TYSON FOODS INC
Form 10-K/A
February 08, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

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

For the fiscal year ended **October 1, 2005**

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ________________ to ________________

Commission File No. 001-14704

TYSON FOODS, INC.

(Exact Name of Registrant as specified in its Charter)

Delaware	**71-0225165**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2210 West Oaklawn Drive, Springdale, Arkansas	**72762-6999**
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code:	**(479) 290-4000**

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

Title of Each Class	**Name of Each Exchange on Which Registered**
Class A Common Stock, Par Value $0.10	New York Stock Exchange

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No **[x]**

On April 2, 2005, the aggregate market value of the Class A Common and Class B Common voting stock held by non-affiliates of the registrant was $4,029,963,468 and $388,257, respectively. Class B Common Stock is not publicly listed for trade on any exchange or market system. However, Class B Common Stock is convertible into Class A Common Stock on a share-for-share basis, so the market value was calculated based on the market price of Class A Common Stock.

On October 31, 2005, there were outstanding 252,873,384 shares of the registrant's Class A Common Stock, $0.10 par value, and 101,622,048 shares of its Class B Common Stock, $0.10 par value.

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The Exhibit Index appears on pages 86 through 92

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INCORPORATION BY REFERENCE

The following indicated portions of the registrant's definitive Proxy Statement for the registrant's Annual Meeting of Shareholders to be held February 3, 2006 (the Proxy Statement) are incorporated by reference into the indicated portions of this Annual Report on Form 10-K/A:

Part III

Item 10. Directors and Executive Officers of the Registrant
The information set forth under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement.

Item 11. Executive Compensation
The information set forth under the captions "Executive Compensation and Other Information" and Report of Compensation Committee in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
The information set forth under the captions "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management" in the Proxy Statement.

Item 13. Certain Relationships and Related Transactions
The information set forth under the caption "Certain Transactions" in the Proxy Statement.

Item 14. Principal Accountant Fees and Services
The information set forth under the captions Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees in the Proxy Statement.

TYSON FOODS, INC.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A amends certain items of the Annual Report on Form 10-K of Tyson Foods, Inc. (collectively, the Company or Tyson) for the fiscal year ended October 1, 2005 as filed with the Securities and Exchange Commission on December 12, 2005 (the Annual Report) and presents in its entirety the Annual Report, as amended. These amended items restate the Company s consolidated financial statements previously filed in the Annual Report. This Form 10-K/A does not reflect events occurring after the filing of the original Annual Report or modify or update those disclosures affected by subsequent events.

In the fourth quarter of fiscal 2005 the Company recognized an actuarial gain resulting from the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act). The Act allows for a possible subsidy to retirement health plan sponsors to help offset the costs of participant prescription drug benefits. In March 2004, the FASB issued Staff Position No. 106-2, Accounting and Disclosure Requirements Related to the Act. In the fourth quarter of fiscal 2005, the Company concluded the prescription drug benefits included in its postretirement medical plan were actuarially equivalent to Medicare Part D under the Act. Included in a net actuarial loss of approximately $9 million related to the Company s post-retirement plan health plan and in accordance with FASB Staff Position 106-2, the Company decreased its accumulated postretirement obligation and recognized an actuarial gain of approximately $55 million related to the present value of all future subsidies expected to be received for benefits earned through October 1, 2005. FASB Staff Position 106-2 states that In the periods in which the subsidy affects the employer s accounting for the plan, it shall have no effect on any plan-related temporary difference accounted for under FASB Statement 109 because the subsidy is exempt from federal taxation. However, the Company erroneously recorded non-recurring income tax expense related to the actuarial gain of approximately $19 million.

Under Part II the Company has revised Item 6: Selected Financial Data, Item 7: Management s Discussion and Analysis of Financial Condition and Results of Operations, Item 8: Financial Statements and Supplementary Data (the Consolidated Statement of Income, the Consolidated Balance Sheet, the Consolidated Statement of Shareholders Equity, the Consolidated Statement of Cash Flows, Footnotes 1, 17, 18 and 20 and Report of Independent Registered Public Accounting Firm and Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting) and Item 9A: Controls and Procedures. Additionally the Exhibit Index in Item 15 is also amended to reflect the inclusion of updated calculation of ratio of earnings to fixed charges, updated certifications of certain executive officers and updated consent letter from Ernst & Young LLP.

TYSON FOODS, INC.

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TYSON FOODS, INC.

PART I

ITEM 1. BUSINESS

GENERAL

Tyson Foods, Inc. and its subsidiaries (collectively, the Company or Tyson), with world headquarters in Springdale, Arkansas, produce, distribute and market chicken, beef, pork, prepared foods and related allied products. The Company commenced business in 1935, was incorporated in Arkansas in 1947, and was reincorporated in Delaware in 1986. The Company has engaged in a number of acquisitions, including the acquisition of IBP, inc. (now called Tyson Fresh Meats, Inc. (TFM)) in 2001. In addition to being the world's largest processor and marketer of chicken, beef and pork products, the Company is also the second largest publicly traded food company in the *Fortune* 500 with one of the most recognized brand names in the food industry.

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

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

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

FINANCIAL INFORMATION OF BUSINESS SEGMENTS

The Company operates in five business segments: Chicken, Beef, Pork, Prepared Foods and Other. The contribution of each business segment to net sales and operating income, and the identifiable assets attributable to each business segment are set forth in Note 19, Segment Reporting of the Notes to Consolidated Financial Statements included herein at pages 71 through 73.

DESCRIPTION OF BUSINESS SEGMENTS

Chicken: The Company s chicken operations primarily are involved in the processing of live chickens into fresh, frozen and value-added chicken products. The Chicken segment markets its products domestically to food retailers, foodservice distributors, restaurant operators and noncommercial foodservice establishments such as schools, hotel chains, healthcare facilities, the military and other food processors, as well as to international markets throughout the world. The Chicken segment also includes sales from allied products and the Company s chicken

breeding stock subsidiary.

Beef: The Company's beef operations primarily are involved in the processing of live fed cattle and fabrication of dressed beef carcasses into primal and sub-primal meat cuts and case-ready products. It also involves deriving value from allied products such as hides and variety meats for sale to further processors and others. The Beef segment markets its products domestically to food retailers, foodservice distributors, restaurant operators and noncommercial foodservice establishments such as schools, hotel chains, healthcare

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facilities, the military and other food processors, as well as to international markets throughout the world. Allied products are also marketed to manufacturers of pharmaceuticals and technical products.

Eight of the Company s fed beef plants include hide processing facilities. The uncured hides from the Company s other fed beef plants are transported to these facilities, which include brine curing operations and, in four locations, chrome hide tanneries. The chrome tanning process produces a semi-finished product that is shipped to leather goods manufacturers worldwide. Brine-cured hides are sold to other tanneries. Tyson is the largest chrome tanner of cattle hides in the United States.

Pork: The Company's pork operations involve the processing of live market hogs and fabrication of pork carcasses into primal and sub-primal cuts and case-ready products. This segment also represents the Company's live swine group and related allied product processing activities. The Pork segment markets its products domestically to food retailers, foodservice distributors, restaurant operators and noncommercial foodservice establishments such as schools, hotel chains, healthcare facilities, the military and other food processors, as well as to international markets throughout the world. It also sells allied products to pharmaceutical and technical products manufacturers, as well as live swine to pork processors.

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

Prepared Foods: The Company's prepared foods operations manufacture and market frozen and refrigerated food products. Products include pepperoni, bacon, beef and pork pizza toppings, pizza crusts, flour and corn tortilla products, appetizers, prepared meals, ethnic foods, soups, sauces, side dishes and meat dishes, and processed meats. The Prepared Foods segment markets its products domestically to food retailers, foodservice distributors, restaurant operators and noncommercial foodservice establishments such as schools, hotel chains, healthcare facilities, the military and other food processors, as well as to international markets throughout the world.

