (C) he shall not, on his own behalf or on behalf of any person, firm or company, solicit, call upon, or otherwise communicate in

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any way with any client, customer, prospective client or prospective customer of the Company or of any member of the Restricted Group for the purposes of causing or of attempting to cause any such person to purchase products sold or services rendered by the Company or by any member of the Restricted Group from any person other than the Company or any member of the Restricted Group. The term "Position" shall include, without limitation, a partner, director, holder of more than 5% of the outstanding voting shares, principal, executive, officer, manager or any employment or consulting position. It is acknowledged and agreed that the scope of the clause as set forth above is essential, because (i) a more restrictive definition of "Position" (e.g. limiting it to the "same" position with a competitor) will subject the Company to serious, irreparable harm by allowing competitors to describe positions in ways to evade the operation of this clause, and substantially restrict the protection sought by the Company, and (ii) by the allowing Executive to escape the application of this clause by accepting a position designated as a "lesser" or "different" position with a competitor, the Company is unable to restrict the Executive from providing valuable information to such competing company to the harm of the Company.

(c) Executive agrees that he will not, directly or indirectly, individually or in concert with others, engage in any conduct or make any statement that is likely to have the effect of undermining or disparaging the reputation of the Company or any member of the Restricted Group, or their good will, products, or business opportunities, or that is likely to have the effect of undermining or disparaging the reputation of any officer, director, agent, representative or employee, past or present, of the Company or any member of the Restricted Group. Company agrees that it shall not, directly or indirectly, engage in any conduct or make any statement that is likely to have the effect of undermining or disparaging the reputation of Executive.

(d) For purposes of this Section 13, a business shall be deemed to be in competition with the Restricted Group if it is principally involved in the purchase, sale or other dealing in any property or the rendering of any service purchased, sold, dealt in or rendered by the Restricted Group as a material part of the business of the Restricted Group within the same geographic area in which the Restricted Group effects such purchases, sales or dealings or renders such services. Nothing in this Section 13 shall be construed so as to preclude Executive from investing in any company pursuant to the provisions of Section 1.3 hereof.

(e) Executive and the Company agree that this covenant not to compete is a reasonable covenant under the circumstances, and further agree that if in the opinion of any court of competent jurisdiction such restraint is not reasonable in any respect, such court shall have the right, power and authority to excise or modify such provision or provisions of this covenant as to the court shall appear not reasonable and to enforce the remainder of the covenant as so modified. Executive agrees that any breach of the covenants contained in this Section 13 would irreparably injure the Company. Accordingly, Executive agrees that the Company may, in addition to pursuing any other remedies it or they may have in law or in equity, cease making any payments otherwise required by this Agreement and obtain an injunction against Executive from any court having jurisdiction over the matter restraining any further violation of this Agreement by Executive.

14. **Beneficiaries; References**. Executive shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death, and may change such election, in either case by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of his incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to his beneficiary, estate or other legal representative. Any reference to the masculine gender in this Agreement shall include, where appropriate, the feminine.

15. **Survivorship**. The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations. In particular, the provisions of Section 13 hereunder shall remain in effect as long as is necessary to give effect thereto.

16. **Governing Law**. This Agreement shall be construed, interpreted and governed in accordance with the laws of Arkansas, without reference to rules relating to conflicts of law.

17. **Effect on Prior Agreements**. Except as specifically herein provided, this Agreement contains the entire understanding among the parties hereto and supersedes in all respects any prior or other agreement or understanding among the parties or any affiliate or predecessor of the Company and Executive with respect to Executive's employment, including but not limited to any severance arrangements. Under no circumstances shall Executive be entitled to any other severance payments or benefits of any kind, except for the payments and benefits described herein.

18. **Withholding**. The Company shall be entitled to withhold from payment any amount of withholding required by law.

19. **Counterparts**. This Agreement may be executed in two or more counterparts, each of which will be deemed an original.





IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

**TYSON FOODS, INC.**

By: \_\_\_\_\_

Name: John Tyson

Title: Chairman and Chief Executive Officer

\_\_\_\_\_

Greg Lee

SENIOR EXECUTIVE EMPLOYMENT AGREEMENT

THIS SENIOR EXECUTIVE EMPLOYMENT AGREEMENT dated \_\_\_\_\_, 20\_\_\_\_ (the "Effective Date") is by and between TYSON FOODS, INC., a corporation organized under the laws of Delaware (the "Company"), and Greg Lee ("Executive").

WITNESSETH:

WHEREAS, following Executive's retirement from full time employment with the Company and/or one of its subsidiaries, the Company wishes to retain Executive's services and access to Executive's experience and knowledge; and

WHEREAS, the Executive wishes to furnish advisory services to the Company upon the terms, provisions and conditions herein provided;

NOW, THEREFORE, in consideration of the foregoing and of the agreements hereinafter contained, the parties hereby agree as follows:

1. The term of this Agreement (the "Term") shall begin on the Effective Date and end ten (10) years thereafter.
2. During the Term, Executive will, upon reasonable request, provide advisory services to the Company as follows:
  - (a) Services hereunder shall be provided as an employee of the Company;
  - (b) Executive may be required to devote up to twenty (20) hours per month to the Company;
  - (c) Executive may perform advisory services hereunder at any location but may be required to be at the offices of the Company and/or its subsidiaries upon reasonable notice; and
  - (d) Executive shall not be obligated to render services under this Agreement during any period when he is disabled due to illness or injury.
3. Beginning the Effective Date, the Company shall (i) pay Executive each year for five (5) years the sum of \$\_\_\_\_\_ [an amount equal to sixty percent (60%) of Executive's Base Salary at the Termination Date under his Employment Agreement] per year, and for the next five (5) years the sum of \$\_\_\_\_\_ [an amount equal to thirty percent (30%) of Executive's Base Salary at the Termination Date under his Employment Agreement] per year, such sums to be payable as the parties may from time to time agree; (ii) provide Executive and his spouse with

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health insurance during the Term as generally available to Executive at the time of retirement, and (iii) permit Executive to continue all options to purchase Company stock existing on the date of this Agreement. In addition, the Company shall continue to provide Executive with the following perquisites in accordance with the Company's policies:

4. (a) Reimbursement for annual country club dues incurred by Executive during the Term consistent with the past practices of Executive at the Company;
- (b) Use of, and the payment of all reasonable expenses (including, without limitation, insurance, repairs,

maintenance, fuel and oil) for, an automobile. The monthly lease payment or allowance for such automobile shall be consistent with past practices under Executive's Employment Agreement with the Company dated September 28, 2001;

(c) Personal use of the Company-owned aircraft for the first five (5) years during the Term; provided, however, that Executive's personal use of the Company-owned aircraft shall not interfere with Company use of the Company-owned aircraft. The Company will reimburse and gross-up Executive for any and all income tax liability incurred by Executive in connection with his personal use of the Company-owned aircraft; and

(d) Reimbursement from the Company during the Term for costs incurred by Executive for tax and estate planning advice from an entity recommended by the Company.

In the event of the Executive's death, the compensation, perquisites and benefits described above shall continue to be paid to the Executive's spouse for the duration of the Term. In the event of death by both Executive and his spouse, all benefits under this Agreement shall cease.

5. In the event of Executive's death, the Company will, upon written notice given within sixty (60) days of death by Executive's designated beneficiary, if any, or otherwise by the administrator of Executive's estate, terminate all Executive owned options to purchase Company common stock, whether or not then currently vested, in exchange for payment equal to the aggregate spread between the strike price and the market value of such stock at the close of business on the next business day succeeding Executive's death.
6. While this Agreement is in effect and thereafter, the Executive shall not divulge to anyone, except in the regular course of the Company's business, any confidential or proprietary information regarding the Company's records, plans or any other aspects of the Company's business which it considers confidential or proprietary; provided, an insubstantial or inadvertent disclosure by Executive causing no material harm to Company is not deemed a breach of this provision.

