Tyson Foods, Inc.

Tyson Foods, Inc.
2210 West Oaklawn Drive
Springdale, Arkansas 72762-6999
www.tysonfoodsinc.com

2002
annual
report

the
table
is set ...

Tyson Foods, Inc.

Tyson Foods, Inc., founded in 1935 with headquarters in Springdale, Arkansas, is the world's largest processor and marketer of beef, chicken and pork. Tyson Foods produces a wide variety of brand name protein-based and prepared food products marketed in the United States and more than 80 countries around the world. Tyson Foods is the recognized market leader in the retail and foodservice markets it serves. The Company has approximately 120,000 team members and 300 facilities and offices in 29 states and 22 countries.

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

p 6

… with the
products
people
want

Tyson has the products that fit today's changing lifestyles.

p 8

… with **brands**
people
know
and trust

Consumers identify the Tyson brand as one of the strongest and most trusted in America.


p 10

... with unparalleled customer **solutions**

Tyson Foods helps customers determine the right mix of beef, chicken, pork and prepared food products to meet their needs.

p 12

... with the **experience, strength** and **flexibility** to lead the industry

With more than 28,000 products, no other producer has the ability to meet customers' needs as Tyson Foods can.

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... with a deep **dedication**

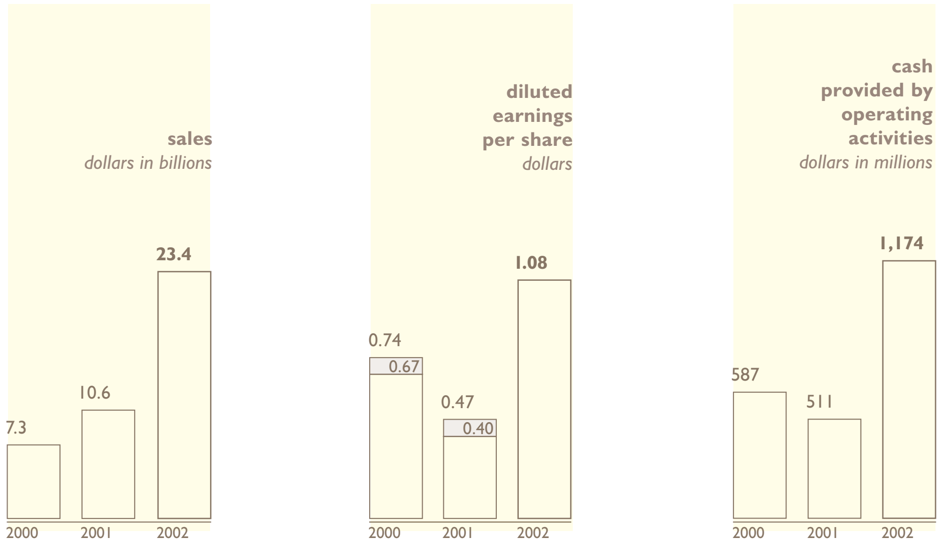
Tyson team members not only put food on the table, they do it with generosity, compassion and a dedication to others.

2002 Financial Highlights

Tyson Foods, Inc. 2002 Annual Report

in millions, except per share data

	2002	2001	2000
Sales*	**$23,367**	$10,563	$7,268
Gross profit*	**1,817**	903	815
Operating income	**887**	316	349
Income before income taxes and minority interest	**593**	165	234
Provision for income taxes	**210**	58	83
Net income	**383**	88	151
Diluted earnings per share	**1.08**	0.40	0.67
Shareholders' equity	**3,662**	3,354	2,175
Book value per share	**10.37**	9.61	9.67
Total assets	**10,372**	10,632	4,841
Depreciation and amortization	**467**	335	294
Total debt	**3,987**	4,776	1,542
Cash provided by operating activities	**1,174**	511	587
Capital expenditures	**$ 433**	$ 261	$ 196
Shares outstanding	**353**	349	225
Diluted average shares outstanding	**355**	222	226



*Sales and gross profit have been reclassified to account for EITF 00-14, "Accounting for Certain Sales Incentives," and EITF 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products."

before pretax and non-recurring charges of $26 million and $24 million in 2001 and 2000, respectively

John Tyson
Chairman and Chief Executive Officer

… with you, the Tyson Shareholders, in mind.

Fiscal 2002 was an important year for Tyson Foods, Inc. Our team has made tremendous progress integrating IBP, inc., and we have moved forward as one company. We are the world's largest processor and marketer of beef, chicken and pork and the second largest public food company in the United States.

Reported diluted earnings per share were $1.08 compared to $0.40 last year. Of that increase, $0.23 was due to the inclusion of IBP, making it immediately accretive to our earnings. Reported sales were $23.4 billion in 2002 compared to $10.6 billion in 2001. Last year's results included nine weeks of IBP's results in our fourth quarter. Cash flow is one of the real strengths of our company, giving us the ability to pay down debt and meet our plans for growth. We have paid down $914 million since closing the cash tender offer on August 3, 2001, and $789 million this fiscal year. This brings our debt as a percentage of total capital down to 52 percent at fiscal 2002 year end. We are well on our way to meeting our goal of having debt to capital at 50 percent or below by the end of fiscal year 2003. In addition, we achieved our synergy target of $50 million in 2002, and we are on track to achieve $100 million in 2003 and $200 million in 2004.

While the stock market has seen major swings this year, our stock price has outperformed the market by generating a return to shareholders of 17.5 percent, compared to -20.5 percent for the S&P 500 Index and -0.5 percent for the S&P Packaged Foods Index. We posted strong results for 2002, proving a company focused on adding value to products can perform in difficult market conditions. By marketing the world's three preferred proteins, we have a large basket of goods to offer our customers. It is the total company, the total portfolio of proteins and food products that generates our strong cash flows.

This year was about analyzing and restructuring our business for growth, both domestically and internationally. We sought to balance our portfolio of products and improve our ability to serve our customers. As a result of our analysis, we have streamlined the Company. We put all of the Prepared Foods Group onto Tyson's information systems, eliminated redundant positions, closed the Foodbrands corporate headquarters and closed six non-performing production facilities. In addition, we restructured our live swine operation and sold our Mallard's and Specialty Brands businesses. To fill in a gap in retail processed meats, we bought a bacon facility, and we now have the number one share in bacon processing. We will continue to look for opportunities to fill strategic gaps and to expand domestically.

We are making these changes with one overriding purpose in mind: to better serve our customers. Customers are looking for true partners to make their businesses as efficient as possible, and today we can serve them by offering a wide variety of protein-based foods. I think this is a key point of differentiation between Tyson Foods and the competition – the opportunity to bring total value to the customer. Also, we have consolidated our broker network to better serve our retail and foodservice customers by providing a full array of products and services through an integrated supply chain.

Our supply chain is unparalleled. We have 130 processing locations, 10 forward warehouses and distribution centers, 11 cold storage warehouses and more than 1,300 tractors and 2,100 trailers. Tyson Foods is the only company with the internal capabilities to produce and ship fresh, refrigerated and multi-protein frozen products. We have a company-wide planning and scheduling system, and our electronic business capabilities include a vendor managed inventory system.

This year of analyzing our business also has led us to expand the use of the Tyson brand into other proteins and product categories. The Tyson brand is replacing the Thomas E. Wilson brand on roasts and other further processed beef and pork products and case-ready pork. Initially we are converting all Thomas E. Wilson branded case-ready beef to clear film packaging with no brand affiliation.

This strategic decision regarding our brand resulted from extensive research and evaluation of customers and consumers over the past year. Consumers clearly identify the Tyson brand as one of the strongest and most trusted in America with 91 percent recognition. A conversion from the Thomas E. Wilson brand to the Tyson brand will accelerate our ability to meet the needs of our customers, will maximize our brand building efforts with consumers and is the best long-term strategy for our company.

Maximizing the Tyson brand is important as we continue to develop the next generation of branded beef and pork products, just as we've done with chicken for years. We are the pioneer and leader of case-ready beef and pork. Our fully-cooked product line is the number one selling cooked meat line in America, surpassing the competition earlier this year. Not only are we now the category leader in dollar volume but also in sales velocity, outperforming our nearest competitor 1.4 times. In addition, the new line extension of family-sized hams and cooked pork tenderloins is gaining acceptance quickly.

Tyson Foods' strong presence is not limited to the United States. We have a two-pronged international strategy – to market domestically produced commodity and value-added products to international destinations and to establish production capabilities in international locations. This allows us to serve

Defining the Tyson Culture

We've worked hard this past year to build this great new company. Defining principles have played, and will continue to play, an important role in our success. We are passionately focused on driving customer satisfaction; our can-do attitude gets the job done – even when the odds are stacked against us. We believe in honesty, integrity and mutual respect for our team members, customers and shareholders. You see these values reflected in everything we do.

As the leader of this growing company, I have taken the responsibility to define the values that will form the basis for our new culture. We've spent a great deal of time planning the direction the business needs to take, and I want to make sure we instill certain values that will help shape the way our culture develops. I've put together, with the help of some of our team members, the values that will form the foundation of our evolving culture. Our commitment to these shared core values will contribute to our growth and success.

local markets or expand exports by gaining access to additional international destinations. We have established sales offices in major international markets allowing us to better serve our customers with a full array of Tyson products.

We continue to increase our internationally-based operations to better serve local markets and their growing demand for value-added protein-based foods. For example, Tyson de Mexico is that country's largest producer of value-added chicken for both retail and foodservice. Additionally, we have established joint ventures in Panama, China, Ireland and Russia producing a variety of value-added foods. We are pleased with the progress of these businesses and are actively seeking additional expansion opportunities not only in these countries but also in others, including Brazil and Europe.

It is important you as a shareholder have confidence in Tyson Foods, the management team and the Board of Directors. In the past three years, we have increased the number of independent directors. They have brought diversity and broad experience to the Company and, combined with the experience and expertise of existing members, provide you a strong, knowledgeable Board of Directors to guide Tyson Foods. In addition, we have changed the compensation of our board members to include stock-based compensation to better align directors' and shareholders' interests. We will continue to act ethically and responsibly in everything we do, and we will do the right thing by our shareholders.

I'd like to emphasize that our vision at Tyson Foods is to be the world's first choice for protein-based food products while maximizing shareholder value. Our strengths are our people, our scale, market share, value-added products, strong customer relationships, a large portfolio of brands, supply chain capability and strong cash flows. We are moving forward with our strategy to be one integrated company with a wide array of value-added protein-based foods for our customers. We will continue our focus on improving our return on invested capital while targeting average double digit EPS growth and paying down debt.

Because our goal is to be the best food company in the world, we have begun an initiative to analyze and refine the performance of our company to ensure we are working at maximum efficiency and effectiveness. We are streamlining processes and eliminating activities that don't significantly contribute to our success. We also are working to improve our management processes and to increase the company's skills and capabilities. We call this initiative "Being, Doing, Doing It Well." And although the program itself will be completed in 2003, the results will become a part of our culture and our ongoing efforts to improve our operations. I am excited about the results we can bring about and the enthusiasm with which our team members have embraced these efforts.

As I said earlier this year, in a sluggish economy we've done okay – not great, not bad – but okay. With the economy and business environment we faced this year, I'll take okay for now, but I am enthusiastic about what we can accomplish next year and the future of this company for years to come.

John Tyson
Chairman and Chief Executive Officer

Our Core Values

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

Who we are:

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

What we do:

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

How we do it:

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

… with the products people want

Whether you are a making a meal from scratch, or you just want people to think you did, Tyson Foods has the products people want. Quality, convenience and innovation – Tyson continually develops new food products that fit today's changing lifestyles. Consumers can find Tyson Foods' beef, chicken, pork and prepared food products anyplace they eat or shop for food – quick service restaurants, casual restaurants, fine dining restaurants, grocery stores, club stores, convenience stores, college food courts, military commissaries, even school cafeterias.

In fact, kids help develop food products for schools through Tyson Foods' Kid Created program. Only a kid could think of Chick-a-Ditos, triangle-shaped chicken nuggets with ranch flavored tortilla breading; or Cockadoodles, chicken for breakfast with a crispy sweet cereal coating; or Hip Dippers, flower-shaped chicken patties made to pull apart and dip.

Tyson Foods helps customers develop products unique to their menus as well as products that can be customized. For example, Fast Finish Wings are steamed chicken wings each restaurant operator can customize with breadings or glazes. Tyson provides the food safety attributes of a fully-cooked product while allowing the operator to make it his or her own signature dish.

These customer-centric solutions don't stop with foodservice. Tyson is offering retail grocers options for the meat case while adding value to beef, chicken and pork. Tyson Foods produces and packages case-ready beef and pork for grocery stores. All the retailer needs to do is place it in the meat case. In addition to reducing the need for labor, case-ready meats have a longer shelf life and improved food safety. Floor space formerly dedicated to meat cutting operations can be converted to selling space. And as has been the case with chicken for years, beef and pork inventories are turned over quicker and sales are improved with fewer out-of-stock items. Tyson Foods' case-ready beef and pork sales are expanding throughout the country.

Tyson's new line of fully-cooked family entrees that are ready to eat in five minutes has been so successful, four varieties of hams (maple brown sugar, honey glazed, hickory smoked and pineapple glazed) and three varieties of pork tenderloin (garlic herb, roasted and teriyaki) were added to the existing beef pot roast, Italian seasoned pork roast, roast beef in brown gravy, beef in barbecue sauce, meatloaf, beef sirloin roast and lemon pepper pork roast launched last year.