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

RAW MATERIALS AND SOURCES OF SUPPLY

Chicken: The primary raw materials used by the Company in its chicken operations consist of live chickens that are raised primarily by independent contract growers. The Company's vertically-integrated chicken process begins with the grandparent breeder flocks. Breeder farms specialize in producing the generations of male and female strains, with the broiler being the final progeny. The breeder flocks are raised to maturity in grandparent growing and laying farms where fertile eggs are produced. The fertile eggs are incubated at the grandparent hatchery and produce male and female pullets (i.e., the parents). The pullets are sent to breeder houses, and the resulting eggs are sent to Company hatcheries. Once the chicks have hatched, they are sent to broiler farms. There, contract growers care for and raise the chicks according to Company standards while receiving advice from Company technical service personnel until the broilers have reached the desired processing weight. The adult chickens are caught and hauled to processing plants. The finished products are sent to distribution centers and then transported to customers. The Company operates its own feed mills to produce scientifically-formulated feeds. Corn and soybean meal are major production costs in the poultry industry, representing roughly 40% of the cost of growing a chicken. In addition to feed ingredients to grow the chickens, the Company uses cooking ingredients, packaging materials and cryogenic agents. The Company believes that its sources of supply for these materials are adequate for its present needs and the Company does not anticipate any difficulty in acquiring these materials in the future. While the Company produces substantially all of its inventory of breeder chickens and live broilers, it from time-to-time purchases live, ice-packed or deboned chicken to meet production requirements.

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Beef: The primary raw materials used by the Company in its beef operations are live cattle. The Company does not have facilities of its own to raise cattle in the United States. The Company has cattle buyers located throughout cattle producing areas that visit feed yards and buy live cattle on the open spot market. These buyers are trained to select high quality animals and their performance is continually measured by the Company. The Company also enters into various risk-sharing and procurement arrangements with producers that help secure a supply of livestock for daily start-up operations at its facilities. The Company's Canadian subsidiary, Lakeside Farm Industries, LTD. (Lakeside), primarily has cattle feeding facilities and a beef carcass production and boxed beef processing facility. In 2005, Lakeside's feedlots provided approximately 20% of that facility's fed cattle needs.

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

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

SEASONAL DEMAND

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

CUSTOMERS

Wal-Mart Stores, Inc. accounted for approximately 13% of the Company s fiscal 2005 consolidated sales. Sales to Wal-Mart Stores, Inc. were included in the Chicken, Beef, Pork and Prepared Foods segments. Any extended discontinuance of sales to this customer could, if not replaced, have a material impact on the Company's operations; however, the Company does not anticipate any such occurrences due to the demand for its products. No other single customer or customer group represents greater than 10% of fiscal 2005 consolidated sales.

BACKLOG OF ORDERS

As of October 1, 2005, there was no significant backlog of unfilled orders for the Company's products.

COMPETITION

The Company's food products compete with those of other national and regional food producers and processors and certain prepared food manufacturers, including Cargill Incorporated, Foster Farms, Gold Kist, Inc., Hormel Foods Corporation, Kraft Foods, Inc., National Beef Packing Company LLC, Perdue Farms Inc., Pilgrim s Pride Corp., Sanderson Farms, Inc., Sara Lee Corporation, Smithfield Foods, Inc. and Swift and Company. Additionally, the Company's food products compete in international markets around the world. The Company's principal marketing and competitive strategy is to identify target markets for value-added products, to concentrate production, sales and marketing efforts in order to appeal to and enhance the demand from those markets and, utilizing its national distribution systems and customer support services,

seek to achieve a leading market position for its products. Past efforts have indicated that customer demand generally can be increased and sustained through application of the Company's marketing strategy, as supported by its distribution systems. The principal competitive elements are brand identification, breadth and depth of the product offering, product quality, customer service and price.

TYSON FOODS, INC.

INTERNATIONAL

The Company exported to more than 80 foreign countries in fiscal 2005. Major export markets include Canada, China, the European Union, Japan, Mexico, Puerto Rico, Russia, Taiwan and South Korea.

The Company continues to explore growth opportunities in South America, Russia, Canada, China and Mexico and believes each offers potential in terms of expanding or developing processing facilities. The Company's subsidiary in Mexico continues to show growth with a focus on further processed chicken products. The Company s Canadian subsidiary, Lakeside, has cattle feeding facilities and a beef carcass production and boxed beef processing facility. The Company s breeding stock subsidiary, Cobb-Vantress, has business interests in Argentina, Brazil, India, Japan, the Philippines, Spain, the United Kingdom, Venezuela and the Netherlands. The Company also owns a majority interest in and operates a chicken further processing facility in China. The Company has minority interests in a Chinese pork processing facility and a Canadian chicken further processing facility, and a 50% interest in a Chinese casing operation. The Company continues to be involved in a technical service agreement with Grupo Melo in Panama to assist Grupo Melo with the production of further processed chicken products and to allow it to license the Tyson brand. Additional information regarding the Company s export sales, long-lived assets located in foreign markets and income from foreign operations is set forth in Note 19, Segment Reporting of the Notes to Consolidated Financial Statements included herein at pages 71 through 73.

RESEARCH AND DEVELOPMENT

The Company conducts continuous research and development activities to improve finished product development, to develop ways to automate manual processes in its processing plants and growout operations and to improve the strains of primary chicken breeding stock. The annual cost of such research and development programs is less than one percent of total consolidated annual sales.

REGULATION AND FOOD SAFETY

The Company's facilities for processing chicken, beef, pork, prepared foods, milling feed and for housing live chickens and swine are subject to a variety of federal, state and local laws relating to the protection of the environment, including provisions relating to the discharge of materials into the environment, and to the health and safety of its employees. The Company's chicken, beef and pork processing facilities are participants in the government's Hazardous Analysis Critical Control Point (HACCP) program and are subject to the Public Health Security and Bioterrorism Preparedness and Response Act of 2002. The cost of compliance with such laws and regulations has not had a material adverse effect upon the Company's capital expenditures, earnings or competitive position and it is not anticipated to have a material adverse effect in the future. In 2005, the Company incurred expenses of approximately $105 million to maintain compliance with such regulations. These expenditures relate principally to the normal operation and maintenance of wastewater treatment facilities, where the Company biologically treats these wastes, and the associated land application of wastes generated at these treatment facilities. The Company incurred $7 million in capital expenditures related to its wastewater treatment facilities in fiscal 2005 and anticipates capital expenditures of approximately $18 million in fiscal 2006 for environmental projects related to the wastewater treatment facilities. The Company believes that it is in substantial compliance with such applicable laws and regulations and the Company is not aware of any violations of or pending changes in, such laws and regulations that are likely to result in material penalties or material increases in compliance costs, except as disclosed in Item 3., Legal Proceedings.

The Company works to ensure its products meet high standards of food quality and safety. The Company s chicken, beef, pork and prepared foods products are subject to inspection prior to distribution, primarily by the United States Department of Agriculture and the United States Food and Drug Administration. Notwithstanding these efforts, food producers are at risk that their products may contain pathogens.

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

regulatory administrative penalties, which can include injunctive relief and other civil remedies, including plant closings.

TYSON FOODS, INC.

EMPLOYEES AND LABOR RELATIONS

As of October 1, 2005, the Company employed approximately 114,000 team members. The Company believes that its overall relations with its workforce are good.