7. This Agreement shall terminate in the event Executive accepts employment from anyone deemed by the Company to be a competitor.
8. The right of the Executive or any other beneficiary under this Agreement to receive payments may not be assigned, pledged or encumbered, except by will or by the laws of descent and distribution, without the permission of the Company which it may withhold in its sole and absolute discretion.
9. This Agreement represents the complete agreement between the Company and Executive concerning the subject matter hereof and supersedes all prior employment or benefit agreements or understandings, written or oral. No attempted modification or waiver of any of the provisions hereof shall be binding on either party unless in writing and signed by both Executive and Company.
10. It is the intention of the parties hereto that all questions with respect to the construction and performance of this Agreement shall be determined in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date written above.

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
Greg Lee

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**Exhibit 12.1**

Computation of Ratio of Earnings to Fixed Charges

	2003	2002	2001	2000	1999
Net income for the period	337,408	382,727	87,859	151,221	230,048
Add: Provision for income taxes	185,493	210,237	58,362	83,520	129,355
Add: Minority interest	248	(97)	18,750	(182)	11,526
Fixed charges	337,658	359,493	175,457	142,613	159,072
Less: Capitalized interest	(3,325)	(9,264)	(3,249)	(1,746)	(5,226)
Income before taxes on income and fixed charges	857,482	943,096	337,179	375,426	524,775
Fixed Charges:					
Interest	294,669	304,854	143,718	115,261	128,035
Capitalized interest	3,325	9,264	3,249	1,746	5,226
Rentals at computed interest factor (1)	34,730	37,504	25,343	22,052	21,398
Amortization of debt discount expense	4,934	7,871	3,147	3,554	4,413
Total fixed charges	337,658	359,493	175,457	142,613	159,072
Ratio of earnings to fixed charges	2.54	2.62	1.92	2.63	3.30

(1) Amounts represent those portions of rent expense (one-third) that are reasonable approximations of interest costs.

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<b>Entity Name</b>	<b>Place of Incorporation</b>	<b>Description of Operations</b>
<b>SUBSIDIARIES - 100% OWNED UNLESS OTHERWISE NOTED</b>		
<b><u>TYSON FOODS, INC.</u></b>	<b>Delaware</b>	<b>Food Processing Company</b>
AAFC International, Inc.	U.S. Virgin Islands	Foreign sales corporation; [in process of dissol
Global Employment Services, Inc.	Delaware	Employ personnel outside the United States.
Gorges Foodservice, Inc.	Texas	Owns property in Arkansas.
National Comp Care Inc.	Delaware	Provides managed care network.
Oaklawn Capital Corporation	Delaware	Grower financing company; owns controlling i Capital-Mississippi, L.L.C.
The Pork Group, Inc.	Delaware	Farrow to finish swine operations in Arkansas, Oklahoma.
TyNet Corporation	Delaware	Provides managed care network/workers' comp employees.
Tyson Breeders, Inc.	Delaware	Owns and produces poultry breeding stock in N GA
Tyson Canada Finance LP	Canada	International Financing Company
Tyson Delaware Holdings, LLC	Delaware	Holding company for foreign subsidiaries
Tyson Export Sales, Inc	U.S. Virgin Islands	Foreign sales corporation; [in process of dissol
Tyson Foreign Sales, Inc.	Barbados	Foreign sales corporation.
Tyson International Company, Ltd.	Bermuda	Bermuda insurance corporation.
Tyson Mexican Original, Inc.	Delaware	Produces flour and corn tortillas and chips in A Carolina and Indiana..
Tyson Receivables Corporation	Delaware	Special purpose entity for receivable's financin
Tyson Sales and Distribution, Inc.	Delaware	Performs certain sales and distribution function
Tyson Seafood Group-Japan, Inc.	Japan	Trading company; in process of dissolution.
Tyson Shared Services, Inc.	Delaware	Provides administrative support services to Tys
Universal Plan Investments	Hong Kong	Owns 51% interest in Shanghai Ocean Wealth
World Resource, Inc.	Delaware	Trading Company
<b><u>TYSON CHICKEN, INC. (Subsidiary of Tyson Foods, Inc.)</u></b>	<b>Delaware</b>	<b>Food processing company.</b>
Hudson Foods Foreign Sales, Inc.	U.S. Virgin Islands	Foreign sales corporation.