Another way Tyson Foods gives people the products they want is by leading trends in one distribution channel and expanding them to other channels. For example, popcorn chicken and boneless hot wings are two restaurant favorites Tyson Foods developed for foodservice that are now available in the grocery freezer case. Other new retail products include a heat-and-eat chicken roast, a ready-to-cook bacon-wrapped chicken breast fillet and a refrigerated chicken quesadilla kit. The Tyson brand is showing up in grocery aisles with canned chicken, chicken broth and chicken bouillon.

Around the corner or at the airport, Tyson products are ready to go. The Tyson brand is in 10,000 convenience stores across the country with soft chicken jerky, kippered chicken snacks and snack sticks. Tyson is expanding its convenience store offerings with "to go" handheld foods and dipping sauces like Popcorn Chicken Bites with buffalo sauce, southern style chicken nuggets and crinkle-cut fries with ketchup, breaded chicken tenderloins with honey barbecue sauce and Wings of Fire with ranch dressing. Tyson sets the table whenever and wherever with the foods people want.

Tyson chicken stir fry meal kit fits today's families' busy lives. It is a great way to serve a nutritious, flavorful meal in a hurry.

… with brands people know and trust

The Tyson brand stands for quality, safety, trust and convenience. Tyson is the brand of chicken purchased most often, with the highest brand loyalty. Consumers identify the Tyson brand as one of the strongest and most trusted in America with 91 percent brand recognition. Because the Tyson brand is so strong, it is being expanded into other proteins and product categories.

The decision to expand the Tyson brand is supported by research showing the overwhelming majority of consumers say it makes sense for the Tyson brand to be used on fully-cooked roasts and other further processed beef and pork items as well as fresh pork. The Company has a successful history of producing further processed items for both the retail and foodservice markets. Further processed beef and pork items have been marketed in foodservice and retail channels for some time with foods such as meal kits and sliced and diced items in bags and boxes under the Tyson brand.

Tyson Foods, Inc.

Tyson Foods' branding strategy is to focus on the Tyson brand as the one national brand. Strong regional brands such as Wright bacon will continue to be supported within their core geographic areas. Niche brands like Lady Aster that compete in multiple distribution channels will continue to complement the Tyson brand. Tyson Foods also will maintain strong brands in specific channels such as Bonici in foodservice.

In May, Tyson Foods introduced a new package design for its entire line of Tyson branded products. The new packages were created to further strengthen the Tyson brand and are twice as likely as the old design to be seen by the consumer on the shelf. Nine out of 10 consumers can quickly and easily locate the new Tyson package when placed within a crowded competitive display, making it easier for them to set their tables with Tyson products.

… with unparalleled customer solutions

By offering the three preferred proteins and a broad selection of prepared foods, customized products and services, Tyson Foods is the world's most complete protein-based food provider and is able to deliver a comprehensive market basket to customers while helping them determine the right products to meet their needs.

Combining Tyson Foods and IBP has created more selling opportunities than either company had separately. Tyson Foods is now able to offer a broader array of products and can back them up with the service customers have come to expect. For example, a national chain that was a long-standing Tyson chicken customer is now buying a wide variety of beef, pork, soups, sauces and toppings. Tyson has also expanded its product offerings at club stores with beef and pork prepared foods. School foodservice, which traditionally has been a strong buyer of chicken products, is looking to Tyson Foods for chili, pizza toppings, taco meat and other value-added products.

With an account team strategy that presents one voice to the customer, Tyson Foods can be a true business partner, offering product development to create value-added products along with expertise in promoting and merchandizing those products. Working with customers, Tyson puts together account teams structured across product categories, taking a multi-protein approach. They are the category experts and give customers the information they need to manage the protein category for their businesses.

Another way Tyson Foods brings "value beyond the box" is through its Made to Order web site (http://madetoorder.tyson.com). Foodservice operators can go online to find additional menu opportunities for Tyson products they already use in other dishes. Made to Order offers recipes, suggestions for side items and presentation ideas.

Tyson's pledge is to continue to invest our experience in our customers' success by applying world class consumer-based marketing, technology and logistics support to the widest variety of value-added protein-based and prepared foods available from one source.

Customers can trust Tyson Foods to provide the highest quality food products to fit their changing needs and consumers' changing lifestyles.

... with the **experience, strength** and **flexibility** to lead the industry

Tyson Foods is the leader in the red meat and chicken categories with 27 percent of the beef market, 23 percent of the chicken market and 19 percent of the pork market. That means Tyson Foods produces one out of every four pounds of protein in the United States. Tyson's leadership position gives it the ability to serve large national customers in a consolidating marketplace while still serving smaller regional and local customers. Consolidation has allowed national grocery chains and foodservice distributors to be more demanding of their suppliers, and Tyson Foods is able to meet those challenges with national distribution capabilities, new products and 67 years of experience serving these customers and markets. With more than 28,000 products, no other producer has the ability to respond to customers' needs as Tyson Foods can.

number one

#1 supplier of value-added chicken to national fast food and full service restaurant chains

#1 supplier of value-added chicken to broadline foodservice distributors

#1 supplier of value-added chicken to retail grocers

#1 supplier of chicken to Peoples Republic of China

#1 supplier of case-ready beef and pork to retail grocers

#1 supplier of fresh beef and pork to foodservice

#1 supplier of fresh beef and pork to retail grocers

Tyson Foods is flexible enough to respond to customers' changing product and distribution needs. Tyson has highly efficient processing plants and the leading fresh, refrigerated and frozen distribution infrastructure. With 130 processing locations, 10 forward warehouses and distribution centers, 11 cold storage warehouses and more than 1,300 tractors and 2,100 trailers, Tyson Foods is the only company with the internal capabilities to produce and ship fresh, refrigerated and frozen multi-protein products throughout the United States.

Tyson Foods' international strategy is to market domestically produced commodity and value-added products internationally and to produce products in international locations to suit local tastes. Tyson has capabilities to follow customers as they expand around the world. Sales offices in China, Japan, Mexico, Puerto Rico, Russia, Singapore, South Korea, Taiwan, the United Arab Emirates and the United Kingdom support customer relationships. Tyson de Mexico is the largest producer of value-added chicken in Mexico, serving retail and foodservice customers. Tyson has increased internationally based operations to better serve local markets. Joint ventures in China, Ireland, Panama and Russia are helping to satisfy growing demand for value-added protein-based foods. Additional opportunities to expand lie in these countries and other areas including Brazil and Europe.

1 supplier of chicken products to retail supermarket delis

1 supplier of value-added chicken to club stores

1 supplier of value-added and individually frozen chicken to military commissaries

1 supplier of value-added chicken in Mexico

1 supplier of chicken to the Russian Federation

1 supplier of U.S. beef to Japan

1 supplier of fully-cooked meat toppings to the U.S. pizza industry

1 supplier of beef and pork to club stores

1 supplier of ground beef to foodservice

1 supplier of ground beef to retail

1 supplier of fully-cooked, refrigerated beef and pork products

1 supplier of frozen pizza crusts to the foodservice industry

1 supplier of flour tortillas to the foodservice industry

1 supplier of blue chromed cattle hides for the leather industry

... with a deep dedication

Tyson team members are the most important factor in creating value for shareholders. In fact, many Tyson team members are shareholders themselves, so they look after the Company's money as if it were their own. Jamey Daugherty and Larry Menser, maintenance technicians from the Robards, Kentucky, processing plant, earned the grand prize in Tyson Foods' Ideas for Excellence program. Their production improvement will not only save money but also will save more than 10 million gallons of fresh water each year, protecting valuable natural resources. As stewards of the environment, land and animals entrusted to us, Tyson Foods is committed to conducting operations in a manner which respects and preserves the natural resources of the areas in which we live and work. Each year the Company presents environmental stewardship awards to farm families who exemplify Tyson's efforts to protect the environment.

With concern for those less fortunate, Tyson Foods donated one million pounds of protein on National Hunger Awareness Day. This donation provided 4.5 million meals to those in need. Since partnering with the Share Our Strength national anti-hunger organization nearly three years ago, Tyson Foods has donated more than 10 million pounds of food – 45 million meals – to feed the hungry. Tyson is the national sponsor of Share Our Strength's Operation Frontline, a direct service nutrition education program for people at risk of hunger. This is one of many ways the Company is able to educate consumers about the importance of food safety techniques in food preparation.

Team members also feed people in times of disaster like the tornadoes, floods and hurricanes that have battered our country this year. And when a bridge on Interstate 40 near Webbers Falls, Oklahoma, collapsed Memorial Day weekend, team members from Van Buren, Arkansas, and Stilwell, Oklahoma, rushed to feed the 200 rescue and support workers.

Across the country team members have donated countless dollars and countless hours of community service in support of children, schools, hospitals, charities and literacy programs. Tyson acknowledges and encourages these generous acts by recognizing Tyson Heroes at the shareholders meeting each year. These are team members who have gone above and beyond the call of duty to help people.

Tyson team members not only put food on the table, they do it with generosity, compassion and a deep dedication to others.

(from left) Somsak Saythongphet, Dakota Dunes, South Dakota; Ana Leland Hart, Springdale, Arkansas; Tiffany Smith, Goodlettsville, Tennessee; Lola Hithon, Gadsden, Alabama; Sonemany Hanesana, Van Buren, Arkansas; Nick Sippel, Council Bluffs, Iowa; and Jose Espinoza, Dallas, Texas, representing the 120,000 Tyson team members.

the table
is set ...
for you.

financial results

Results of Operations

Earnings for fiscal 2002 were $383 million or $1.08 per diluted share compared to $88 million or $0.40 per diluted share in fiscal 2001. Fiscal 2002 earnings were positively affected by the addition of IBP, inc.'s (IBP) beef, pork and prepared foods operations, improved performance of the chicken segment, a continued growth in value-added businesses and reduced operating costs. Additionally, the Company recognized a gain from the sale of its Specialty Brands subsidiary and received a partial settlement related to ongoing antitrust vitamin litigation. Earnings were adversely affected by charges related to the discontinuation of the Thomas E. Wilson brand, from the restructuring of the Company's live swine operation, an increase in interest expense and decreases in the international markets which were influenced by import restrictions and political pressures.

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 previous years' results of operations.

The Company's accounting cycle resulted in a 52-week year for fiscal years 2002, 2001 and 2000.

In accordance with the provisions issued in Financial Accounting Standards Board No. 142, "Goodwill and Other Intangible Assets," goodwill and indefinite lived assets are no longer amortized. The effect on current year results was an increase of approximately $0.20 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 and $142 million for fiscal years 2001 and 2000, respectively, and had no impact on reported income before income taxes and minority interest, net income or earnings per share amounts.

2002 vs. 2001

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

Sales increased 121.2%, with a 98.9% increase in volume and an 11.2% increase in price. The increase in sales volume and price is due primarily 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 continues to grow its value-added businesses.

Cost of sales increased 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.

Operating expenses increased 58.4%, primarily due to the inclusion of IBP's operations in fiscal 2002. Also included in operating expenses are $53 million related to the discontinuation of the Thomas E. Wilson brand and the restructuring of the Company's live swine operation. As a percent of sales, operating expenses were 4.0% 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.

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 the same period last year 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 net average effective interest rate on total debt was 7.0% for 2002 compared to 6.9% for 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 SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS 142), at the beginning of 2002. Under SFAS 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

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

Beef segment is primarily involved in the slaughter of live fed cattle and fabrication of dressed beef carcasses into primal and sub-primal meat cuts and case-ready products. It also involves deriving value from allied products such as hides and variety meats for 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.

Chicken segment includes fresh, frozen and value-added chicken products sold through domestic foodservice, domestic retail markets for at-home consumption, wholesale club markets targeted to 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.

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

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

in millions

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

in millions

Operating Income (Loss) by Segment	**2002**	2001	Change
Beef	**$220**	$ 32	$188
Chicken	**428**	250	178
Pork	**25**	27	(2)
Prepared Foods	**158**	15	143
Other	**56**	(8)	64
Total	**$887**	$316	$571

Beef segment sales were $10.5 billion, including beef case-ready sales of $689 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.

Chicken segment sales increased $165 million or 2.3% from the same period last year, 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% from the same period last year 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 continue to be impacted by import restrictions and political pressures primarily in Russia and China. Operating income for Chicken increased $178 million from the same period last year primarily due to decreases in live and production costs along with improvements in price and growth in value-added product mix. Additionally, prior year costs were negatively impacted by weather related effects and higher grain and energy costs.

Pork segment sales including IBP's pork processing revenues were $2.5 billion compared to $619 million for the same period last year, including current year pork case-ready sales of $212 million and international pork sales of $248 million. Pork segment operating income decreased $2 million from the same period last year. 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 from the same period last year. The prepared foods segment operating income increased $143 million from the same period last year. 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 adjustment 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 ongoing 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 Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations." Accordingly, the tangible and identifiable intangible assets and liabilities have been adjusted to fair values with the remainder of the purchase price recorded as goodwill. The allocation of the purchase price has been completed.

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 Brand, Inc.'s sales and operating income for the year ended September 28, 2002, were $244 million and $2 million respectively.

2001 vs. 2000

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

Sales increased 45.3%, with a 29.8% increase in volume and a 12.0% increase in price. The increase in sales is primarily due to the inclusion of nine weeks of IBP's sales in 2001. Comparable sales increased 3.4% on a volume increase of 1.1%. Breast meat commodity market prices were pressured by an oversupply of chicken for much of the fiscal year causing an adverse effect on the average sales prices and margins of many of the Company's core value-added products. During the fourth quarter of 2001, the Company experienced improved pricing of value-added products and seasonal price increases.

Cost of sales increased 49.7%, primarily due to the added cost of sales for nine weeks of IBP's operations. As a percent of sales, cost of sales was 91.5% for 2001 compared to 88.8% for 2000. Excluding IBP, comparable cost of sales as a percent of sales was 90.0%. The increase in comparable cost of sales, as a percent of sales, was primarily due to weather-related effects combined with higher grain and energy costs, lower market prices and product mix changes.