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

Location	Union	No. of People		Expiration Date
Albertville, AL	UFCW	596		November 2007
Amarillo, TX	Teamsters	3,171		November 2007
Ashland, AL	RWDSU	246		November 2009
Buena Vista, GA	RWDSU	347		March 2007
Buffalo, NY	IUOE	33		June 2006
Carthage, TX	UFCW	412		November 2006
Carthage, MS	RWDSU	1,968		March 2012
Center, TX	UFCW	982		February 2006
Cherokee, IA	UFCW	557		January 2009
Chicago, IL	PMU	441		August 2008
Chicago, IL	Teamsters	2		April 2006
Chicago, IL	UFCW	166		March 2009
Concordia, MO	UFCW	187		June 2009
Corydon, IN	Steelworkers	39		April 2008
Corydon, IN	UFCW	368		January 2008
Dakota City, NE	UFCW	3,077		August 2009
Dakota City, NE	UFCW	25		April 2010
Dardanelle, AR	UFCW	809		November 2007
Forest, MS	RWDSU	792		September 2012
Gadsden, AL	Teamsters	7		April 2007
Gadsden, AL	RWDSU	668		November 2008
Glen Allen, VA	UFCW	568		November 2007
Hope, AR	UFCW	825		March 2006
Jefferson, WI	UFCW	389		February 2008
Geneso, IL	Teamsters	15		March 2007
Geneso, IL	UFCW	1,967		March 2006
Logansport, IN	UFCW	1,774		May 2008
Noel, MO	UFCW	751	(1)	December 2005
Norfolk, NE	UFCW	1,044	(1)	September 2005
North Richland Hills, TX	UFCW	316		August 2008
Perry, IA	UFCW	953		December 2007
Ponca City, OK	UFCW	544		January 2009
Roaring River, NC	Teamsters	31		November 2007
Robards, KY	UFCW	28		November 2006
Robards, KY	UFCW	839		December 2006
Shelbyville, TN	RWDSU	793		November 2007
Waterloo, IA	UFCW	2,182		December 2006
Wilkesboro, NC	Teamsters	208		November 2007
Wilkesboro, NC	Teamsters	1		October 2007
Brooks, Alberta, Canada	UFCW	2,100	(2)	December 2009
Gomez Palacio, Durango, Mexico	CTM	3,374		February 2006
Gomez Palacio, Durango, Mexico	CTM	29		April 2006
Monterrey, Neuvo Leon, Mexico	FNCSI	71		February 2006
Torreon, Coahuila, Mexico	CROM	29		February 2006
Parras de la Fuenta, Coahuila, Mexico	CROM	92		February 2006
Mexico, Districto Federal	CROC	42		March 2006

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TYSON FOODS, INC.

UFCW - United Food and Commercial Workers Union

RWDSU - Retail, Wholesale, Department Store Union

PMU   Production and Maintenance Union

IUOE - International Union of Electrical Workers

CTM   Confederacion de Trabajadores de Mexico

FNCSI - Sindicato Industrial de Trabajadores de Nuevo Leon

CROM - Confederacion Reginal Obrera de Mexico

CROC   Confederacion Reginal de Obreros y Campesinos

(1) Contracts are currently under negotiations.

(2) Contract was ratified November 4, 2005, and ended a strike that began October 12, 2005.

As of October 1, 2005, the Company was not experiencing any strike or work stoppage that had a material impact on operations.

MARKETING AND DISTRIBUTION

The Company's principal marketing objective is to be the primary provider of chicken, beef, pork and prepared foods products for its customers. The Company identifies distinct markets and business opportunities through continuous consumer and market research. The Company s branding strategy focuses on one national protein brand, the Tyson® brand, as well as a number of strong regional brands. The Company has de-emphasized some of its prepared foods brand names and replaced them with the Tyson® brand. All communications stress the quality, convenience and protein power benefits of the Company s products while supporting and building brand awareness. Communications efforts are built around the Powered by Tyson strategy and utilize a fully integrated and coordinated mix of activities designed to connect with customers and consumers on both a rational and emotional level. The Company utilizes its national distribution system and customer support services to achieve the leading market position for its products.

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

PATENTS AND TRADEMARKS

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

INDUSTRY PRACTICES

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

TYSON FOODS, INC.

AVAILABILITY OF SEC FILINGS AND CORPORATE GOVERNANCE DOCUMENTS ON INTERNET WEBSITE

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

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

This report and other written reports and oral statements, made from time to time by the Company and its representatives, contain forward-looking statements with respect to their current views and estimates of future economic circumstances, industry conditions, Company performance and financial results, including, without limitation, debt-levels, return on invested capital, value-added product growth, capital expenditures, tax rates, access to foreign markets and dividend policy. These forward-looking statements are subject to a number of factors and uncertainties that could cause 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 cause actual results and experiences to differ from the anticipated results and expectations expressed in such forward-looking statements are the following: (i) fluctuations in the cost and availability of raw materials, such as live cattle, live swine or feed grains; (ii) market conditions for finished products, including the supply and pricing of alternative proteins, and the demand for alternative proteins; (iii) risks associated with effectively evaluating derivatives and hedging activities; (iv) access to foreign markets together with foreign economic conditions, including currency fluctuations and import/export restrictions; (v) outbreak of a livestock disease (such as avian influenza (AI) or bovine spongiform encephalopathy (BSE)) which could have an effect on livestock owned by the Company, the availability of livestock for purchase by the Company, consumer perception of certain protein products or the Company s ability to access certain markets; (vi) successful rationalization of existing facilities, and the operating efficiencies of the facilities; (vii) changes in the availability and relative costs of labor and contract growers; (viii) issues related to food safety, including costs resulting from product recalls, regulatory compliance and any related claims or litigation; (ix) adverse results from litigation; (x) risks associated with leverage, including cost increases due to rising interest rates or changes in debt ratings or outlook; (xi) changes in regulations and laws (both domestic and foreign), including changes in accounting standards, environmental laws and occupational, health and safety laws; (xii) the ability of the Company to make effective acquisitions and successfully integrate newly acquired businesses into existing operations; (xiii) effectiveness of advertising and marketing programs; and (xiv) the effect of, or changes in, general economic conditions.

ITEM 2. PROPERTIES

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

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Chicken: The Company's chicken operations consist of 56 processing plants. These plants are devoted to various phases of slaughtering, dressing, cutting, packaging, deboning or further-processing. The total slaughter capacity is approximately 50 million head per week. In addition, the Company owns nine rendering plants with the capacity to produce 29 million pounds of animal protein products per week and 19 ground pet food processing operations in connection with chicken processing plants capable of producing 10 million pounds of product per week. In addition, there are two blending mill operations, 37 feed mills and 64 broiler hatcheries with sufficient capacity to meet the needs of the chicken growout operations. During fiscal 2005, the feed mills operated at 74% of capacity, the hatcheries operated at 90% of capacity and the processing plants operated at 95% capacity.

Beef : The Company's beef operations consist of 15 beef production facilities, four of which include case-ready operations, and a Canadian cattle feedlot. These plants are devoted to various phases of slaughtering live cattle, fabricating beef products and some treat and tan hides. One of the beef facilities contains a tallow refinery and two of the case-ready operations share facilities with the Pork segment. The carcass facilities reduce live cattle to dressed carcass form. The processing facilities conduct fabricating operations to produce boxed beef and allied products. The slaughtering processes operated in fiscal 2005 at approximately 73% of their capacities. The total slaughter capacity is approximately 240,000 head per week.

Pork: The Company's pork operations consist of eight pork production facilities, two of which include case-ready operations. These plants are devoted to various phases of slaughtering live hogs and fabricating pork products and allied products. The two case-ready operations share facilities with the Beef segment. The processing facilities operated in fiscal 2005 at approximately 81% of their production capacities. The total slaughter capacity of these facilities is approximately 439,000 head per week. Additionally, the Company s live swine operations have 47 farrowing barns, 92 nursery houses, 77 finishing houses and two boar facilities. The Company also utilizes live swine contract growers. The swine growout operations are supported by one dedicated feed mill supplemented by production from the chicken operations' feed mills.