Meat Products Exports, Inc.	U.S. Virgin Islands	Foreign sales corporation.
Hudson Midwest Foods, Inc.	Nebraska	
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<b><u>TYSON FARMS, INC. (Subsidiary of Tyson Foods, Inc.)</u></b>	<b>North Carolina</b>	<b>Owns and produces broilers operating in VA MS.</b>
Nacrail, LLC	Delaware	50% Owned by Tyson Farms, Inc. - 50% Owned by Nacrail, LLC - owns rail facilities.
Choctaw Foods, Inc.	Mississippi	Poultry Processing
Choctaw Maid Farms, Inc.	Mississippi	Poultry Processing
Myrick Farms, Inc.	Mississippi	100% owned by Choctaw Maid Farms, Inc.-owned
<b><u>TYSON INTERNATIONAL HOLDING COMPANY (Subsidiary of Tyson Foods, Inc.)</u></b>	<b>Delaware</b>	<b>U.S. Corporation used for foreign operations</b>
Benton Sales, Ltd.	British Virgin Islands Corporation	100% Owned by TIHC; Trading Company
Oaklawn Sales, Ltd.	British Virgin Islands Corporation	100% Owned by TIHC; Trading Company
Shandong Tyson-Da Long Food Company, Ltd.	China	65% owned by TIHC; 35% Dailong
Tyson Canada International Holdings LP	Canada	Holding Company for foreign subsidiaries
<b><u>TYSON POULTRY, INC. (Subsidiary of Tyson Foods, Inc.)</u></b>	<b>Delaware</b>	<b><u>Poultry processing, growing and hatching co</u></b>
Feed Mill Exchange, LLC	Arkansas	Owns a Feed Mill
<b><u>TYSON FRESH MEATS, INC. (formerly known as IBP, inc) (Subsidiary of Tyson Foods, Inc.)</u></b>	<b>Delaware</b>	<b>Beef and Pork Processing Operations</b>
The Bruss Company	Illinois	Produces Steaks and Chops
Tyson Processing Services, Inc.	Delaware	Produce ground beef in patty and bulk form.
IBP Finance Company of Canada	Nova Scotia	Canadian financing corporation.

The IBP Foods Co.	Delaware	Produce prepared meats and other consumer-re and foodservice industries.
IBP Foreign Sales Corporation	Guam	Foreign sales corporation.
Tyson Hog Markets, Inc.	Delaware	Hog buying operation in Midwest.
IBP Redevelopment Corporation	Missouri	Acquire, construct, maintain and operate a rede
Tyson Service Center Corp.	Delaware	Sale representative soliciting offers from custor products and forwarding to manufacturer.
Tyson of Wisconsin, Inc.	Delaware	Hog buying operation in Wisconsin.
Madison Foods, Inc.	Delaware	Owens the processing facility in Norfolk, Nebra
PBX, inc.	Delaware	For-hire motor carrier which transports supplie finished products of IBP, inc. beef and pork pla
Rural Energy Systems, Inc.	Delaware	Intra-State Carrier which owns pipeline to plan Kansas and Amarillo, Texas.
Texas Transfer, Inc.	Texas	To obtain and use certain Texas Railway Comr Transportation Authorizations.

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**Lakeside Farm Industries, Ltd. (Subsidiary of Tyson Fresh Meats, Inc.)**

Lakeside Feeders Ltd.	Alberta Canada	100% owned by Lakeside Farm Industries, Ltd.
961436 Alberta Ltd.	Alberta Canada	100% owned by Lakeside Farm Industries, Ltd
Lakeside Feeders Partnership	Alberta Canada	90% Owned by Lakeside Feeders Ltd. an 961436 Alberta Ltd.