Operating expenses increased 26.0%, primarily due to the inclusion of nine weeks of IBP's operations in 2001. As a percent of sales, operating expenses were 5.6% for 2001 compared to 6.4% in 2000. Excluding IBP, comparable operating expenses as a percent of sales were 8.1% for 2001. The increase is primarily due to an increase in sales promotional expenses and litigation costs related to the acquisition of IBP and ongoing employee practice matters. Included in the 2000 operating expenses was $24 million in bad debt reserve resulting from the bankruptcy filing by AmeriServe Food Distribution, Inc. (AmeriServe).

Interest expense increased 24.1% compared to 2000. As a percent of sales, interest expense was 1.4% compared to 1.6% for 2000. The Company's average indebtedness increased by 24.3% over the 2000 amount as a result of the IBP acquisition. The Company's short-term interest rates were slightly lower than the same period last year, and the net average effective interest rate on total debt was 6.9% for 2001 and 2000.

The effective tax rate was 35.4% in 2001 compared to 35.6% in 2000.

Segment Information

The following information includes nine weeks results for the period ending September 29, 2001, related to the IBP acquisition, stated prior to adjustments for minority interest.

in millions

Sales by Segment	2001	2000	Change
Beef	$ 2,027	$ –	$2,027
Chicken	7,057	6,767	290
Pork	619	157	462
Prepared Foods	818	292	526
Other	42	52	(10)
Total	$10,563	$7,268	$3,295

in millions

Operating Income (Loss) by Segment	2001	2000	Change
Beef	$ 32	$ –	$ 32
Chicken	250	316	(66)
Pork	27	23	4
Prepared Foods	15	7	8
Other	(8)	3	(11)
Total	$316	$349	$(33)

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

Chicken segment sales increased $290 million or 4.3% compared to 2000, with a 3.2% increase in average sales prices and a 1.0% increase in volume. Foodservice channel sales increased 1.0%, retail channel sales increased 1.2% and international channel sales including Tyson de Mexico increased 26.9%. Operating income for chicken decreased $66 million or 20.9% from 2000 primarily due to increased production costs and sales promotional expenses which more than offset increases in bulk leg quarter prices and certain other products.

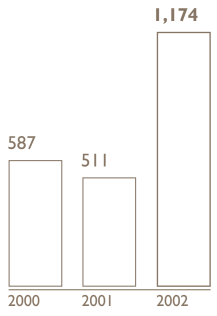
Pork segment sales were $619 million compared to $157 million last year, with current year case-ready sales of $43 million. Pork segment operating profit increased $4 million from the same period last year. The increase in both pork segment sales and operating income is primarily due to the inclusion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

Prepared Foods segment sales totaled $818 million compared to $292 million last year. The prepared foods segment operating income increased $8 million from the same period last year. The increase in both the prepared foods segment sales and segment operating income is primarily due to the inclusion of nine weeks results related to IBP.

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 2002, net cash of $1,174 million was provided by operating activities, an increase of $663 million from 2001. The primary sources of the change are increases in net income of $295 million, depreciation and amortization of $132 million, and working capital of $165 million. 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 28, 2002, the Company had borrowing capacity of $1.5 billion consisting of $806 million available under its $1 billion unsecured revolving credit agreements and $675 million under its $750 million accounts receivable securitization. At September 28, 2002, the Company had construction projects in progress that will require approximately $137 million to complete.

cash provided by operating activities
dollars in millions



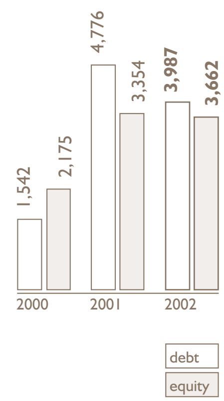
Total debt at September 28, 2002, was $3,987 million, a decrease of approximately $789 million from September 29, 2001. The Company has unsecured revolving credit agreements totaling $1 billion that support the Company's commercial paper program. These $1 billion in facilities consist of $200 million that expires in June 2003, $300 million that expires in June 2005 and $500 million that expires in September 2006. At September 28, 2002, there were no borrowings outstanding under these facilities. Additional outstanding debt at September 28, 2002, consisted of $3.6 billion of debt securities, $75 million issued under accounts receivable securitization debt, $24 million of commercial paper and other indebtedness of $281 million.

The revolving credit agreement, senior notes, notes and accounts receivable securitization debt 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.

In October 2001, the Company refinanced $2.3 billion outstanding under a bridge financing facility through the issuance of $2.25 billion of notes offered in three tranches consisting of $500 million of 6.625% notes due October 2004, $750 million of 7.25% notes due October 2006 and $1 billion of 8.25% notes due October 2011.

In October 2001, the Company entered into a receivables purchase agreement with three co-purchasers to sell up to $750 million of trade receivables. The receivables purchase agreement has been accounted for as a borrowing 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 TRC's equity holders.

total capitalization
dollars in millions



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

In fiscal 2002, the Company changed its market risk disclosure type from a tabular presentation to a sensitivity analysis presentation. Due to the acquisition of IBP, the Company's commodity market risk became more diverse. As a result of a more complex risk profile, the Company believes a sensitivity analysis provides a clearer understanding of the risks associated with the Company's positions. 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, primarily corn, soybeans and livestock. The Company periodically uses commodity futures and options for hedging purposes to reduce the effect of changing commodity prices and as a mechanism to procure grains and livestock. Generally, contract terms of a hedge instrument closely mirror those of the hedged item providing a high degree of risk reduction and correlation. Contracts that are highly effective at meeting this risk reduction and correlation criteria are recorded using hedge accounting. The following table presents a sensitivity analysis resulting from a hypothetical change of 10% in market prices as of September 28, 2002, and September 29, 2001, respectively, on fair value of open positions. The fair value of such position 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 high inverse correlation to price changes of the derivative positions.

dollars in millions

Effect of 10% change in fair value	**2002**	2001
Livestock:		
Cattle	**$12**	$14
Hogs	**5**	3
Grain	**$14**	$ 4

Interest Rate Risk The Company has exposure to changes in interest rates on the company's 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 $75 million at September 28, 2002. The fair values of the Company's long-term debt were estimated using discounted future cash flows based on the Company's incremental borrowing rates for similar types of borrowing arrangements.

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 2002 and 2001.

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 United States currency fluctuations inherent in its receivables and purchase commitments. The fair value of these contracts was not significant at September 28, 2002, and September 29, 2001. Foreign forward contracts generally have maturities or expirations not exceeding 12 months. A 10% change in the exchange rate of the currencies hedged would change the fair value of the contracts by $4 million at both September 28, 2002, and September 29, 2001.

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 28, 2002, approximately 10.8% of the Company's total accounts receivable balance was due from one customer. No other single customer or customer group represents greater than 10% of total accounts receivable.

Recently Issued Accounting Standards

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). Under SFAS 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually or more frequently if impairment indicators arise, for impairment. Separable intangible assets that have finite lives will continue to be amortized over their useful lives. The Company elected to early adopt the provisions of SFAS 142 and discontinued the amortization of its goodwill balances and intangible assets with indefinite useful lives effective September 30, 2001. The Company assessed its goodwill for impairment upon adoption, and completed its required annual test for impairment in the fourth quarter of fiscal 2002. Neither impairment test indicated any impairment losses. Had the provisions of SFAS 142 been in effect during fiscal years 2001 and 2000, a reduction in amortization expense and an increase to net income of $30 million or $0.14 per diluted share and $29 million or $0.13 per diluted share respectively, would have been recorded.

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 and $142 million for fiscal years 2001 and 2000, respectively, and had no impact on reported income before income taxes and minority interest, net income or earnings per share amounts.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement requires the Company to recognize the fair value of a liability associated with the cost the Company would be obligated to incur in order to retire an asset at some point in the future. The liability would be recognized in the period in which it is incurred and can be reasonably estimated. The standard is effective for fiscal years beginning after June 15, 2002. The Company expects to adopt this standard at the beginning of its fiscal 2003. The Company believes the adoption of SFAS No. 143 will not have a material impact on its financial position or results of operations.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 develops an accounting model, based upon the framework established in SFAS No. 121, for long-lived assets to be disposed by sales. The accounting model applies to all long-lived assets, including discontinued operations, and it replaces the provisions of ABP Opinion No. 30, "Reporting Results of Operations – Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for disposal of segments of a business. SFAS No. 144 requires long-lived assets held for disposal to be measured at the lower of carrying amount or fair values less costs to sell, whether reported in continuing operations or in discontinued operations. The statement is effective for fiscal years beginning after December 15, 2001. The Company intends to adopt this standard at the beginning of its fiscal 2003. The Company believes the adoption of SFAS No. 144 will not have a material impact on its financial position or results of operations.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and replaces EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requres that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. SFAS No. 146 also establishes that fair value is the objective for initial measurement of the liability. The statement is effective for exit or disposal activities initiated after December 31, 2002. The Company believes the adoption of SFAS No. 146 will 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, interest rates and grain and feed costs. The Company may hold positions as economic hedges for which hedge accounting is not applied. See Market Risk.

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 20 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. See Note 1 to the Consolidated Financial Statements.

Impairment of Long-Lived Assets The Company is required to assess potential impairments to its long-lived assets, which is primarily property, plant and equipment. If impairment indicators are present, the Company must measure the fair value of the assets in accordance with SFAS 121 to determine if adjustments are to be recorded. See Note 1 to the Consolidated Financial Statements.

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

Cautionary Statements Relevant to Forward-Looking Information for the Purpose of "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

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

Among the factors that may affect the operating results of the Company are the following: (i) fluctuations in the cost and availability of raw materials, such as live cattle, live swine or feed grain costs; (ii) changes in the availability and relative costs of labor and contract growers; (iii) operating efficiencies of facilities; (iv) market conditions for finished products, including the supply and pricing of alternative proteins; (v) effectiveness of advertising and marketing programs; (vi) the ability of the Company to make effective acquisitions and successfully integrate newly acquired businesses into existing operations; (vii) risks associated with leverage, including cost increases due to rising interest rates; (viii) risks associated with effectively evaluating derivatives and hedging activities; (ix) changes in regulations and laws (both domestic and foreign), including changes in accounting standards, environmental laws and occupational, health and safety laws; (x) issues related to food safety, including costs resulting from product recalls, regulatory compliance and any related claims or litigation; (xi) adverse results from ongoing litigation; (xii) access to foreign markets together with foreign economic conditions, including currency fluctuations; and (xiii) the effect of, or changes in, general economic conditions.

consolidated statements of income

Three years ended September 28, 2002
in millions, except per share data

	2002	2001	2000
Sales	**$23,367**	$10,563	$7,268
Cost of Sales	**21,550**	9,660	6,453
	1,817	903	815
Operating Expenses:			
Selling, general and administrative	**877**	587	466
Other charges	**53**	–	–
Operating Income	**887**	316	349
Other Expense (Income):			
Interest	**305**	144	116
Other	**(11)**	7	(1)
	294	151	115
Income Before Income Taxes and Minority Interest	**593**	165	234
Provision for Income Taxes	**210**	58	83
Minority Interest	**–**	19	–
Net Income	**$ 383**	$ 88	$ 151
Weighted Average Shares Outstanding:			
Basic	**348**	221	225
Diluted	**355**	222	226
Earnings Per Share:			
Basic	**$ 1.10**	$ 0.40	$ 0.67
Diluted	**$ 1.08**	$ 0.40	$ 0.67

See accompanying notes.

consolidated balance sheets

September 28, 2002 and September 29, 2001
in millions, except per share data

	2002	2001
Assets		
Current Assets:		
Cash and cash equivalents	**$ 51**	$ 70
Accounts receivable, net	**1,101**	1,199
Inventories	**1,885**	1,911
Other current assets	**107**	110
Total Current Assets	**3,144**	3,290
Net Property, Plant and Equipment	**4,038**	4,085
Goodwill	**2,633**	2,618
Other Assets	**557**	639
Total Assets	**$10,372**	$10,632
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current debt	**$ 254**	$ 760
Trade accounts payable	**755**	799
Other current liabilities	**1,084**	857
Total Current Liabilities	**2,093**	2,416
Long-Term Debt	**3,733**	4,016
Deferred Income Taxes	**643**	609
Other Liabilities	**241**	237
Shareholders' Equity:		
Common stock ($0.10 par value):		
Class A-authorized 900 million shares: Issued 267 million shares in 2002 and 2001	**27**	27
Class B-authorized 900 million shares: Issued 102 million shares in 2002 and 103 million shares in 2001	**10**	10
Capital in excess of par value	**1,879**	1,920
Retained earnings	**2,097**	1,770
Accumulated other comprehensive loss	**(49)**	(35)
	3,964	3,692
Less treasury stock, at cost – 16 million shares in 2002 and 21 million shares in 2001	**265**	333
Less unamortized deferred compensation	**37**	5
Total Shareholders' Equity	**3,662**	3,354
Total Liabilities and Shareholders' Equity	**$10,372**	$10,632

See accompanying notes.