Prepared Foods: The Company's prepared foods operations consist of 28 processing plants which process fresh and frozen beef, pork, chicken and other raw materials into pizza toppings, branded and processed meats, appetizers, prepared meals, ethnic foods, soups, sauces, side dishes and pizza crusts, flour and corn tortilla products and meat dishes. These processing plants have the capacity to produce approximately 63 million pounds per week and operated in fiscal 2005 at approximately 70% of capacity.

Other: The Company's other operations consist of 10 distribution centers, as well as 12 cold storage facilities used by the beef and pork divisions, 44 cold storage facilities at chicken processing plants, three cold storage facilities at chicken rendering plants and five cold storage facilities used by prepared foods plants with a total capacity of approximately 330 million pounds.

The Company owns its major operating facilities with the following exceptions: one chicken emulsified plant is leased month to month, 467 chicken breeder farm houses are leased under agreements expiring at various dates through 2008, 31 chicken breeder farm houses are leased month to month and 30 broiler farms are leased year to year. Additionally, the Company s live swine operation leases 24 farrowing barns, 20 nursery houses and 46 finishing houses, expiring at various dates through 2009. One prepared foods distribution center and one prepared foods further processing facility are leased month to month and one prepared foods further processing facility is leased until 2020.

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

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ITEM 3. LEGAL PROCEEDINGS

Refer to the discussion of certain legal proceedings pending against the Company under Part II, Item 8, Notes to Consolidated Financial Statements, Note 21, Contingencies, which discussion is incorporated herein by reference. Listed below are certain additional legal proceedings involving the Company and its subsidiaries.

On October 23, 2001, a putative class action lawsuit, *R. Lynn Thompson and Deborah S. Thompson, et al. vs. Tyson Foods, Inc.*, was filed in the District Court for Mayes County, Oklahoma, on behalf of all owners of Grand Lake O' the Cherokee's littoral (lakefront) property. The suit alleges that the Company "or entities over which it has operational control" conduct operations in such a way as to interfere with the putative class action plaintiffs' use and enjoyment of their property, allegedly caused by diminished water quality in the lake. Plaintiffs are seeking injunctive relief and an unspecified amount of compensatory damages, punitive damages, attorney fees and costs. Simmons Foods, Inc. (Simmons) and Peterson Farms, Inc. (Peterson) have been joined as defendants. The Company and Simmons are seeking leave to file a third party complaint against entities that contribute wastes and wastewater into Grand Lake. The class certification hearing was held in October 2003. On December 11, 2003, the District Court entered an order which granted class certification. On January 12, 2004, the Company, Simmons and Peterson filed a Petition in Error (the Petition) in the Oklahoma Supreme Court which challenges and seeks appellate level review of the District Court s certification order. On October 4, 2005, the Court of Civil Appeals of the State of Oklahoma reversed and remanded the decision of the District Court, holding that the claims of plaintiffs were not suitable for disposition as a class action. On October 24, 2005, plaintiffs filed a Petition for Writ of Certiorari seeking review by the Oklahoma Supreme Court of the Court of Civil Appeals decision. On November 7, 2005, the defendants filed an answer to the Petition and on November 18, 2005 the plaintiffs filed their reply to the answer. The Company is presently awaiting the decision of the Oklahoma Supreme Court.

In January 1997, the State of Illinois Attorney General filed *People vs. IBP, inc.* in the Circuit Court for the 14th Judicial Circuit, Rock Island, Illinois, Chancery Division alleging that IBP s (now TFM s) operations at its Joslin, Illinois, facility are violating the odor nuisance statutory provisions enacted in the State of Illinois. TFM has completed improvements at its Joslin facility to reduce odors from this operation, but denies the Illinois Attorney General s contention that its operations at any time amounted to a nuisance. The Illinois Attorney General has alleged a damage claim ranging from approximately $1,800,000 to $2,700,000. In May 2003, the State of Illinois attempted to add the Company as a defendant in the suit, which the Circuit Court subsequently denied. In September 2003, the State of Illinois served the Company with a complaint that had been filed in the Circuit Court for the 14th Judicial Circuit, Rock Island County, Illinois Chancery Division alleging substantially the same causes of action against the Company as had been alleged in the action against TFM. On May 27, 2004, TFM and the State of Illinois Attorney General entered into a Preliminary Injunction Order to investigate and address the alleged nuisance issues. At the same time, the State of Illinois Attorney General filed an Agreed Order of Dismissal regarding the September 2003 suit against the Company. Currently, TFM is engaged in penalty negotiation with the State of Illinois.

In May 2004, TFM met with U.S. Environmental Protection Agency (USEPA) staff regarding alleged wastewater and late report filing violations under the Clean Water Act relating to the 2002 Second and Final Consent Decree that governed compliance requirements for TFM s Dakota City, Nebraska, facility. During that meeting, TFM was verbally informed of USEPA s intent to potentially assess stipulated penalties for those alleged violations, with a maximum penalty figure of approximately $338,000. No formal written demand for stipulated penalties pursuant to the Consent Decree has been presented at this time. TFM vigorously disputes these allegations. Additional discussions with USEPA regarding a potential settlement of this matter are expected.

On February 25, 2004, the Indiana Department of Environmental Management (IDEM) issued a Notice of Violation to the Company s facility in Portland, Indiana, for alleged violations of Clean Air Act permitting regulations. During a meeting held in April 2004, IDEM requested an administrative penalty of approximately $195,000. The Company settled this matter with IDEM on September 20, 2005, and pursuant to the settlement paid $4,250 to the state of Indiana.

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On August 12, 2005, the Company elected to participate in the United States Environmental Protection Agency s (EPA) Air Compliance Agreement (ACA). Participation will require payment of a penalty of One Hundred Thousand Dollars ($100,000) and an additional contribution to a monitoring fund that will underwrite a study of air emissions from poultry farming operations. The contribution to the monitoring fund will be made in proportion to the total number of all participants (including the Company and parties not related to the Company) who elect to participate in the ACA. It is estimated that aggregate contributions to the monitoring fund will not exceed Two Million Dollars ($2,000,000). The Company s election to participate in the ACA is subject to review and approval from the EPA Environmental Appeals Board (EAB). The EAB is currently conducting its review. In addition, environmental groups have brought a legal action against the EPA challenging the legality of the ACA in the Court of Appeals in the D.C. Circuit. It is currently unknown how, if at all, this will effect implementation of the ACA.

On June 19, 2005, the Attorney General of Oklahoma filed a Complaint in the U.S. District Court for the Northern District of Oklahoma against the Company, three subsidiaries and other poultry integrators. After a mediation held in August 2005 did not result in a settlement, a First Amended Complaint (Amended Complaint) was filed and served on the Company, three subsidiaries and other poultry integrators. The Amended Complaint asserts state and federal causes of action and seeks injunctive relief and damages (past and future) for alleged pollution to the Illinois River Watershed from the land application of poultry litter by the defendants and contract growers. The Company and other defendants have filed answers and motions to dismiss several of the claims made in the Amended Complaint. The State of Oklahoma s responses to these motions were filed on November 18, 2005. In addition, the Company and other defendants have filed third-party complaints that assert claims against other persons and entities whose activities may have contributed to the pollution alleged in the Amended Complaint. These third party complaints seek recovery under the alternative theories of contribution and indemnity. The Company and its defendant subsidiaries believe they have substantial defenses to the claims made and intend to vigorously defend the Amended Complaint. On November 3, 2005, the Arkansas Attorney General filed a Petition for Leave to file a Bill of Complaint in the United States Supreme Court (the Petition) in its capacity as *parens patriae* for the citizens of Arkansas for violations of Arkansas rights under the Arkansas River Basin Compact and violation of the Commerce Clause, seeking a declaration that Oklahoma is required to cooperatively resolve its interstate dispute by presenting it grievances before the Arkansas-Oklahoma Arkansas River Compact Commission and that Oklahoma s attempt to enforce its laws on citizens and conduct occurring within Arkansas violates the Commerce Clause and the Due Process Clause. The State of Oklahoma has until January 2, 2006, to respond to the Petition.