**IBP Caribbean, Inc. (Subsidiary of Tyson Fresh Meats, Inc.)**

Mainstream Holding Limited	Hong Kong	Joint Venture Company to hold equity investm IBP Caribbean, Inc.; 55% DCH Food Industry
Shanghai DCH Jinshan Company Ltd.	China	Majority owned by Mainstream Holding Limite by Chinese member.

**Tyson International Service Center Inc. (Sudsiary of Tyson Fresh Meats, Inc.)**

Tyson International Service Center, Inc.Asia	Delaware	Domestic International Sales Corporation in As
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**Canada**

**Processor of Beef Products**

**Cayman Islands**

**Offshore Holding Company**

**Delaware**

**Domestic International Sales Corporation.**

Tyson International Service Center, Inc. Europe	Delaware	Domestic International Sales Corporation in Eu
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**Tyson Fresh Meats, Inc./JOINT VENTURES AND PARTNERSHIP**

Carneco Foods, LLC	Oklahoma	Tyson Fresh Meats, Inc. 30%, Carneco Hol 70%
IBP Hudson Enterprises, LLC	Delaware	Joint Venture in Russia for meat processing Tyson Fresh Meats, Inc.;50% Hudson Grou
ID Casing, LLC	Delaware	Joint Venture in China for the production of casings. 50% Tyson Fresh Meats, Inc.;50% International Casing Corporation.
Shandong Sand's Food and Development Co., LTd.	China (Inactive)	Joint Venture B30% Tyson Fresh Meats, Inc American Sand Investment, L.L.C.; 45% Z Zhonglu Biological Engineering Company,

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<b><u>BP FOODSERVICE, LLC (Subsidiary of Tyson Fresh Meats, Inc)78%; IBP Carribean, Inc. 22% )</u></b>		Holding Company
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<b><u>FOODBRANDS AMERICA, INC. (Subsidiary of IBP Foodservice, LLC)</u></b>	<b>Delaware</b>	Holding Company
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CBFA Management Corp.	Delaware	
Foodbrands Supply Chain Services, Inc.	Texas	Distribution Center
Forrest City Foods, LLC	Arkansas	Owns inactive plant in Forrest City, Arkans
Wilton Foods, Inc.	New York	Inactive Corporation

<b><u>Tyson Retail Deli, Inc. (Subsidiary of Foodbrands America, Inc.)</u></b>	<b>Delaware</b>	<b>Processor of Meat and other food produc</b>
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Tyson Prepared Foods, Inc .	Delaware	Processor of Meat and other food products
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<b><u>Tyson Refrigerated Processed Meats, Inc. (Subsidiary of Foodbrands America, Inc.)</u></b>	<b>Delaware</b>	<b>Processor of Meat and other food produc</b>
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Carolina Brand Foods, LLC	North Carolina	<b>Manufactures Bacon</b>
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ITC, LLC	Oklahoma	<b>Processed Meats</b>
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<b><u>DFG Foods, Inc. (Subsidiary of Foodbrands America, Inc.)</u></b>	<b>Delaware</b>	<b>Holding Company</b>
DFG Foods, LLC	Oklahoma	Kosher and Non- Kosher appetizers and H d=oeuvres

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<b><u>Zemco Industries, Inc. (Subsidiary of Foodbrands America, Inc.)</u></b>	<b>Delaware</b>	<b><u>Prepared Meats sold to Delis</u></b>
Condyne-Jordan's LLC	Maine	Distribution Center - 54.91% owned by Zemco Ind Inc. and 45.09% owned by Scherr/Rothschild.
<b><u>JOINT VENTURES/PARTNERSHIP</u></b>		
Tyson de Mexico, S.A.de C.V.	Mexico	Tyson Foods, Inc. - 97.7197% Itochu - 3.3374% In Poultry Co.
Shanghai Ocean Wealth Products Corp.	China	51% Owned by Universal Plan Investments
Commerce Ventures, LLC	Delaware	54.78% -Tyson Foods, Inc. ; 27.39% - Cargill, Incorporated; 8.92% - Gold Kist, Inc. ; 5.62%- Farmland National Beef Packing Compan 3.30%- Farmland Foods, Inc.
eFS Network, Inc.	Delaware	17.54% -Tyson Foods, Inc. ; 16.61%- eMac Digital LLC; 16.61% - Sysco eVentures, Inc. ; 16.61% - Cargill, Incorporated 32.63% Various other individual and companies.
Central Industries, Inc	Mississippi	34.37% Koch Farms of MS. 18.90% Choctaw Maid Farms, Inc. 30.77% Tyson Farms, Inc. 3.69% Forest Packing 12.27% Marshall Durbin Food