consolidated statements of shareholders' equity

Three years ended September 28, 2002
in millions

	Common Stock Class A		Common Stock Class B		Capital in Excess of Par Value	Retained Earnings	Treasury Stock		Unamortized Deferred Compensation	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			Shares	Amount			
Balance – October 2, 1999	138	$14	103	$10	$ 740	$1,599	12	$(232)	$ (2)	$ (1)	$2,128
Comprehensive Income:											
Net income						151					151
Other comprehensive income (loss)											
Currency translation adjustment										(4)	(4)
Total Comprehensive Income											147
Purchase of Treasury Shares							5	(69)			(69)
Exercise of Options								1			1
Restricted Shares Issued					(5)		(1)	16	(11)		–
Dividends Paid						(35)					(35)
Amortization of Deferred Compensation									3		3
Balance – September 30, 2000	138	14	103	10	735	1,715	16	(284)	(10)	(5)	2,175
Comprehensive Income:											
Net income						88					88
Other comprehensive income (loss) net of tax of $(11) million											
Cumulative effect of SFAS 133 adoption										(6)	(6)
Derivative loss recognized in cost of sales										(5)	(5)
Derivative unrealized loss										(10)	(10)
Unrealized gain on investments										2	2
Currency translation adjustment										(11)	(11)
Total Comprehensive Income											58
Purchase of Treasury Shares							5	(48)			(48)
Restricted Shares Cancelled								(1)			(1)
Shares Issued in IBP Acquisition	129	13			1,185						1,198
Dividends Paid						(33)					(33)
Amortization of Deferred Compensation									5		5
Balance – September 29, 2001	267	27	103	10	1,920	1,770	21	(333)	(5)	(35)	3,354
Comprehensive Income:											
Net income						**383**					**383**
Other comprehensive income (loss) net of tax of $(5) million											
Derivative loss recognized in cost of sales										**5**	**5**
Derivative unrealized loss										**(2)**	**(2)**
Unrealized gain on investments										**(2)**	**(2)**
Currency translation adjustment										**(7)**	**(7)**
Additional pension liability										**(8)**	**(8)**
Total Comprehensive Income											**369**
Purchase of Treasury Shares							**1**	**(19)**			**(19)**
Restricted Shares Issued					**(41)**		**(6)**	**90**	**(50)**		**(1)**
Restricted Shares Cancelled					**2**			**(3)**	**3**		**2**
Dividends Paid						**(56)**					**(56)**
Amortization of Deferred Compensation									**15**		**15**
Other			**(1)**		**(2)**						**(2)**
Balance – September 28, 2002	**267**	**$27**	**102**	**$10**	**$1,879**	**$2,097**	**16**	**$(265)**	**$(37)**	**$(49)**	**$3,662**

See accompanying notes.

consolidated statements of cash flows

Three years ended September 28, 2002
in millions

	2002	2001	2000
Cash Flows From Operating Activities:			
Net income	**$ 383**	$ 88	$ 151
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	**431**	294	257
Amortization	**36**	41	37
Write-down of intangible asset	**27**	–	–
Gain on sale of subsidiary	**(22)**	–	–
Deferred taxes	**22**	(47)	47
Other	**16**	19	29
(Increase) decrease in accounts receivable	**48**	(43)	57
(Increase) decrease in inventories	**(4)**	(15)	84
Increase (decrease) in trade accounts payable	**(30)**	89	(46)
Net change in other current assets and liabilities	**267**	85	(29)
Cash Provided by Operating Activities	**1,174**	511	587
Cash Flows From Investing Activities:			
Additions to property, plant and equipment	**(433)**	(261)	(196)
Proceeds from sale of assets	**14**	33	4
Proceeds from sale of subsidiary	**131**	–	–
Net cash paid for IBP acquisition	**–**	(1,670)	–
Acquisitions of property, plant and equipment	**(73)**	(33)	–
Purchase of Tyson de Mexico minority interest	**–**	(19)	–
Net change in investment in commercial paper	**94**	(23)	(2)
Net change in other assets and liabilities	**(61)**	(45)	(12)
Cash Used for Investing Activities	**(328)**	(2,018)	(206)
Cash Flows From Financing Activities:			
Net change in debt	**(789)**	1,584	(263)
Purchase of treasury shares	**(19)**	(48)	(69)
Proceeds from exercise of IBP stock options	**–**	34	–
Dividends and other	**(58)**	(35)	(34)
Cash Provided by (Used for) Financing Activities	**(866)**	1,535	(366)
Effect of Exchange Rate Change on Cash	**1**	(1)	(2)
Increase (Decrease) in Cash and Cash Equivalents	**(19)**	27	13
Cash and Cash Equivalents at Beginning of Year	**70**	43	30
Cash and Cash Equivalents at End of Year	**$ 51**	$ 70	$ 43

See accompanying notes.

Note 1: Business and Summary of Significant Accounting Policies

Description of Business: Tyson Foods, Inc., founded in 1935 with headquarters in Springdale, Arkansas, is the world's largest processor and marketer of beef, chicken and pork. Tyson Foods produces a wide variety of brand name protein-based and prepared food products marketed in the United States and more than 80 countries around the world. Tyson Foods is the recognized market leader in the retail and foodservice markets it serves. The Company has approximately 120,000 team members and 300 facilities and offices in 29 states and 22 countries.

Consolidation: The consolidated financial statements include the accounts of all 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. As a result of the Company's cash management system, checks issued, but not presented to the banks for payment, may create negative cash balances. Checks outstanding in excess of related cash balances totaling approximately $292 million at September 28, 2002, and $265 million at September 29, 2001, 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. Breeders are stated at cost less amortization. Livestock includes live cattle, live chicken and live swine. Live chicken consists of broilers and breeders.

Total inventory consists of:

in millions

	2002	2001
Processed products	**$1,112**	$1,095
Livestock	**505**	561
Supplies and other	**268**	255
Total inventory	**$1,885**	$1,911

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: Goodwill and indefinite lived intangible assets are recorded at fair values and not amortized, but are reviewed for impairment at least annually or more frequently if impairment indicators arise. For fiscal years 2001 and 2000, goodwill arising prior to the IBP transaction has been amortized on a straight-line basis over periods ranging from 15 to 40 years. At September 28, 2002, and September 29, 2001, the accumulated amortization of goodwill was $286 million.

Amount of goodwill by segment at September 28, 2002, and September 29, 2001 was as follows:

in millions

	2002	2001
Beef	**$1,306**	$1,306
Chicken	**917**	916
Pork	**350**	350
Prepared Foods	**60**	46
Total	**$2,633**	$2,618

The increase in goodwill in the prepared foods segment results from the acquisition of the assets of Millard Processing Services.

Goodwill has been allocated to reporting units based on fair value of identifiable assets. This goodwill is not deductible for income tax purposes.

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 2002, 2001 and 2000.

Stock-Based Compensation: Stock-based compensation is recognized using the intrinsic value method. For disclosure purposes, pro forma net income and earnings per share impacts are provided as if the fair value method had been applied.

Financial Instruments: Periodically, the Company uses derivative financial instruments to reduce its exposure to various market risks. The Company does not regularly engage in speculative transactions, nor does the Company regularly hold or issue financial instruments for trading purposes. However, the Company does periodically hold positions as economic hedges for which hedge accounting is not applied. Generally, contract terms of a hedge instrument closely mirror those of the hedged item providing a high degree of risk reduction and correlation. Contracts that are highly effective at meeting the risk reduction and correlation criteria are recorded using hedge accounting. If a derivative instrument is a hedge, depending on the nature of the hedge, changes in the fair value of the instrument will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of an instrument's change in fair value will be immediately recognized in earnings. Instruments that do not meet the criteria for hedge accounting are marked to fair value with unrealized gains or losses reported currently in earnings. The Company generally does not hedge anticipated transactions beyond 12 months.

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

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

Advertising and Promotion Expenses: Advertising and promotion expenses are charged to operations in the period incurred. Advertising and promotion expenses for fiscal 2002, 2001 and 2000 were $396 million, $337 million and $280 million, respectively.

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

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

Recently Issued Accounting Standards: In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). Under SFAS 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually or more frequently if impairment indicators arise, for impairment. Separable intangible assets that have finite lives will continue to be amortized over their useful lives. The Company elected to early adopt the provisions of SFAS 142 and discontinued the amortization of its goodwill balances and intangible assets with indefinite useful lives effective September 30, 2001. The Company assessed its goodwill for impairment upon adoption, and completed its required annual test for impairment in the fourth quarter of fiscal 2002. Neither impairment test indicated any impairment losses. Had the provisions of SFAS 142 been in effect during fiscal years 2001 and 2000, a reduction in amortization expense and an increase to net income of $30 million or $0.14 per diluted share and $29 million or $0.13 per diluted share respectively, would have been recorded.

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 and $142 million for fiscal years 2001 and 2000, respectively, and had no impact on reported income before income taxes and minority interest, net income or earnings per share amounts.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement requires the Company to recognize the fair value of a liability associated with the cost the Company would be obligated to incur in order to retire an asset at some point in the future. The liability would be recognized in the period in which it is incurred and can be reasonably estimated. The standard is effective for fiscal years beginning after June 15, 2002. The Company expects to adopt this standard at the beginning of its fiscal 2003. The Company believes the adoption of SFAS No. 143 will not have a material impact on its financial position or results of operations.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 develops an accounting model, based upon the framework established in SFAS No. 121, for long-lived assets to be disposed by sales. The accounting model applies to all long-lived assets, including discontinued operations, and it replaces the provisions of ABP Opinion No. 30, "Reporting Results of Operations – Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for disposal of segments of a business. SFAS No. 144 requires long-lived assets held for disposal to be measured at the lower of carrying amount or fair values less costs to sell, whether reported in continuing operations or in discontinued operations. The statement is effective for fiscal years beginning after December 15, 2001. The Company intends to adopt this standard at the beginning of its fiscal 2003. The Company believes the adoption of SFAS No. 144 will not have a material impact on its financial position or results of operations.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and replaces EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. SFAS No. 146 also establishes that fair value is the objective for initial measurement of the liability. The statement is effective for exit or disposal activities initiated after December 31, 2002. The Company believes the adoption of SFAS No. 146 will not have a material impact on its financial position or results of operations.

Note 2: Acquisition

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

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

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

	in millions
Cash and cash equivalents	$ 37
Accounts receivable	641
Inventories	937
Other current assets	112
Property, plant and equipment	1,968
Goodwill	1,692
Other assets	385
Total Assets	$5,772
Accounts payable and accruals	$ 836
Other liabilities	227
Long-term debt	1,651
Deferred income taxes	221
Shareholders' Equity	2,837
Total Liabilities and Shareholders' Equity	$5,772

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

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

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

in millions, except per share data

	2001 Pro Forma	2000 Pro Forma
Sales	$24,975	$24,085
Net income before extraordinary items	82	314
Net income	82	297
Earnings per share before extraordinary items:		
Basic	0.24	0.89
Diluted	0.24	0.89
Earnings per share:		
Basic	0.23	0.84
Diluted	0.23	0.84

The unaudited pro forma results are not necessarily indicative of the actual results of operations that would have occurred had the purchase actually been made at the beginning of fiscal 2000, or the results that may occur in the future.

In May 2001, the Company increased its ownership in Tyson de Mexico, S.A. de C.V. (TdM) by acquiring common shares of TdM from existing minority shareholders for cash and by a non-cash transaction whereby TdM exchanged minority shareholders' common stock for $45 million of TdM redeemable preferred stock with an 8% coupon. In September 2001, the Company acquired the remaining common shares of TdM held by minority shareholders. Upon completion of these transactions, the Company now owns 100% of the common shares of TdM. The Company has entered into a call agreement with the holders of converted TdM redeemable preferred stock which allows the Company to purchase the converted redeemable preferred stock over five years. Additionally, in May 2001, TdM purchased the poultry assets of Nochistongo S.P.R. de R.L., a fully integrated broiler production operation that markets products under the "Kory" brand. The purchase price of both transactions was allocated based upon the estimated fair market values at the date of purchase. As of September 28, 2002, the Company had purchased $11 million of the convertible redeemable preferred stock.

In May 2002, the Company acquired 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.

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.

Note 4: Other Charges

In August 2002, the Company announced its decision to restructure the live swine operation. The restructuring will result in the closure of company-owned and leased feeder pig finishing farms in Arkansas and eastern Oklahoma. The Company will retain a limited number of breeding operations in Oklahoma and northwest Arkansas as well as some feeder pig finishing operations in north central Missouri. As a result of this decision, the Company recorded a live swine restructuring accrual of $26 million in the fourth quarter of fiscal 2002. This amount is reflected in the pork segment as a reduction to operating income and included on the consolidated statement of income in other charges.

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 28, 2002, and September 29, 2001, the allowance for doubtful accounts was $26 million and $27 million, respectively. In fiscal 2000, AmeriServe Food Distribution, Inc. (AmeriServe), a significant distributor of products to fast food and casual dining restaurant chains, filed for reorganization in Delaware under Chapter 11 of the Federal Bankruptcy Code. The Company is a major supplier to several AmeriServe customers. In the second quarter of fiscal 2000, the Company recorded a $24 million bad debt reserve to fully reserve the AmeriServe receivable.

Note 6: Financial Instruments

In October 2000, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," (SFAS 133) as amended. This statement requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through earnings. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is recognized in earnings.

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

At September 28, 2002, and September 29, 2001, the Company had derivative related balances totaling $1 million and $5 million recorded in other current assets and $19 million and $20 million recorded in other current liabilities, 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 2002 or 2001. The Company expects that the after tax losses, net of gains, totaling approximately $2 million recorded in other comprehensive income (loss) at September 28, 2002, related to cash flow hedges, will be recognized within the next 12 months. The Company generally does not hedge cash flows related to commodities beyond 12 months.

Fair Value Hedges: The Company designates certain futures contracts as fair value hedges of firm commitments to purchase livestock for slaughter. The Company 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. 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 2002 or 2001.

Undesignated Positions: The Company holds certain commodity futures contracts in the regular course of business to manage its exposure against commodity price fluctuations on anticipated purchases of raw materials and anticipated sales of finished inventories. The contracts are generally for short durations of less than one year. Although these instruments are economic hedges, the Company does not designate these contracts as hedges for accounting purposes. As a result, the Company marks these contracts to market and recognizes the change through earnings. At September 28, 2002, and September 29, 2001, these contracts had a fair value liability of $11 million recorded on the consolidated balance sheet.