In February 2002, the Company learned that a processing facility owned by Zemco Industries, Inc., a subsidiary of TFM, 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 TFM on September 28, 2001. A former Zemco employee at the processing facility has pled guilty to charges in connection with the investigation. To date there has been no claim by the U.S. Attorney against Zemco, and Zemco will continue to cooperate with the U.S. Attorney s office.

In August 2004, the Company received a subpoena requesting the production of documents from a federal grand jury sitting in the Western District of Arkansas. The subpoena focused on events surrounding a workplace accident that resulted in the death of an employee at the River Valley Animal Foods rendering plant in Texarkana, Arkansas, on October 10, 2003. That workplace fatality had previously been the subject of an investigation by the Occupational Health and Safety Administration (OSHA) of the Department of Labor. On April 9, 2004, OSHA issued citations to Tyson Foods, Inc. and Tyson Poultry, Inc., d/b/a River Valley Animal Foods, alleging violations of health and safety standards arising from the death of the employee due to hydrogen sulfide inhalation. The citations consist of five willful, 12 serious, and two recordkeeping violations. OSHA seeks abatement of the alleged violations and proposed penalties of $436,000. The OSHA proceeding was stayed pending the completion of the grand jury investigation. Since the receipt of the document subpoena, a number of company employees have provided grand jury testimony or informal interviews to government investigators. Federal officials have not yet indicated whether they intend to pursue any action against the Company in connection with this investigation.

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In July 2002, certain cattle producers filed *Herman Schumacher, et al. vs. Tyson Fresh Meats, Inc., et al.* in the U.S. District Court for the District of South Dakota, seeking certification of a class of cattle producers and naming as defendants TFM and three other beef packers. Plaintiffs claim that in 2001, during the first six weeks that the U.S. Department of Agriculture (USDA) began its mandatory price reporting program, defendants knowingly used the inaccurate boxed beef cutout prices (cutout prices are determined by the USDA through a formula that averages the prices of the various box beef cuts reported by all packers) calculated and published by USDA to negotiate the purchase of fed cattle from plaintiffs at prices substantially lower than would have been economically justified had plaintiffs known the accurate higher cutout prices. Plaintiffs contend that defendants conduct constituted an unfair or deceptive practice in violation of the Packers and Stockyards Act (PSA), 7 U.S.C. §192. Plaintiffs also seek damages under state law unjust enrichment principles. The USDA has stated that during the period in question the beef packers correctly reported beef sales information to the USDA and TFM believes it acted appropriately in its dealings with cattle producers. Plaintiffs submitted an affidavit from their expert on April 1, 2004, which maintained class damages were in the "tens of millions" of dollars. On June 4, 2004, the District Court certified a class to pursue the PSA claims, consisting of all persons or business associations that owned any interest in cattle that were intended for slaughter and who sold or permitted the sale of such cattle (excluding culled dairy and beef cows and bulls) to defendants on the open spot cash cattle market, or on a basis affected by that market, between April 2, 2001, to and including May 11, 2001. Other classes were certified in connection with the state law unjust enrichment claims. On June 22, 2004, defendants sought leave from the Eighth Circuit Court of Appeals to appeal the class certification ruling. This request was denied on July 7, 2004. Discovery in this matter has concluded, dispositive briefs have been filed with the court, and the trial has tentatively been scheduled to commence on April 3, 2006.

On February 16, 2005, a putative shareholders derivative and class action lawsuit, *Amalgamated Bank v. Don Tyson, et al*., was filed in Delaware Chancery Court against certain present and former directors of the Company. The Company is also named as a nominal defendant, with no relief sought against it. The lawsuit contains three derivative claims which respectively allege that the defendant directors breached their fiduciary duties by approving (1) consulting contracts for Don Tyson and Robert Peterson in 2001, and other compensation for certain Tyson executives during 2001-2003, (2) certain option grants to certain officers and directors with alleged knowledge that the Company was about to make announcements that would cause the stock price to increase, and (3) various related-party transactions during 2001-2003 that plaintiff alleges were unfair to the Company. The putative class action portion of the lawsuit claims that the Company's 2002, 2003 and 2004 proxy statements contained misrepresentations regarding certain executive compensation and seeks to void the Company's board of directors elections for those years. Defendants filed a motion to dismiss on April 28, 2005. On July 1, 2005, the plaintiff filed an amended complaint. In addition to the claims set forth in the initial complaint, the amended complaint asserts a derivative claim alleging that the defendant directors breached their fiduciary duties in connection with disclosure matters that resulted in an SEC consent decree and otherwise. In connection with the putative class action claims, the amended complaint adds a request for nominal damages and a request for disgorgement of compensation paid to the directors who plaintiff alleges were wrongfully elected in 2002, 2003 and 2004. Defendants filed a motion to dismiss the amended complaint on August 8, 2005, and plaintiff filed an opposition brief on September 19, 2005. Further briefing on the motion is currently suspended, pending the possibility of consolidation with the Meyer lawsuit, described below.

On September 12, 2005, plaintiff Eric Meyer sent a letter to the Honorable William B. Chandler III, of the Delaware Chancery Court, requesting leave to file a putative shareholder derivative complaint under seal. The complaint names as defendants the Tyson Limited Partnership and certain present and former directors of the Company. The Company is also named as a nominal defendant, with no relief sought against it. The complaint asserts derivative claims for breach of fiduciary duty, corporate waste, and unjust enrichment allegedly arising from various related-party transactions from 1998 to 2004. The complaint alleges that the transactions were unfair to the Company, were not properly disclosed, and were not approved by a committee of independent directors. On September 21, 2005, the court granted plaintiff leave to file the complaint under seal and requested that plaintiff's counsel confer with counsel in Amalgamated Bank v. Tyson, et al. (see above), in order to consolidate the cases. The complaint was filed under seal on September 22, 2005, and was subsequently filed publicly on September 29, 2005. The deadline for defendants' response to the complaint has been extended pending consolidation.

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Other Matters: The Company has approximately 114,000 team members and at any time has various employment practices matters. In the aggregate, these matters are significant to the Company and the Company devotes significant resources to handling employment issues. Additionally, the Company is subject to other lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of its business. While the ultimate results of these matters cannot be determined, they are not expected to have a material adverse effect on the Company's consolidated results of operations or financial position.

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

Not applicable.