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<b><u>COBB-VANTRESS, INC.</u></b> <b><u>(Subsidiary of Tyson Foods, Inc.)</u></b>	<b>Delaware</b>	<b>Producer of chicken breeding stock for sales chicken companies throughout the world.</b>
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<b>Entity Name</b>	<b>Ownership</b>	<b>Country</b>
The Cobb Breeding Company Limited	100%	United Kingdom
Cobb Espanola S.A.	50%	Spain
Cobb - Vantress Brazil LTDA	90%	Brazil
Gen Ave, S.A.	13.78%	Argentina
Matusaka Farm Co. Ltd.	10%	Japan
Breeder Master, Inc.	20%	Philippine

Progenitores Avicola, C.A.	17.78%	Venezuela
P.T. Cobbindonasa Nunggal	20%	Indonesia
Venco Research and Breeding Farm, Ltd.	40%	India
Reproductores Cobb	19%	Argentina
Ping Shan Cobb-Vantress, Ltd. (PSCV)	50%	Hong Kong
Sui Ping Cobb-Vantress, Ltd		China B 25% owned by Ping Shan Cobb-Vantress
Cobb Europe B.V.	100%	The Netherlands
Cobb Breeders B.V.	100%	The Netherlands
Cobb Caribe S.A.	19.99%	Dominican Republic
<b><u>Cobb Vantress Philippines, Inc.</u></b> <b><u>(Subsidiary of Cobb Vantress, Inc.)</u></b>	99.99	Philippines
CV Holdings, Inc.	99.9%	Philippines
<b><u>Cobb Breeding Company Ltd. (UK Corp) - CBC</u></b> <b><u>(Subsidiary of Cobb Vantress, Inc.)</u></b>	100%	United Kingdom
Cobb Denmark A/S (Denmark Corp)	100%	Denmark
Cobb-Poland B.V. (Poland Corp)	100%	Poland
Cobb-Turkey	80%	Turkey
Cobb-France (Inactive)		

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## Exhibit 23

### Consent of Ernst & Young LLP, Independent Auditors

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-70646; 33-30680; 333-22883; 333-22881, and 33-57515) pertaining to certain employee benefit plans of Tyson Foods, Inc. and the Registration Statement (Form S-3 No. 333-53171) and in the related Prospectus of our report dated November 19, 2003, with respect to the consolidated financial statements and schedule of Tyson Foods, Inc. included in this Annual Report (Form 10-K) for the year ended September 27, 2003.

/s/ Ernst & Young LLP  
 Ernst & Young LLP

Little Rock, Arkansas  
 December 15, 2003

**EXHIBIT 31.1****CERTIFICATIONS**

I, John Tyson, Chairman and Chief Executive Officer of Tyson Foods, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Tyson Foods, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
  - c) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 15, 2003

/s/ John Tyson  
John Tyson  
Chairman and Chief Executive Officer

## CERTIFICATIONS

I, Steven Hankins, Executive Vice President and Chief Financial Officer of Tyson Foods, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Tyson Foods, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
  - c) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 15, 2003

/s/ Steven Hankins

Steven Hankins

Executive Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Annual Report of Tyson Foods, Inc. (the Company) on Form 10-K for the period ending September 27, 2003 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, John Tyson, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ John Tyson

John Tyson

Chairman and Chief Executive Officer

December 15, 2003

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Annual Report of Tyson Foods, Inc. (the Company) on Form 10-K for the period ending September 27, 2003 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Steven Hankins, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Steven Hankins

Steven Hankins

Executive Vice President and Chief Financial Officer

December 15, 2003