Fair Values of Financial Instruments:

		in millions
	2002	2001
Commodity derivative positions	**$ (12)**	$ (8)
Interest-rate derivative positions	**(6)**	(6)
Foreign currency derivative positions	–	(1)
Total debt	**$4,397**	$4,740

Fair values are based on quoted market prices or published forward interest rate curves. All other financial instruments' fair values approximate recorded values at September 28, 2002, and September 29, 2001.

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 28, 2002, approximately 10.8% of the Company's total accounts receivable balance was due from one customer. No other customer or customer group represents greater than 10% of total accounts receivable.

Note 7: Property, Plant and Equipment

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

in millions

	2002	2001
Land	**$ 111**	$ 114
Buildings and leasehold improvements	**2,154**	2,085
Machinery and equipment	**3,419**	3,218
Land improvements and other	**185**	174
Buildings and equipment under construction	**414**	379
	6,283	5,970
Less accumulated depreciation	**2,245**	1,885
Net property, plant and equipment	**$4,038**	$4,085

The Company capitalized interest costs of $9 million in 2002, $3 million in 2001 and $2 million in 2000 as part of the cost of major asset construction projects. Approximately $137 million will be required to complete construction projects in progress at September 28, 2002.

Note 8: Other Current Liabilities

Other current liabilities at September 28, 2002 and September 29, 2001 include:

in millions

	2002	2001
Accrued salaries, wages and benefits	**$ 308**	$270
Self insurance reserves	**225**	189
Income taxes payable	**202**	109
Property and other taxes	**52**	63
Other	**297**	226
Total other current liabilities	**$1,084**	$857

Note 9: Commitments

The Company leases certain farms and other properties and equipment for which the total rentals thereon approximated $105 million in 2002, $76 million in 2001 and $66 million in 2000. Most farm leases have terms ranging from one to 10 years with various renewal periods. The most significant obligations assumed under the terms of the leases are the upkeep of the facilities and payments of insurance and property taxes.

Minimum lease commitments under non-cancelable leases at September 28, 2002, total $197 million composed of $72 million for 2003, $41 million for 2004, $31 million for 2005, $25 million for 2006, $17 million for 2007 and $11 million for later years. These future commitments are expected to be offset by future minimum lease payments to be received under subleases of approximately $5 million.

The Company assists certain of its swine and chicken growers in obtaining financing for growout facilities by providing the growers with extended growout contracts and conditional operation of the facilities should a grower default under their growout or loan agreement. The Company also guarantees debt of outside third parties of $66 million.

The Company enters into various future purchase commitments for finished live cattle and hogs. These purchase commitments are at a market-derived price at the time of delivery or were fully hedged if the price was determined at an earlier date. The commitments deliverable in any year is less than the operating requirements of that year.

Note 10: Long-Term Debt

The Company has unsecured revolving credit agreements totaling $1 billion that support the Company's commercial paper program, letters of credit and other short-term funding needs. These facilities were restructured during the third quarter of fiscal 2002. The $500 million 364 day facility was restructured into a $300 million 3 year facility and a $200 million 364 day facility. These $1 billion in facilities consist of $200 million that expires in June 2003, $300 million that expires in June 2005 and $500 million that expires in September 2006. At September 28, 2002, there were no amounts outstanding under these facilities.

In October 2001, the Company refinanced the $2.3 billion outstanding under a bridge financing facility through the issuance of $2.25 billion of notes offered in three tranches consisting of $500 million of 6.625% notes due October 2004, $750 million of 7.25% notes due October 2006 and $1 billion of 8.25% notes due October 2011.

In October 2001, the Company entered into a receivables purchase agreement with three co-purchasers to sell up to $750 million of trade receivables. The receivables purchase agreement has been accounted for as a borrowing 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 TRC's equity holders.

At September 28, 2002, the Company had outstanding letters of credit totaling approximately $287 million issued primarily in support of workers' compensation insurance programs, industrial revenue bonds and the leveraged equipment loans. There were no draw downs under these letters of credit at September 28, 2002.

Under the terms of the leveraged equipment loans, the Company had restricted cash totaling approximately $52 million, which is included in other assets at September 28, 2002. Under these leveraged loan agreements, the Company entered into interest rate swap agreements to effectively lock in a fixed interest rate for these borrowings.

Annual maturities of long-term debt for the five years subsequent to September 28, 2002, are: 2003 – $254 million; 2004 – $42 million; 2005 – $719 million; 2006 – $286 million and 2007 – $909 million.

The revolving credit agreements, senior notes, notes and accounts receivable securitization debt 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 $64 million at September 28, 2002. The weighted average interest rate on all outstanding short-term borrowing was 3.3% at September 28, 2002, and 5.1% at September 29, 2001.

Long-term debt consists of the following:

in millions

	Maturity	2002	2001
Commercial paper (2.17% effective rate at 9/28/02 and 4.01% effective rate at 9/29/01)	2002	**$ 24**	$ 210
Revolver (4.05% effective rate at 9/29/01)	2003, 2005, 2006	**–**	500
Bridge Facility (4.01% effective rate at 9/29/01)	2002	**–**	2,300
Senior notes and Notes (rates ranging from 6% to 8.25%)	2002 – 2028	**3,607**	1,456
Accounts Receivable Securitization Debt (2.35% effective rate at 9/28/02)	2002	**75**	–
Institutional notes (10.84% effective rate at 9/28/02 and 9/29/01)	2002 – 2006	**50**	50
Leveraged equipment loans (rates ranging from 4.7% to 6.0%)	2005 – 2008	**124**	138
Other	Various	**107**	122
Total debt		**3,987**	4,776
Less current debt		**254**	760
Total long-term debt		**$3,733**	$4,016

Included in current debt are short-term notes payable totaling $37 million and $18 million at September 28, 2002, and September 29, 2001, respectively.

The Company has fully and unconditionally guaranteed $541 million of senior notes issued by IBP, a wholly-owned subsidiary of the Company.

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

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 28, 2002

in millions

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

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

in millions

	Tyson	IBP	Adjustments	Consolidated
Sales	$7,520	$ 3,048	$ (5)	$10,563
Cost of Sales	6,764	2,901	(5)	9,660
	756	147	–	903
Selling, General and Administrative	510	77		587
Operating Income	246	70		316
Interest and Other Expense	135	16		151
Income Before Income Taxes and Minority Interest	111	54		165
Provision for Income Taxes	40	18		58
Minority Interest	1	18		19
Net Income	$ 70	$ 18	$ –	$ 88

Condensed Consolidating Balance Sheet as of September 28, 2002

in millions

	Tyson	IBP	Adjustments	Consolidated
Assets				
Current Assets:				
Cash and cash equivalents	$ 42	$ 9	$ –	$ 51
Accounts receivable, net	896	610	(405)	1,101
Inventories	1,078	807		1,885
Other current assets	28	79		107
Total Current Assets	2,044	1,505	(405)	3,144
Net Property, Plant and Equipment	2,138	1,900		4,038
Goodwill	941	1,692		2,633
Other Assets	3,118	345	(2,906)	557
Total Assets	$8,241	$5,442	$(3,311)	$10,372
Liabilities and Shareholders' Equity				
Current Liabilities:				
Current debt	$ 253	$ 1	$ –	$ 254
Trade accounts payable	352	403		755
Other current liabilities	635	2,546	(2,097)	1,084
Total Current Liabilities	1,240	2,950	(2,097)	2,093
Long-Term Debt	3,160	573		3,733
Deferred Income Taxes	378	265		643
Other Liabilities	70	171		241
Shareholders' Equity	3,393	1,483	(1,214)	3,662
Total Liabilities and Shareholders' Equity	$8,241	$5,442	$(3,311)	$10,372

Condensed Consolidating Balance Sheet as of September 29, 2001

in millions

	Tyson	IBP	Adjustments	Consolidated
Assets				
Current Assets:				
Cash and cash equivalents	$ 47	$ 23	$ –	$ 70
Accounts receivable, net	1,413	701	(915)	1,199
Inventories	1,007	912	(8)	1,911
Other current assets	26	85	(1)	110
Total Current Assets	2,493	1,721	(924)	3,290
Net Property, Plant and Equipment	2,105	1,756	224	4,085
Goodwill	926	802	890	2,618
Other Assets	3,161	309	(2,831)	639
Total Assets	$8,685	$4,588	$(2,641)	$10,632
Liabilities and Shareholders' Equity				
Current Liabilities:				
Current debt	$ 755	$ 5	$ –	$ 760
Trade accounts payable	367	1,339	(907)	799
Other current liabilities	419	436	2	857
Total Current Liabilities	1,541	1,780	(905)	2,416
Long-Term Debt	3,359	686	(29)	4,016
Deferred Income Taxes	368	11	230	609
Other Liabilities	75	149	13	237
Shareholders' Equity	3,342	1,962	(1,950)	3,354
Total Liabilities and Shareholders' Equity	$8,685	$4,588	$(2,641)	$10,632

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

in millions

	Tyson	IBP	Adjustments	Consolidated
Cash Flows From Operating Activities:				
Net income	$ 117	$ 266	$ –	$ 383
Net changes in working capital	680	(399)		281
Depreciation and amortization	295	172		467
Write-down of intangible asset	–	27		27
Gain on sale of subsidiary		(22)		(22)
Deferred taxes	(19)	41		22
Other	7	9		16
Cash Provided by Operating Activities	1,080	94		1,174
Cash Flows From Investing Activities:				
Additions to property, plant and equipment	(272)	(161)		(433)
Proceeds from sale of assets	12	2		14
Proceeds from sale of subsidiary	–	131		131
Acquisitions of property, plant and equipment	(73)	–		(73)
Net change in investment in commercial paper	94	–		94
Net change in other assets and liabilities	(73)	12		(61)
Cash Used for Investing Activities	(312)	(16)		(328)
Cash Flows From Financing Activities:				
Net change in debt	(701)	(88)		(789)
Purchase of treasury shares	(19)	–		(19)
Dividends and other	(54)	(4)		(58)
Cash Used for Financing Activities	(774)	(92)		(866)
Effect of Exchange Rate Change on Cash	1	–		1
Decrease in Cash and Cash Equivalents	(5)	(14)		(19)
Cash and Cash Equivalents at Beginning of Year	47	23		70
Cash and Cash Equivalents at End of Year	$ 42	$ 9	$ –	$ 51

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

in millions

	Tyson	IBP	Adjustments	Consolidated
Cash Flows From Operating Activities:				
Net income	$ 70	$ 18	$ –	$ 88
Net changes in working capital	130	(14)		116
Depreciation and amortization	303	32		335
Deferred taxes	(73)	26		(47)
Other	4	15		19
Cash Provided by Operating Activities	434	77		511
Cash Flows From Investing Activities:				
Additions to property, plant and equipment	(214)	(47)		(261)
Proceeds from sale of assets	32	1		33
Net cash paid for IBP acquisition	(1,707)	37		(1,670)
Purchase of Tyson de Mexico minority interest	(19)	–		(19)
Net change in other assets and liabilities	(95)	(6)		(101)
Cash Used for Investing Activities	(2,003)	(15)		(2,018)
Cash Flows From Financing Activities:				
Net change in debt	1,656	(72)		1,584
Purchase of treasury shares	(48)	–		(48)
Proceeds from exercise of IBP stock options	–	34		34
Dividends and other	(34)	(1)		(35)
Cash Provided by (Used for) Financing Activities	1,574	(39)		1,535
Effect of Exchange Rate Change on Cash	(1)	–		(1)
Increase in Cash and Cash Equivalents	4	23		27
Cash and Cash Equivalents at Beginning of Year	43	–		43
Cash and Cash Equivalents at End of Year	$ 47	$ 23	$ –	$ 70

Note 11: Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) included: foreign currency translation adjustment of $(23) million, $(16) million, and $(5) million for 2002, 2001, and 2000, respectively; unrealized hedging gains (losses), net of taxes, of $(18) million, $(21) million, and $0 for 2002, 2001, and 2000, respectively; unrealized gain (loss) on investments, net of taxes, of $0, $2 million and $0 for 2002, 2001, and 2000, respectively; and minimum pension liability adjustment, net of taxes, of $(8) million for 2002.

Note 12: Stock Options and Restricted Stock

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

In May 2000, the Company cancelled approximately four million option shares and granted approximately one million restricted shares of Class A stock. The restriction expires over periods through December 1, 2003. At September 28, 2002, the Company had outstanding approximately six million restricted shares of Class A stock with restrictions expiring over periods through July 1, 2020. The unearned portion of the restricted stock is classified on the Consolidated Balance Sheets as deferred compensation in shareholders' equity.

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

	Shares under option	Weighted average exercise price per share
Outstanding, October 2, 1999	12,086,332	$15.74
Exercised	(88,332)	14.23
Cancelled	(5,199,995)	15.17
Outstanding, September 30, 2000	6,798,005	16.19
Exercised	–	–
Cancelled	(689,520)	15.57
Granted	4,291,650	11.50
Options assumed with IBP acquisition	5,918,068	8.70
Outstanding, September 29, 2001	16,318,203	12.27
Exercised	**(800,596)**	**9.50**
Cancelled	**(997,816)**	**12.97**
Granted	**2,509,695**	**9.45**
Outstanding, September 28, 2002	**17,029,486**	**$12.01**

The number of options exercisable was as follows: September 28, 2002 – 9,373,360; September 29, 2001 – 9,644,323 and September 30, 2000 – 2,926,980. The remainder of the options outstanding at September 28, 2002, are exercisable ratably through October 2006. The number of shares available for future grants was 10,536,763 and 2,742,800 at September 28, 2002, and September 29, 2001, respectively.