EXECUTIVE OFFICERS OF THE COMPANY

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

Name	Title	Age	Year Elected
John Tyson	Chairman of the Board of Directors and Chief Executive Officer	52	1984
Richard L. Bond	President and Chief Operating Officer	58	2001
Greg Lee	Chief Administrative Officer and International President	58	1993
Eugene D. Leman	Senior Group Vice President, Fresh Meats	62	2001
Bill Lovette	Senior Group Vice President, Poultry and Prepared Foods	45	2005
James Lochner	Senior Group Vice President, Margin Optimization, Purchasing and Logistics	53	2005
Noel W. White	Group Vice President, Fresh Meats Operations and Commodity Sales	47	2005
Wendy Davidson	Group Vice President, Foodservice	35	2005
J. Alberto Gonzalez-Pita	Executive Vice President and General Counsel	51	2004
Dennis Leatherby	Senior Vice President, Finance and Treasurer and Interim Chief Financial Officer	45	1990
Craig J. Hart	Senior Vice President, Controller and Chief Accounting Officer	49	2004

No family relationships exist among the above officers. Mr. John Tyson was appointed Chairman of the Board of Directors and Chief Executive Officer in 2001 after serving as Chairman of the Board of Directors, President and Chief Executive Officer since 2000, Chairman of the Board of Directors since 1998 and Vice Chairman of the Board of Directors since 1997. Mr. Bond was appointed President and Chief Operating Officer in 2003, after serving as Co-Chief Operating Officer and Group President, Fresh Meats and Retail since 2001 and President and Chief Operating Officer of IBP since 1997 until the merger of IBP into a wholly-owned subsidiary of the Company on September 28, 2001. Mr. Bond is also a member of the Company s Board of Directors. Mr. Lee was appointed Chief Administrative Officer and International President in 2003, after serving as Co-Chief Operating Officer and Group President, Food Service and International since 2001, Chief Operating Officer since 1999 and as President of the Foodservice Group since 1998. Mr. Leman was appointed Senior Group Vice President, Fresh Meats in 2001 after serving as IBP's President of Fresh Meats since 1997 until the merger of IBP into a wholly-owned subsidiary of the Company on September 28, 2001. Mr. Leman has announced he will retire from his position as Senior Group Vice President, Fresh Meats effective January 31, 2006. Mr. Lovette was appointed Senior Group Vice President, Poultry & Prepared Foods in 2005, after serving as Group Vice President, Foodservice since 2001, President, Foodservice Group since 2000, and President, International since 1999.

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Mr. Lochner was appointed Senior Group Vice President, Margin Optimization, Purchasing and Logistics in 2005, after serving as Group Vice President, Purchasing, Travel, and Aviation since 2004, Group Vice President, Fresh Meats since 2001, and President and COO of IBP Fresh Meats since 2000 until the merger of IBP into a wholly-owned subsidiary of the Company on September 28, 2001. Mr. White was appointed Group Vice President, Fresh Meats Operations and Commodity Sales in 2005 after serving as Senior Vice President, Fresh Meats Sales and Marketing since 2003, Vice President, FM Sales & Pricing Team Leader since 2002 and Vice President, Processor Pork Sales since 1993 through the merger of IBP into a wholly-owned subsidiary of the Company on September 28, 2001. Ms. Davidson was appointed Group Vice President, Foodservice in 2005, after serving as Senior Vice President & General Manager, McDonald s Business Development since 2004, Vice President & General Manager, McDonald s Business Development since 2003, Director Sales & Marketing, McDonald s Business Development since 2001, and Division Manager, Foodservice Frozen Customer Marketing Division since 1998. Mr. Gonzalez-Pita was appointed Executive Vice President and General Counsel in 2004, after serving as General Counsel and Vice President for International Legal, Regulatory & External Affairs at BellSouth Corporation since 1999. Mr. Leatherby was appointed Senior Vice President, Finance and Treasurer and Interim Chief Financial Officer in 2004, after serving as Senior Vice President, Finance and Treasurer since 1998. Mr. Hart was elected Senior Vice President, Controller and Chief Accounting Officer in 2004 after serving as Vice President of Special Projects since 2001 and Vice President and Controller of IBP since 1995 until the merger of IBP into a wholly-owned subsidiary of the Company on September 28, 2001.

The Company has a code of ethics as defined in Item 406 of Regulation S-K, which code applies to all of its directors and employees, including its principal executive officers, principal financial officer, principal accounting officer or controller, and persons performing similar functions. This code of ethics, titled Tyson Foods, Inc. Code of Conduct, is available, free of charge on the Company s website at http://ir.tysonfoodsinc.com.

PART II

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

The Company currently has issued and outstanding two classes of capital stock, Class A common stock (Class A stock) and Class B common stock (Class B stock). Holders of Class B stock may convert such stock into Class A stock on a share-for-share basis. Holders of Class B stock are entitled to 10 votes per share while holders of Class A stock are entitled to one vote per share on matters submitted to shareholders for approval. On October 31, 2005, there were approximately 42,800 holders of record of the Company's Class A stock and 15 holders of record of the Company's Class B stock, excluding holders in the security position listings held by nominees.

DIVIDENDS

Cash dividends cannot be paid to holders of Class B stock unless they are simultaneously paid to holders of Class A stock. The per share amount of the cash dividend paid to holders of Class B stock cannot exceed 90% of the cash dividend simultaneously paid to holders of Class A stock. The Company has paid uninterrupted quarterly dividends on its common stock each year since 1977 and expects to continue its cash dividend policy during fiscal 2006. In fiscal 2005, the annual dividend rate for Class A stock was $0.16 per share and the annual dividend rate for Class B stock was $0.144 per share.

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MARKET INFORMATION

The Class A stock is traded on the New York Stock Exchange under the symbol "TSN." No public trading market currently exists for the Class B stock. The high and low closing sales prices of the Company s Class A stock for each quarter of fiscal years 2005 and 2004 are represented in the table below.

	Fiscal 2005		Fiscal 2004	
	High	Low	High	Low
First Quarter	$ 18.40	$ 14.12	$ 14.49	$ 12.59
Second Quarter	18.07	16.26	18.13	12.99
Third Quarter	19.08	15.96	20.81	17.58
Fourth Quarter	19.47	17.26	21.06	15.73

ISSUER PURCHASES OF EQUITY SECURITIES

The table below provides information regarding purchases by the Company of its Class A stock during the periods indicated.

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)**
July 3 to July 30, 2005	251,098	$18.42	-	22,474,439
July 31 to Sept. 3, 2005	154,136	18.08	-	22,474,439
Sept. 4 to Oct. 1, 2005	128,825	17.91	-	22,474,439
Total	534,059 (2)	$18.20	-	22,474,439

(1) On February 7, 2003, the Company announced that the board of directors of the Company had approved a plan to repurchase up to 25,000,000 shares of Class A stock from time to time in open market or privately negotiated transactions. The plan has no fixed or scheduled termination date.

(2) The Company purchased 534,059 shares during the period that were not made pursuant to the Company s previously announced stock repurchase plan, but were purchased to fund certain Company obligations under its equity compensation plans. These purchases were made in open market transactions.

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ITEM 6. SELECTED FINANCIAL DATA

ELEVEN-YEAR FINANCIAL SUMMARY

in millions, except per share and ratio data

	Restated 2005	2004	2003	2002	2001	2000
Summary of Operations						
Sales	$26,014	$26,441	$24,549	$23,367	$10,563	$7,268
Cost of sales	24,274	24,550	22,805	21,550	9,660	6,453
Gross profit	1,740	1,891	1,744	1,817	903	815
Operating income	765	925	837	887	316	349
Interest expense	227	275	296	305	144	116
Provision for income taxes	156	232	186	210	58	83
Net income	$372	$403	$337	$383	$88	$151
Year end shares outstanding	355	353	353	353	349	225
Diluted average shares outstanding	357	357	352	355	222	226
Diluted earnings per share	$1.04	$1.13	$0.96	$1.08	$0.40	$0.67
Class A basic earnings per share	1.11	1.20	1.00	1.13	0.42	0.70
Class B basic earnings per share	1.00	1.08	0.90	1.02	0.38	0.63
Dividends per share:						
Class A	0.160	0.160	0.160	0.160	0.160	0.160
Class B	0.144	0.144	0.144	0.144	0.144	0.144
Depreciation and amortization	$501	$490	$458	$467	$335	$294
Balance Sheet Data						
Capital expenditures	$571	$486	$402	$433	$261	$196
Total assets	10,504	10,464	10,486	10,372	10,632	4,841
Net property, plant and equipment	4,007	3,964	4,039	4,038	4,085	2,141
Total debt	2,995	3,362	3,604	3,987	4,776	1,542
Shareholders' equity	$4,671	$4,292	$3,954	$3,662	$3,354	$2,175
Other Key Financial Measures						
Return on sales	1.4%	1.5%	1.4%	1.6%	0.8%	2.0%
Annual sales growth (decline)	(1.6)%	7.7%	5.1%	121.2%	45.3%	(4.6)%
Gross margin	6.7%	7.2%	7.1%	7.8%	8.5%	11.2%
Return on beginning shareholders' equity	8.7%	10.2%	9.2%	11.4%	4.0%	7.1%
Return on invested capital	10.0%	12.2%	11.0%	11.2%	5.3%	9.1%
Effective tax rate	29.5%	36.6%	35.5%	35.5%	35.4%	35.6%
Total debt to capitalization	39.1%	43.9%	47.7%	52.1%	58.7%	41.5%
Book value per share	$13.19	$12.19	$11.21	$10.37	$9.61	$9.67
Closing stock price high	19.47	21.06	14.42	15.56	14.19	18.00
Closing stock price low	$14.12	$12.59	$7.28	$8.75	$8.35	$8.56

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ELEVEN-YEAR FINANCIAL SUMMARY

in millions, except per share and ratio data	1999	1998	1997	1996	1995
Summary of Operations					
Sales	$7,621	$7,414	$6,356	$6,454	$5,511
Cost of sales	6,470	6,260	5,318	5,506	4,423
Gross profit	1,151	1,154	1,038	948	1,088
Operating income	487	204	400	269	472
Interest expense	124	139	110	133	115
Provision for income taxes	129	46	144	49	131
Net income	$230	$25	$186	$87	$219
Year end shares outstanding	229	231	213	217	217
Diluted average shares outstanding	231	228	218	218	218
Diluted earnings per share	$1.00	$0.11	$0.85	$0.40	$1.01
Class A basic earnings per share	1.05	0.12	0.90	0.42	1.06
Class B basic earnings per share	0.94	0.10	0.81	0.38	0.95
Dividends per share:					
Class A	0.115	0.100	0.095	0.080	0.053
Class B	0.104	0.090	0.086	0.072	0.044
Depreciation and amortization	$291	$276	$230	$239	$205
Balance Sheet Data					
Capital expenditures	$363	$310	$291	$214	$347
Total assets	5,083	5,242	4,411	4,544	4,444
Net property, plant and equipment	2,185	2,257	1,925	1,869	2,014
Total debt	1,804	2,129	1,690	1,975	1,985
Shareholders' equity	$2,128	$1,970	$1,621	$1,542	$1,468
Other Key Financial Measures					
Return on sales	3.0%	0.3%	2.9%	1.4%	4.0%
Annual sales growth (decline)	2.8%	16.7%	(1.5)%	17.1%	7.9%
Gross margin	15.1%	15.6%	16.3%	14.7%	19.7%
Return on beginning shareholders' equity	11.7%	1.5%	12.1%	5.9%	17.0%
Return on invested capital	12.1%	5.5%	11.7%	7.7%	15.2%
Effective tax rate	34.9%	64.7%	43.6%	37.0%	38.1%
Total debt to capitalization	45.9%	51.9%	51.0%	56.2%	57.5%
Book value per share	$9.31	$8.53	$7.60	$7.09	$6.76
Closing stock price high	25.38	24.44	23.63	18.58	18.17
Closing stock price low	$15.00	$16.50	$17.75	$13.83	$13.83

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Notes to Eleven-Year Financial Summary

1. Fiscal years 2004 and 1998 were 53-week years, while the other years presented were 52-week years.
2. The results for fiscal 2005 include $33 million of pretax charges related to a legal settlement involving the Company s live swine operations, a non-recurring income tax net benefit of $15 million including benefit from the reversal of certain income tax reserves, partially offset by an income tax charge related to the one-time repatriation of foreign income under the American Jobs Creation Act, $14 million of pretax charges primarily related to closing two poultry and one prepared foods operations, $12 million of pretax gains related to vitamin antitrust litigation settlements received, $8 million of pretax losses related to hurricane losses and an $8 million pretax gain related to the sale of the Company s remaining interest in Specialty Brands, Inc. In addition, the results for 2005 have been restated to reflect a correction of income tax of approximately $19 million erroneously recorded for a federally tax-exempt actuarial gain.
3. The results for fiscal 2004 include $61 million of pretax BSE-related charges, $40 million of pretax charges primarily related to closing one poultry and three prepared foods operations, $25 million of pretax charges related to the impairment of intangible assets and $21 million of pretax charges related to fixed asset write-downs.
4. The results for fiscal 2003 include $167 million of pretax gains related to vitamin antitrust litigation settlements received and $76 million of pretax charges related to closing four poultry operations.
5. The results for fiscal 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, Inc. and $30 million pretax gain related to vitamin antitrust litigation settlements received.
6. The results for fiscal 2001 include $26 million of pretax charges for expenses related to the TFM acquisition, loss on sale of swine assets, and product recall losses.
7. The results for fiscal 2000 include a $24 million pretax charge for a bad debt write-off related to the January 2000 bankruptcy filing of AmeriServe Food Distribution, Inc. and a $9 million pretax charge related to Tyson de Mexico losses.
8. Certain costs for fiscal years 1999 and prior have not been reclassified as the result of the application of EITF 00-14 and EITF 00-25.
9. The results for fiscal 1999 include a $77 million pretax charge for loss on sale of assets and impairment write-downs.
10. Significant business combinations accounted for as purchases: TFM, Hudson Foods, Inc. and Arctic Alaska Fisheries Corporation in August 2001 and September 2001, January 1998 and October 1992, respectively.
11. The results for fiscal 1998 include a $215 million pretax charge for asset impairment and other charges.
12. The results for fiscal 1997 include a $41 million pretax gain from the sale of the beef division assets.
13. Return on invested capital is calculated by dividing operating income by the sum of the average of beginning and ending total debt and shareholders equity.

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

RESULTS OF OPERATIONS

Overview

Tyson Foods is the world s largest protein company and the second largest publicly traded food company in the *Fortune* 500 with one of the most recognized brand names in the food industry. Tyson produces, distributes and markets chicken, beef, pork and prepared foods and related allied products. The Company s primary operations are conducted in four segments: Chicken, Beef, Pork and Prepared Foods. Some of the key factors that influence the Company s business are customer demand for the Company s products, the ability to maintain and grow relationships with customers and introduce new and innovative products to the marketplace, accessibility of international markets, market prices for the Company s chicken, beef and pork products, the cost of live cattle and hogs, raw materials and grain and operating efficiencies of the Company s facilities.

Earnings for fiscal 2005 were $372 million, or $1.04 per diluted share, compared to $403 million, or $1.13 per diluted share, in fiscal 2004. Pretax earnings for fiscal 2005 included $33 million of costs related to a legal settlement involving the Company s live swine operations, $14 million of costs for plant closings, $8 million of losses related to Hurricane Katrina, $12 million received in connection with vitamin antitrust litigation and a gain of $8 million from the sale of the Company s remaining interest in Specialty Brands, Inc. Additionally, earnings included a non-recurring income tax net benefit of $15 million. The net benefit includes the reversal of tax reserves, partially offset by an income tax charge related to the repatriation of foreign income. The effective tax rate of the Company was further impacted by the federal income tax effect of the Medicare Part D subsidy in fiscal 2005 of $55 million since this amount is not subject to federal income tax. Combined, these items increased fiscal 2005 diluted earnings per share by $0.03. Pretax earnings for fiscal 2004 included $40 million of costs for plant closings, $61 million of BSE-related charges and $46 million of fixed asset write-downs and intangible asset impairments. Combined, these items decreased fiscal 2004 diluted earnings per share by $0.26.