The following table summarizes information about stock options outstanding at September 28, 2002:

	Options outstanding			Options exercisable	
Range of exercise prices	Shares outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Shares exercisable	Weighted average exercise price
$ 3.43 – 6.69	**899,540**	**5.9**	**$ 5.46**	**899,540**	**$ 5.46**
6.71 – 10.91	**3,876,085**	**5.1**	**9.34**	**3,876,085**	**9.34**
10.92 – 13.85	**276,240**	**5.7**	**11.69**	**276,240**	**11.69**
9.32 – 9.75	**2,193,531**	**9.0**	**9.34**	**4,635**	**9.32**
11.50	**4,050,485**	**8.5**	**11.50**	**–**	**–**
14.33 – 14.50	**1,740,705**	**1.9**	**14.40**	**1,740,705**	**14.40**
14.58 – 15.17	**1,228,000**	**4.0**	**15.04**	**966,315**	**15.04**
17.92 – 18.00	**2,764,900**	**4.1**	**17.93**	**1,609,840**	**17.92**
	17,029,486			**9,373,360**	

The weighted average fair value of options granted during 2002 was approximately $3.31. 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 3.73% to 3.80%, expected volatility of 37.5% and dividend yield ranging from 1.64% to 1.72% in 2002.

The Company applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its employee stock option plans. Accordingly, no compensation expense was recognized for its stock option plans. Had compensation cost for the employee stock option plans been determined based on the fair value method of accounting for the Company's stock option plans, the tax-effected impact would be as follows:

in millions, except per share data

	2002	2001	2000
Net Income			
As reported	**$ 383**	$ 88	$ 151
Pro forma	**379**	85	148
Earnings per share			
As reported			
Basic	**1.10**	0.40	0.67
Diluted	**1.08**	0.40	0.67
Pro forma			
Basic	**1.09**	0.38	0.66
Diluted	**1.07**	0.38	0.65

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.

Note 13: Benefit Plans

The Company has defined contribution retirement and incentive benefit programs for various groups of Company personnel. Company contributions totaled $50 million, $35 million and $32 million in 2002, 2001 and 2000, 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 $9 million in 2002, $9 million in 2001 and $7 million in 2000. Other facilities have been leased from other officers and directors for rentals totaling $2 million in 2002, $2 million in 2001 and $3 million in 2000.

Certain officers and directors are engaged in chicken and swine growout operations with the Company whereby these individuals purchase animals, feed, housing and other items to raise the animals to market weight. The total value of these transactions amounted to $10 million in 2002, $10 million in 2001 and $11 million in 2000.

Note 15: Income Taxes

Detail of the provision for income taxes consists of:

in millions

	2002	2001	2000
Federal	**$173**	$ 50	$73
State	**17**	5	5
Foreign	**20**	3	5
	$210	$ 58	$83
Current	**$188**	$105	$36
Deferred	**22**	(47)	47
	$210	$ 58	$83

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

	2002	2001	2000
U.S. federal income tax rate	**35.0%**	35.0%	35.0%
Amortization of goodwill	–	6.5	4.3
State income taxes	**3.0**	2.1	1.4
Foreign sales corporation benefit	**(1.4)**	(6.2)	(5.2)
Other	**(1.1)**	(2.0)	0.1
	35.5%	35.4%	35.6%

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

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

in millions

	2002		2001	
	Deferred Tax		Deferred Tax	
	Assets	**Liabilities**	Assets	Liabilities
Property, plant and equipment	**$ 5**	**$417**	$ 9	$412
Suspended taxes from conversion to accrual method	**–**	**114**	–	114
Intangible assets	**1**	**64**	–	90
Inventory	**5**	**78**	9	67
Accrued expenses	**122**	**2**	146	13
Acquired net operating loss	**69**	**–**	71	–
All other	**137**	**179**	71	109
	$339	**$854**	$306	$805
Valuation allowance	**(49)**		(48)	
Net deferred tax liability		**$564**		$547

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

The suspended taxes from conversion to accrual method represents the 1987 change from the cash to accrual method of accounting and will be paid down by 2017.

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 28, 2002, after considering utilization restrictions, the Company's acquired tax loss carryforwards approximated $173 million. The net operating loss carryforwards, which are subject to utilization limitations due to ownership changes, may be utilized to offset future taxable income. These carryforwards expire during the years 2003 through 2021.

Note 16: Earnings Per Share

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

in millions, except per share data

	2002	2001	2000
Numerator:			
Net Income	**$ 383**	$ 88	$ 151
Denominator:			
Denominator for basic earnings per share – weighted average shares	**348**	221	225
Effect of dilutive securities:			
Stock options and restricted stock	**7**	1	1
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversions	**355**	222	226
Basic earnings per share	**$1.10**	$0.40	$0.67
Diluted earnings per share	**$1.08**	$0.40	$0.67

Approximately 6 million shares of the Company's option shares outstanding at September 28, 2002, were antidilutive and were not included in the dilutive earnings per share calculation for the year ended September 28, 2002. 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: Beef, Chicken, Pork, Prepared Foods and Other. The Company measures segment profit as operating income. The following information includes 52 weeks and nine weeks of IBP's operating results for the periods ending September 28, 2002, and September 29, 2001, respectively.

Beef segment is primarily involved in the slaughter of live fed cattle and fabrication of dressed beef carcasses into primal and sub-primal meat cuts and case-ready products. It also involves deriving value from allied products such as hides and variety meats for 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.

Chicken segment includes fresh, frozen and value-added chicken products sold through domestic foodservice, domestic retail markets for at-home consumption, wholesale club markets targeted to 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 Company's chicken breeding stock subsidiary.

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

Prepared Foods segment includes the Company's 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.

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

in millions

	Beef	Chicken	Pork	Prepared Foods	Other	Consolidated
Fiscal year ended September 28, 2002						
Sales	**$10,488**	**$7,222**	**$2,503**	**$3,072**	**$ 82**	**$23,367**
Operating income	**220**	**428**	**25**	**158**	**56**	**887**
Other expense						**294**
Income before income taxes and minority interest						**593**
Depreciation	**80**	**226**	**26**	**48**	**51**	**431**
Total assets	**3,234**	**4,221**	**834**	**1,261**	**822**	**10,372**
Additions to property, plant and equipment	**82**	**229**	**19**	**53**	**50**	**433**
Fiscal year ended September 29, 2001						
Sales	$ 2,027	$7,057	$ 619	$ 818	$ 42	$10,563
Operating income (loss)	32	250	27	15	(8)	316
Other expense						151
Income before income taxes and minority interest						165
Depreciation	15	214	5	22	38	294
Total assets	3,203	4,084	944	1,406	995	10,632
Additions to property, plant and equipment	19	176	4	26	36	261
Fiscal year ended September 30, 2000						
Sales	$ –	$6,767	$ 157	$ 292	$ 52	$ 7,268
Operating income	–	316	23	7	3	349
Other expense						115
Income before income taxes and minority interest						234
Depreciation	–	209	3	14	31	257
Total assets	–	4,016	101	180	544	4,841
Additions to property, plant and equipment	–	139	–	8	49	196

The majority of the Company's operations are domiciled in the United States. Approximately 94.0% of sales to external customers for fiscal 2002 were sourced from the United States and 97% were sourced from the United States in fiscal years ending 2001 and 2000. Approximately $6.5 billion, $6.6 billion and $3.0 billion of long-lived assets were located in the United States at fiscal years ended 2002, 2001 and 2000, respectively. Approximately $193 million, $204 million and $74 million of long-lived assets were located in foreign countries, primarily Mexico and Canada, at fiscal years ended 2002, 2001 and 2000, 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 2002, 2001 and 2000 totaled $2.0 billion, $1.2 billion and $550 million, respectively. Substantially all of the Company's export sales are transacted through unaffiliated brokers, marketing associations and foreign sales staffs. Foreign sales were less than 10% of total consolidated sales for 2002, 2001 and 2000, respectively.

Note 18: Supplemental Information

in millions

	2002	2001	2000
Cash paid during the period for:			
Interest	**$208**	$140	$116
Income taxes	**90**	54	73

Note 19: Quarterly Financial Data (Unaudited)

in millions, except per share data

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2002				
Sales	**$5,865**	**$5,839**	**$5,902**	**$5,761**
Gross profit	**510**	**397**	**464**	**446**
Operating income	**273**	**179**	**247**	**188**
Net income	**127**	**65**	**107**	**84**
Basic earnings per share	**0.36**	**0.19**	**0.31**	**0.24**
Diluted earnings per share	**0.36**	**0.18**	**0.30**	**0.24**
2001				
Sales	$1,769	$1,857	$1,917	$5,020
Gross profit	182	137	198	386
Operating income	68	23	58	167
Net income (loss)	27	(6)	19	48
Basic earnings (loss) per share	0.12	(0.03)	0.09	0.22
Diluted earnings (loss) per share	0.12	(0.03)	0.09	0.22

The quarterly financial data above has been reclassified for the applications of EITF 00-14 and EITF 00-25 for fiscal 2001.

Third quarter 2002 gross profit includes $30 million received as partial settlement from ongoing 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 20: Contingencies

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 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 seeks 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 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. The Company believes it has substantial defenses to the claims made in this case and intends to vigorously defend the case. However, neither the likelihood of an unfavorable outcome nor the amount of ultimate liability, if any, with respect to this case can be determined at this time.

On June 22, 1999, 11 current and former employees of the Company filed the case of *M.H. Fox, et al. v. Tyson Foods, Inc. (Fox v. Tyson)* in the U.S. District Court for the Northern District of Alabama claiming the Company violated requirements of the Fair Labor Standards Act. The suit alleges the Company failed to pay employees for all hours worked and/or improperly paid them for overtime hours. The suit 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. At filing 159 current and/or former employees consented to join the lawsuit and, to date, approximately 5,000 consents have been filed with the court. Discovery in this case is ongoing. A hearing was held on March 6, 2000, to consider the plaintiffs' request for collective action certification and court-supervised notice. No decision has been rendered. The Company believes it has substantial defenses to the claims made and intends to vigorously defend the case; however, neither the likelihood of an unfavorable outcome nor the amount of ultimate liability, if any, with respect to this case can be determined at this time.

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

On August 22, 2000, seven employees of the Company filed the case of *De Asencio v. Tyson Foods, Inc.* in the U.S. District Court for the Eastern District of Pennsylvania. This lawsuit is similar to *Fox v. Tyson* in that the employees claim violations of the Fair Labor Standards Act for allegedly failing to pay for time taken to put on, take off and sanitize certain working supplies, 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 plants in New Holland, Pennsylvania. Currently, there are approximately 500 additional current or former employees who have filed consents to join the lawsuit. The court, on January 30, 2001, ordered that notice of the lawsuit be issued to all potential plaintiffs at the New Holland facilities. On July 17, 2002, the court granted the plaintiffs' motion to certify the state law claims. The Company believes it has substantial defenses to the claims made and intends to defend the case vigorously; however, neither the likelihood of an unfavorable outcome nor the amount of ultimate liability, if any, with respect to this case can be determined at this time.

On November 5, 2001, a lawsuit entitled *Maria Chavez, et al. vs. IBP, Lasso Acquisition Corporation and Tyson Foods, Inc.* was filed in the U.S. District Court for the Eastern District of Washington against IBP and Tyson by several employees of IBP's Pasco, Washington, beef slaughter and processing facility alleging various violations of the Fair Labor Standards Act, 29 U.S.C. Sections 201–219 (FLSA), as well as violations of the Washington State Minimum Wage Act, RCW chapter 49.46, Industrial Welfare Act, RCW chapter 49.12, and the Wage Deductions-Contribution-Rebates Act, RCW chapter 49.52. The lawsuit alleges IBP and/or Tyson required employees to perform unpaid work related to the donning and doffing of certain personal protective clothing, both prior to and after their shifts, as well as during meal periods. Plaintiffs further allege that similar prior litigation entitled *Alvarez, et al. vs. IBP*, which resulted in a $3.1 million final judgment against IBP, supports a claim of collateral estoppel and/or is res judicata as to the issues raised in this new litigation. IBP filed a timely Notice of Appeal and will vigorously pursue reversal of the Alvarez judgment before the Ninth Circuit Court of Appeals. Chavez initially was pursued as an opt-in, collective action under 29 U.S.C. 216(b), but on May 24, 2002, plaintiffs filed a motion seeking certification of a class of opt-out, state law plaintiffs under Federal Rule of Civil Procedure 23. On October 28, 2002 the U.S. District Court for the Eastern District of Washington granted plaintiffs' motion (Rule 23 Order), asserting supplemental jurisdiction over the state law wage and hour claims, and certifying the class. On November 6, 2002, IBP and Tyson timely filed a motion with the Ninth Circuit Court of Appeals seeking leave to appeal the District Court's Rule 23 Order.

Environmental Matters On January 15, 1997, the EPA 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." IBP is attempting to discuss these issues with the State of Illinois in an effort to reach a settlement.

The Company has been advised by the U.S. Attorney's office for the Western District of Missouri that the government intends to seek indictment of the Company for alleged violations of the Clean Water Act related to activities at its Sedalia, Missouri, facility. The Company is presently in negotiations for a possible resolution of this matter. Although the amount of ultimate liability with respect to this matter cannot be determined at this time, the Company does not expect any material adverse effect on its consolidated financial position or results of operations.

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. The Company believes the complaint allegations are unfounded and intends to vigorously defend the case.

On December 10, 2001, the City of Tulsa, Oklahoma, and the Tulsa Metropolitan Utility Authority filed in the U.S. District Court for the Northern District of Oklahoma the case styled *The City of Tulsa and the Tulsa Municipal Utility Authority v. Tyson Foods, Inc., et al.* against the Company, Cobb-Vantress, Inc., a wholly-owned subsidiary of the Company, four other fully integrated poultry companies and the City of Decatur, Arkansas. With respect to the Company and Cobb-Vantress, Inc., the suit alleges that degradation of the Tulsa water supply is attributable, in whole or in part, to the non-point source run-off from the land application of poultry litter in the watershed feeding the lakes that act as the City of Tulsa's water supply, and that the Company and Cobb-Vantress, Inc. are, together with the other defendants named in the lawsuit, jointly and severally responsible for the alleged over application of poultry litter in the watershed. The Company believes that the allegations in the complaint are unfounded and intends to vigorously defend the case.

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 has voluntarily dismissed and refiled its complaint in South Dakota, where the suits have been consolidated under the name *In re IBP, inc. Securities Litigation*. The complaints, seeking unspecified damages, allege that IBP and certain members of management violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder, and claims IBP issued materially false statements about IBP's financial results in order to inflate its stock price. IBP filed a Motion to Dismiss on December 21, 2001, which is now fully briefed and pending before the Court. IBP intends to vigorously contest these claims.

On or about June 6, 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.

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

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

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

Following expedited discovery, the Delaware Court conducted a nine day trial, beginning on May 14, 2001, on IBP's and the plaintiffs' claims for specific performance with respect to the terminated cash tender offer and the Merger Agreement and the Company's counterclaims. On June 15, 2001, following expedited post-trial briefing, the Delaware Court issued a memorandum opinion, which was issued in revised form on June 18, 2001 (the Post-Trial Opinion), in which the Delaware Court concluded, among other things, that (1) the Merger Agreement is a valid and enforceable contract that was not induced by any material misrepresentation or omission, (2) the Company did not breach the Merger Agreement or any duty to IBP's stockholders by failing to close the terminated cash tender offer, (3) the Company did not have a basis to terminate the Merger Agreement under its terms, and (4) specific performance of the Merger Agreement was the only method by which to adequately redress the harm threatened to IBP and its stockholders.

After negotiations and in accordance with the Post-Trial Opinion, the Company and IBP presented an Order, Judgment and Decree to the Delaware Court, entered on June 27, 2001, requiring the Company and its affiliates to specifically perform the Merger Agreement as modified by, and subject to the conditions contained in, a Stipulation between the Company and IBP, including making a cash tender offer for 50.1% of IBP's shares and effecting the merger with IBP.

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

On January 7, 2002, the Company filed a motion in the Delaware Court asking that court to vacate its Post-Trial Opinion on grounds of mootness or, in the alternative, to enter final judgment so that an appeal could be taken. The Delaware Court denied this motion on February 11, 2002, and the Company has appealed that decision, as well as the Post-Trial Opinion and certain earlier rulings by the Delaware Court, to the Delaware Supreme Court. Certain of the plaintiffs in the Delaware Federal Actions discussed below have filed a motion to dismiss the Company's appeal as untimely as to all matters except the Delaware Court's denial of the motion to vacate the Post-Trial Opinion. On July 24, 2002, the Delaware Supreme Court granted that partial motion to dismiss and directed that the balance of the appeal go forward. Oral argument on the balance of the appeal has been scheduled for December 12, 2002.

On June 19, 2001, a purported Company stockholder commenced a derivative action in the Delaware Court entitled *Alan Shapiro v. Barbara R. Allen, et al.*, C.A. No. 18967-NC seeking monetary damages on behalf of the Company, a nominal defendant, from the members of the Company's Board of Directors. The complaint alleges the directors violated their fiduciary duties by attempting to terminate the Merger Agreement. On July 17, 2001, the defendants moved to dismiss the complaint. On August 16, 2002, the plaintiff filed an Amended Complaint, and on September 3, 2002, the defendants renewed their motion to dismiss. A hearing on the defendants' motion to dismiss has been scheduled for December 17, 2002. The defendants intend to vigorously defend these claims.

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, and June 15, 2001, when the Delaware Court rendered its Post-Trial Opinion in the Consolidated Action. The actions, entitled *Meyer v. Tyson Foods, Inc., et al.*, C.A. No. 01-425 SLR; *Banyan Equity Mgt. v. Tyson Foods, Inc., et al.*, C.A. No. 01-426 GMS; *Steiner v. Tyson Foods, Inc., et al.*, C.A. No. 01-462 GMS; *Aetos Corp., et al. 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 allege that the defendants violated federal securities laws by making, or causing to be made, false and misleading statements in connection with the Company's attempted termination of the Merger Agreement. The 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. The defendants intend to vigorously defend the remaining claims.

In December 2001, a stockholder derivative lawsuit was filed in the Court of Chancery of the state of Delaware against the Company's Board of Directors and nominally, the Company. The complaint concerns the alleged violations of immigration laws that are the subject of the indictment by the U.S. Department of Justice (see below). In general, the complaint alleges that the members of the Company's Board failed to exercise reasonable control and supervision over the Company's employees and processes, implement adequate internal controls, adequately inform themselves, or take adequate and good faith remedial actions with respect to the Company's immigration practices and matters giving rise to the indictment. The complaint seeks unspecified damages against the individual Board members; no relief is sought against the Company. The Company and members of its Board have filed a motion to dismiss in the Chancery Court of Delaware and intend to vigorously defend these claims.

General Matters On or around February 15, 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. Zemco has responded to grand jury subpoenas and is cooperating fully with the U.S. Attorney's office. Neither the likelihood of an unfavorable outcome nor the amount of ultimate liability, if any, with respect to this matter can be determined at this time.

In December 2001, the Company, two current employees and four former employees were indicted in the U.S. District Court in the Eastern District of Tennessee. The indictment alleges these six employees conspired to violate and did violate immigration laws involving approximately 15 named individuals at one of the Company's poultry processing facilities. The indictment also alleges that the Company utilized the services of temporary employment agencies in furtherance of the alleged conspiracy. The indictment seeks fines and forfeiture of amounts not specified. Trial for this matter is expected in February 2003. The Company intends to vigorously defend this indictment and believes it has meritorious defenses to the government's theories of recovery; however, neither the likelihood of an unfavorable outcome nor the amount of ultimate liability, if any, with respect to this case can be determined at this time.

Consistent with the forfeiture theory advanced in the indictment referred to above, private plaintiffs filed the following three lawsuits.

On April 10, 2002, plaintiffs filed *Trollinger, et al. vs. Tyson Foods, Inc.*, No. 4:02-cv-23 (E.D. Tenn.) in the U.S. District Court for the Eastern District of Tennessee (Winchester Division), a purported class-action lawsuit against Tyson, on behalf of all current and former employees of 15 named Tyson facilities who had been legally authorized to work in the United States. The complaint in that action asserts a claim against Tyson under the Racketeer Influence and Corrupt Organizations (RICO) statute. The complaint alleges that Tyson engaged in a scheme to depress its employees' wages by hiring illegal aliens and seeks unspecified trebled-damages. The Company has moved to dismiss the complaint. On July 17, 2002, the court granted the Company's Motion to Dismiss the case for failure to state a claim upon which relief could be granted. Plaintiffs have filed a Notice of Appeal. The Company intends to vigorously defend these claims; however, neither the likelihood of an unfavorable outcome nor the amount of ultimate liability, if any, with respect to this case can be determined at this time.

On March 6, 2002, plaintiffs filed *Baker, et al. vs. IBP, inc.*, C.A. No. 02-4019 (C.D. Ill.) in the U.S. District Court for the Central District of Illinois (Rock Island Division), a purported class-action lawsuit, on behalf of all current and former employees of IBP's Joslin, Illinois, facility who had been legally authorized to work in the United States. The complaint asserts a claim against IBP under the RICO statute. The complaint alleges that IBP engaged in a scheme to depress its employees' wages by hiring illegal aliens and seeks unspecified trebled-damages. The Company has moved to dismiss the complaint. On October 21, 2002, the court granted the Company's Motion to Dismiss the case for failure to state a claim upon which relief could be granted. Plaintiffs have filed a Notice of Appeal. The Company intends to vigorously defend these claims; however, neither the likelihood of an unfavorable outcome nor the amount of ultimate liability, if any, with respect to this case can be determined at this time.

On April 17, 2002, plaintiff Cynthia Cruz filed *Cruz vs. Tyson Foods, Inc.*, C.A. No. 02 C 2761 (N.D. Ill.), a purported class-action lawsuit against Tyson and others on behalf of all persons with Hispanic surnames whose identities and social security numbers were allegedly "stolen" and misused by the named defendants. The complaint asserts a claim under the RICO statute, a claim for violation of the federal civil rights statute, and common-law claims for defamation, violation of privacy and property rights, fraud, and tortious interference with contract. As of this date, the Company has moved to dismiss this action, with briefing to be completed during December 2002. The Company intends to vigorously defend these claims; however, neither the likelihood of an unfavorable outcome nor the amount of ultimate liability, if any, with respect to this case can be determined at this time.

In July 1996, a lawsuit was filed against IBP by certain cattle producers in the U.S. District Court, Middle District of Alabama, seeking certification of a class of all cattle producers. The complaint alleges that IBP has used its market power and alleged "captive supply" agreements to reduce the prices paid to producers for cattle. Plaintiffs have disclosed that, in addition to declaratory relief, they seek actual and punitive damages. The original motion for class certification was denied by the Court; plaintiffs then amended their motion, defining a narrower class consisting of only those cattle producers who sold cattle directly to IBP from 1994 through the date of certification. The Court approved this narrower class in April 1999. The 11th Circuit Court of Appeals reversed the District Court decision to certify a class on the basis that there were inherent conflicts amongst class members preventing the named plaintiffs from providing adequate representation to the class. The plaintiffs then filed pleadings seeking to certify an amended class. The Court denied the plaintiffs' motion on October 17, 2000. Plaintiffs' motion for reconsideration of the judge's decision was denied, and plaintiffs then asked the Court to certify a class of cattle producers who have sold exclusively to IBP on a cash market basis, which the Court granted in December 2001. In January 2002, IBP filed a petition with the 11th Circuit Court of Appeals seeking permission to appeal the class certification decision, which the Circuit Court of Appeals denied on March 5, 2002. The District Court has set a schedule for completing the format of the class notice mailing. No trial date has been set. IBP has filed motions for summary judgment on both liability and damages filed with the District Court, which are now pending. Plaintiffs have claimed damages in the case in excess of $500,000,000. Management believes IBP has acted properly and lawfully in its dealings with cattle producers and intends to vigorously defend this case. However, neither the likelihood of an unfavorable outcome nor the amount of ultimate liability, if any, with respect to this case can be determined at this time.

On August 8, 2000, the Company was served with a complaint filed in the U.S. District Court for the District of Arizona styled *Lemelson Medical, Education & Research Foundation, Limited Partnership v. Alcon Laboratories, et al.*, CIV00-0661 PHX PGR. The plaintiff sued the Company, along with approximately 100 other defendants in the food, beverage, drug, cosmetic and tobacco industries, claiming that the defendants infringed various patents held by the Foundation. The alleged patent infringement is based on the defendants' alleged use of the Foundation's automatic identification patents that relate to the use of bar coding and/or the Foundation's patents that relate to machine vision. The Foundation seeks treble damages for the defendants' alleged infringement. The case is currently stayed pending the resolution of related litigation. Neither the likelihood of an unfavorable outcome nor the amount of ultimate liability, if any, with respect to this case can be determined at this time.

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 compensatory and punitive damages in an unspecified amount. The Company has filed a motion to Stay All Proceedings and Compel Arbitration. The plaintiffs have responded to the Motion to Compel. Discovery has not begun. The Company intends to vigorously defend these claims; however, neither the likelihood of an unfavorable outcome nor the amount of ultimate liability, if any, with respect to this case can be determined at this time.

The Company is pursuing various antitrust claims relating to vitamins, methionine and choline. In the third quarter of 2002, the Company received approximately $30 million in partial settlement of these claims. The Company has received, or expects to receive under signed settlement arrangements, further settlements of approximately $26 million in the first quarter of 2003. Additional settlements are anticipated. Amounts received for these claims are recorded as income only upon receipt of settlement proceeds.

Other Matters 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.

report of independent auditors

Board of Directors and Shareholders

We have audited the accompanying consolidated balance sheets of Tyson Foods, Inc., as of September 28, 2002 and September 29, 2001, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended September 28, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly in all material respects, the consolidated financial position of Tyson Foods, Inc., at September 28, 2002, and September 29, 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 28, 2002, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Little Rock, Arkansas
November 11, 2002

report of management

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

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

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

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

November 11, 2002

John Tyson
Chairman of the Board and Chief Executive Officer

Steven Hankins
Executive Vice President and Chief Financial Officer

eleven-year financial summary

in millions, except per share and ratio data

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Summary of Operations											
Sales	**$23,367**	$10,563	$7,268	$7,621	$7,414	$6,356	$6,454	$5,511	$5,110	$4,707	$4,169
Cost of sales	**21,550**	9,660	6,453	6,470	6,260	5,318	5,506	4,423	4,149	3,797	3,390
Gross profit	**1,817**	903	815	1,151	1,154	1,038	948	1,088	961	911	779
Operating income	**887**	316	349	487	204	400	269	472	195	376	332
Interest expense	**305**	144	116	124	139	110	133	115	86	73	77
Provision for income taxes	**210**	58	83	129	46	144	49	131	121	129	101
Net income (loss)	**$ 383**	$ 88	$ 151	$ 230	$ 25	$ 186	$ 87	$ 219	$ (2)	$ 180	$ 161
Year end shares outstanding	**353**	349	225	229	231	213	217	217	218	221	206
Diluted average shares outstanding	**355**	222	226	231	228	218	218	218	222	223	208
Diluted earnings (loss) per share	**$ 1.08**	$ 0.40	$ 0.67	$ 1.00	$ 0.11	$ 0.85	$ 0.40	$ 1.01	$ (0.01)	$ 0.81	$ 0.77
Basic earnings (loss) per share	**1.10**	0.40	0.67	1.00	0.11	0.86	0.40	1.01	(0.01)	0.82	0.78
Dividends per share:											
Class A	**0.160**	0.160	0.160	0.115	0.100	0.095	0.080	0.053	0.047	0.027	0.027
Class B	**0.144**	0.144	0.144	0.104	0.090	0.086	0.072	0.044	0.039	0.022	0.022
Depreciation and amortization	**$ 467**	$ 335	$ 294	$ 291	$ 276	$ 230	$ 239	$ 205	$ 188	$ 177	$ 149
Balance Sheet Data											
Capital expenditures	**$ 433**	$ 261	$ 196	$ 363	$ 310	$ 291	$ 214	$ 347	$ 232	$ 225	$ 108
Total assets	**10,372**	10,632	4,841	5,083	5,242	4,411	4,544	4,444	3,668	3,254	2,618
Net property, plant and equipment	**4,038**	4,085	2,141	2,185	2,257	1,925	1,869	2,014	1,610	1,435	1,142
Total debt	**3,987**	4,776	1,542	1,804	2,129	1,690	1,975	1,985	1,455	1,024	826
Shareholders' equity	**$ 3,662**	$ 3,354	$2,175	$2,128	$1,970	$1,621	$1,542	$1,468	$1,289	$1,361	$ 980
Other Key Financial Measures											
Return on sales	**1.6%**	0.8%	2.0%	3.0%	0.3%	2.9%	1.4%	4.0%	0.0%	3.8%	3.9%
Annual sales growth (decline)	**121.2%**	45.3%	(4.6)%	2.8%	16.7%	(1.5)%	17.1%	7.9%	8.6%	12.9%	6.3%
Gross margin	**7.8%**	8.5%	11.2%	15.1%	15.6%	16.3%	14.7%	19.7%	18.8%	19.4%	18.7%
Return on beginning shareholders' equity	**11.4%**	4.0%	7.1%	11.7%	1.5%	12.1%	5.9%	17.0%	(0.2)%	18.4%	19.5%
Effective tax rate	**35.5%**	35.4%	35.6%	34.9%	64.7%	43.6%	37.0%	38.1%	101.8%	41.8%	38.5%
Total debt to capitalization	**52.1%**	58.7%	41.5%	45.9%	51.9%	51.0%	56.2%	57.5%	53.0%	42.9%	45.7%
Book value per share	**$ 10.37**	$ 9.61	$ 9.67	$ 9.31	$ 8.53	$ 7.60	$ 7.09	$ 6.76	$ 5.92	$ 6.16	$ 4.75
Closing stock price high	**15.56**	14.19	18.00	25.38	24.44	23.63	18.58	18.17	16.67	18.08	15.08
Closing stock price low	**$ 8.75**	$ 8.35	$ 8.56	$15.00	$16.50	$17.75	$13.83	$13.83	$12.50	$12.83	$10.17

1. 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 a vitamin antitrust litigation partial settlement.
2. Certain costs for 2001 and 2000 have been reclassified as the result of the application of EITF 00-14 and EITF 00-25. See Note 1 to the Consolidated Financial Statements.
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. The results for 1999 include a $77 million pretax charge for loss on sale of assets and impairment write-downs.
6. 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 28, 2002.
7. The results for 1998 include a $215 million pretax charge for asset impairment and other charges.
8. The results for 1997 include a $41 million pretax gain ($4 million after tax) from the sale of the beef division assets.
9. 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.

Closing Price of Company's Common Stock

	Fiscal Year 2002		Fiscal Year 2001	
	High	**Low**	High	Low
First Quarter	**$12.13**	**$ 8.75**	$14.19	$ 9.62
Second Quarter	**13.05**	**11.28**	13.80	10.70
Third Quarter	**15.56**	**12.20**	13.90	8.69
Fourth Quarter	**15.18**	**10.06**	10.71	8.35

As of October 31, 2002, the Company had approximately 41,000 Class A common shareholders of record and 17 Class B common shareholders of record.

DirectSERVICE™ Shareholder Investment Program

Tyson has authorized EquiServe Trust Co., N.A. to implement its program for dividend reinvestment and direct purchase of shares for current as well as new investors of Tyson Class A Common Stock. This program provides alternatives to traditional retail brokerage methods of purchasing, holding and selling Tyson stock. All inquiries concerning this program should be directed to:

DirectSERVICE™ Program for Shareholders
of Tyson Foods, Inc.
c/o EquiServe Trust Co., N.A.
P.O. Box 43081
Providence, RI 02940-3081
1-800-317-4445 (current shareholders)
1-800-822-7096 (non-shareholders)

Change of Address

If your Tyson stock is registered in your own name(s), send change of address information to the Company's transfer agent, EquiServe Trust Co., N.A.

Multiple Dividend Checks and Duplicate Mailings

If your Tyson stock is registered in similar but different names (e.g., Jane A. Doe and J.A. Doe) we are required to create separate accounts and mail dividend checks and proxy materials separately, even if the mailing addresses are the same. To consolidate accounts, contact the Company's transfer agent, EquiServe Trust Co., N.A.

Lost or Stolen Stock Certificates or Legal Transfers

If your stock certificates are lost, stolen or in some way destroyed, or if you wish to transfer registration, notify the Company's transfer agent, EquiServe Trust Co., N.A., in writing. Include the exact name(s) and Social Security or tax identification number(s) in which the stock is registered and, if possible, the numbers and issue dates of the certificates.

Stock Exchange Listings

The Class A common stock of the Company is traded on the New York Stock Exchange under the symbol TSN.

Corporate Headquarters

2210 West Oaklawn Drive
Springdale, Arkansas 72762-6999
Telephone (479) 290-4000

Availability of Form 10-K

A copy of the Company's Form 10-K, as filed with the Securities and Exchange Commission for fiscal 2002, may be obtained by Tyson shareholders by writing to:

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

board of directors


Don Tyson


John Tyson


Joe F. Starr

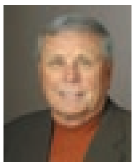

Leland E. Tollett


Shelby D. Massey


Barbara A. Tyson


Lloyd V. Hackley


Donald E. Wray


Gerald M. Johnston

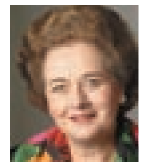

Jim Kever


David A. Jones


Barbara Allen


Robert L. Peterson


Richard L. Bond


Jo Ann R. Smith

Don Tyson, 72, retired as Senior Chairman of the Board in October 2001. He served as Senior Chairman since 1995, as Chairman from 1991 to 1995 and as Chairman and Chief Executive Officer from 1967 to 1991. Mr. Tyson has been a member of the Board since 1952.[1]

John Tyson, 49, is Chairman of the Board and Chief Executive Officer of the Company and has held his current title since October 2001. He served as Chairman, President and CEO since April 2000, as Chairman since 1998, as Vice Chairman since 1997 and previously as President of the Company's Beef and Pork division. Mr. Tyson has been a member of the Board since 1984.[1]

Joe F. Starr, 69, a private investor, served as a Vice President of the Company until 1996. Mr. Starr has been a member of the Board since 1969.

Leland E. Tollett, 65, a private investor, served as Chairman of the Board and CEO from 1995 to 1998. An employee of the Company since 1959, he was President and CEO from 1991 to 1995. Mr. Tollett has been a member of the Board since 1984.[1]

Shelby D. Massey, 69, is a farmer and a private investor. He served as Senior Vice Chairman of the Board from 1985 to 1988 and has been a member of the Board since 1985.[3,4]

Barbara A. Tyson, 53, is a Vice President of the Company and has served in related capacities since 1988. Ms. Tyson has been a member of the Board since 1988.

Lloyd V. Hackley, 62, is President and CEO of Lloyd V. Hackley and Associates, Inc. and was President of the North Carolina Community College System. Mr. Hackley has been a member of the Board since 1992.[2,3,4]

Donald E. Wray, 65, a private investor, retired as President of the Company in 2000. An employee of the Company since 1961, Mr. Wray was President and Chief Operating Officer from 1995 to 1999 after serving as COO since 1991. Mr. Wray has been a member of the Board since 1994.

Gerald M. Johnston, 60, a private investor, was Executive Vice President of Finance for the Company from 1981 to 1996 when he retired and became a consultant to the Company. Mr. Johnston has been a member of the Board since 1996.

Jim Kever, 50, is the Founding Partner of Vogent Partners, LLC, an investment partnership. Previously, Mr. Kever served as a director of Quintiles Transnational and had served as CEO of Envoy Corporation, a subsidiary of Quintiles. Mr. Kever has been a member of the Board since 1999.[2,4]

David A. Jones, 53, is Chairman and CEO of Rayovac Corp. Previously, Mr. Jones served as President, CEO and Chairman of Thermoscan, Inc. and as President, CEO and Chairman of Regina Co. He was previously with Electrolux Corp. and General Electric Co. Mr. Jones has been a member of the Board since 2000.[2,4]

Barbara Allen, 50, is an independent consultant. Previously, she served as Advisory Support for the Women's United Soccer Association as well as its CEO. Ms. Allen was President and COO of Paladin Resources, LLC, was President of Corporate Supplier Solutions for Corporate Express and was with Quaker Oats Co. for 23 years where she held several senior positions. Ms. Allen has been a member of the Board since 2000.[2,3]

Robert L. Peterson, 70, served as Chairman of the Board and CEO of IBP, inc. from 1981 to 2001. In 1977 he was elected IBP's President and COO. Mr. Peterson has been a member of the Board since 2001.

Richard L. Bond, 54, is Co-Chief Operating Officer and Group President, Fresh Meats and Retail of the Company. Mr. Bond served as President and COO of IBP from 1997 until the merger of IBP into the Company; as President, IBP Fresh Meats; Executive Vice President, IBP Beef Division; and IBP Group Vice President, Beef Sales and Marketing. He was a director of IBP from 1995 to 2001. Mr. Bond has been a member of the Board since 2001.

Jo Ann R. Smith, 62, is President of Smith Associates, an agricultural marketing business. Previously, Ms. Smith served as Assistant Secretary for Marketing and Inspection Services for the U.S. Department of Agriculture. She is a former President of the National Cattlemen's Beef Association and has chaired the Cattlemen's Beef Promotion and Research Board. She was a director of IBP from 1993 to 2001. Ms. Smith has been a member of the Board since 2001.[2]

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

corporate and executive officers

Mike Baker
Senior Vice President, Technical Services

Les R. Baledge
Executive Vice President
and General Counsel

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

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

Howell P. Carper
Senior Vice President and General Manager,
Food Service Prepared Foods Group

Bob Corscadden
Senior Vice President and
Chief Marketing Officer

Jeri R. Dunn
Senior Vice President
and Chief Information Officer

Louis C. Gottsponer, Jr.
Assistant Secretary and Director
of Investor Relations

Steven Hankins
Executive Vice President
and Chief Financial Officer

R. Read Hudson
Secretary and Senior Counsel

Greg Huett
Senior Vice President, Tyson International

Kenneth J. Kimbro
Senior Vice President, Human Resources

John S. Lea
Group Vice President, Consumer Products

Dennis Leatherby
Senior Vice President,
Finance and Treasurer

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

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

James V. Lochner
Group Vice President, IBP Fresh Meats

William W. Lovette
Group Vice President,
Food Service Poultry

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

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

Archie Schaffer III
Senior Vice President,
Government Affairs

Donnie Smith
Senior Vice President,
Supply Chain Management

John Tyson
Chairman and Chief Executive Officer

David L. Van Bebber
Senior Vice President, Legal Services

Annual Meeting

The Annual Meeting of Shareholders will be held at 10 a.m. Friday, February 7, 2003, at the Walton Arts Center, Fayetteville, Arkansas. A live audio webcast will be available at www.tysonfoodsinc.com/IR/publications/presentations.asp. To listen via telephone, call (888) 829-8668. International callers dial (630) 395-0018. Shareholders who cannot attend the meeting are urged to exercise their right to vote by proxy on the Internet, by phone or by mail.

Dividends

Tyson currently pays dividends four times a year on March 15, June 15, September 15 and December 15. The dividend is paid to everyone who holds shares on the record date.

Independent Auditors

Ernst & Young LLP
425 West Capitol, Suite 3600
Little Rock, AR 72201
Telephone (501) 370-3000

Transfer Agent

EquiServe Trust Co., N.A.
P.O. Box 24023
Providence, RI 02940-3023
Telephone (800) 317-4445
Hearing Impaired Telephone TDD (201) 222-5599
E-mail: equiserve@equiserve.com
www.equiserve.com.

Investor Relations

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

Louis C. Gottsponer, Jr.
Director of Investor Relations
Tyson Foods, Inc.
P.O. Box 2020
Springdale, AR 72765-2020
Telephone (479) 290-4826
Fax (479) 290-6577
E-mail: tysonir@tyson.com

Media Relations

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

Ed Nicholson
Director of Media & Community Relations
Tyson Foods, Inc.
P.O. Box 2020
Springdale, AR 72765-2020
Telephone (479) 290-4591
Fax (479) 290-7984
E-mail: ed.nicholson@tyson.com

Tyson on the Internet

Information about Tyson Foods, Inc. is available on the Internet at www.tysonfoodsinc.com. Information about Tyson products is available at www.tyson.com.

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Use of Terms

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

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