Operations for fiscal 2005 benefited from higher average sales prices in the Company s Chicken, Pork and Prepared Food segments, product mix improvements and decreased grain costs in the Company s Chicken segment. These benefits were partially offset by losses from the Company s commodity risk management activities related to grain purchases as compared to prior year gains from commodity risk management activities on grain positions. Operating income was also negatively impacted by higher energy costs, higher live hog prices in the Pork segment and higher raw material costs in the Prepared Foods segment. Additionally, earnings for fiscal 2005 were negatively impacted by the Company s Beef segment operating loss, primarily due to lower domestic cattle supplies and restrictions on imports of Canadian cattle for most of the year, which resulted in lower production volumes and raised the operating cost per head. Also, the Beef segment s operating results were negatively impacted by limited access to export markets.

In fiscal 2005, the Company continued to generate strong cash flow. This allowed the Company to pay down debt by $367 million, and exceed the Company s debt-to-capital ratio goal of 40% by reaching 39% at year end. The Company began construction of a third fully dedicated case-ready plant in fiscal 2005. This plant is scheduled to begin operating in fiscal 2006, and once fully operational, it is expected to increase case-ready capacity by one-third. Additionally, in fiscal 2005, the Company continued construction of facilities at its Corporate Center, as well as a variety of other projects that will increase automation and support value-added product growth.

The Company's accounting cycle resulted in a 52-week year for fiscal years 2005 and 2003, and a 53-week year for fiscal 2004.

Outlook

As the Company begins fiscal 2006, its intent is to continue to focus on the three primary elements of the Company s strategy. The first element of the strategy is to continue to increase the sales mix of value-added products. The Company s goal for fiscal 2006 is to increase its mix of value-added product sales to $12 billion, an increase of approximately $900 million as compared to fiscal 2005.

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The second element of the strategy is to continue to improve operating efficiencies. For fiscal 2006, the Company anticipates spending approximately $232 million on cost savings and income producing projects, which are expected to result in annual after tax savings of approximately $72 million. The third element of the strategy is to expand the Company s presence in international markets. The Company s goal for fiscal 2006 is to increase its in-country presence in at least one foreign market.

In fiscal 2006, the Company expects the Chicken segment results to remain solid. Currently, grain prices are expected to be favorable in fiscal 2006 as compared to fiscal 2005, and the Company anticipates good demand for chicken going into the start of fiscal 2006. The Company anticipates operating income will be negatively impacted in fiscal 2006 by higher energy costs. Although there have been recent developments in the beef export market that are encouraging, the Company believes the Beef segment will continue to face difficult operating conditions in fiscal 2006, especially in the first two quarters of the year. The Company anticipates the supply of live hogs to increase slightly in fiscal 2006, which should generate more normal returns in the Pork segment. Additionally, the Company anticipates improved market share in the Prepared Foods segment in fiscal 2006.

2005 vs. 2004

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

Sales decreased $427 million or 1.6%, with a 0.7% increase in average sales price and a 2.3% decrease in volume. The decrease in sales was primarily due to reduced sales in the Company s Beef segment, resulting from the effects of import and export restrictions. Additionally, sales were negatively impacted by decreased sales volumes in each of the Company s protein segments, primarily due to one less week of sales in fiscal 2005. These declines were partially offset by higher average sales prices in the Company s Chicken, Pork and Prepared Foods segments.

Cost of sales decreased $276 million or 1.1%. As a percent of sales, cost of sales increased from 92.8% to 93.3%. The decrease in cost of sales was primarily due to decreased grain costs of approximately $312 million in fiscal 2005 as compared to the same period last year, partially offset by higher live costs in the Pork segment, higher raw material costs in the Prepared Foods segment and higher energy costs. Additionally, the Chicken segment recorded losses of $27 million in fiscal 2005 resulting from the Company s commodity risk management activities related to grain purchases as compared to gains of $127 million in fiscal 2004. The fiscal 2004 gains were due in part to grain commodity risk management activities that were not designated as SFAS No. 133 hedges. Also, lower domestic cattle supplies and restrictions on imports of Canadian cattle for most of the year caused lower production volumes and higher operating cost per head.

Selling, general and administrative expenses increased $48 million or 5.5%. As a percent of sales, selling, general and administrative expenses increased from 3.3% to 3.6%. The increase was primarily due to an increase of approximately $28 million in corporate advertising expenses, which was primarily related to the Company s Powered by Tyson campaign. In addition, there were increases in personnel-related costs and contributions and donations.

Other charges included $33 million related to a legal settlement involving the Company s live swine operations and $14 million in plant closing costs, primarily related to the closings of the Company s Cleveland Street Forest, Mississippi, Portland, Maine, and Bentonville, Arkansas, operations. In July 2005, the Company announced it had agreed to settle a lawsuit which had resulted from the restructuring of its live swine operations. The settlement resulted in the Company recording an additional $33 million of costs in the third quarter of fiscal 2005. In July 2005, the Company announced its decision to make improvements to one of its Forest, Mississippi, facilities, which will include more product lines, enabling the plant to increase its production of processed and marinated chicken. When the project is complete, the Company will close the

Cleveland Street Forest, Mississippi, poultry operation and transfer production and employees to the newly upgraded facilities. Also in July 2005, the Company announced its decision to close its Bentonville, Arkansas, facility. The production from this facility was transferred to the Company s Russellville, Arkansas, poultry plant, where an expansion enabled the facility to absorb the Bentonville facility s production. In December 2004, the Company

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announced its decision to close its Portland, Maine, facility. The plant ceased operations February 4, 2005, and the production from this facility was transferred to other locations. Other charges in fiscal 2004 included $40 million in plant closing costs, primarily related to the closings of the Company s Jackson, Mississippi, Manchester, New Hampshire, Augusta, Maine, and Berlin, Maryland, operations. Also included in other charges for fiscal 2004 were $25 million in charges related to intangible asset impairments and $21 million related to fixed asset write-downs.

Interest expense decreased $48 million or 17.5%, primarily resulting from an 8.7% decrease in the Company s average indebtedness. In addition, the Company incurred $13 million of expenses in fiscal 2004, related to the buy back of bonds at attractive prices and the early redemption of Tyson de Mexico preferred shares. Excluding these charges, the overall weighted average borrowing rate decreased from 7.4% to 7.1%.

Other expense decreased $5 million as compared to fiscal 2004, primarily resulting from improvements in foreign exchange gain/loss activity of approximately $9 million, primarily from the Company s Canadian operations, and an $8 million gain recorded in fiscal 2005 from the sale of the Company s remaining interest in Specialty Brands, Inc. These items were partially offset by increased losses of $13 million from the disposal of fixed assets.

The effective tax rate decreased from 36.6% in fiscal 2004 to 29.5% in fiscal 2005. The fiscal 2005 effective rate reflects a reduction of 4.1% due to the release of income tax reserves that management deemed were no longer required. The fiscal 2005 effective rate also reflects a reduction of 3.6% due to the federal income tax effect of the Medicare Part D subsidy in fiscal 2005 since this amount is not subject to federal income tax. In addition, the rate reflects an increase of 4.2% relating to the repatriation of earnings of foreign subsidiaries as allowed by the American Jobs Creation Act, offset by 2.9% relating to the reversal of certain international tax reserves that were no longer needed due to the effects of the repatriation under the American Jobs Creation Act. During the fourth quarter of fiscal 2005, the Company repatriated $404 million of foreign earnings invested outside the United States under the American Jobs Creation Act. See Note 17 to the Consolidated Financial Statements for further discussion of these issues. The estimated Extraterritorial Income Exclusion (ETI) amount reduced the fiscal 2005 effective tax rate by 2.6% compared to 0.5% in fiscal 2004. The increase in the fiscal 2005 estimated ETI benefit resulted from an increase in the estimated fiscal 2005 profit from export sales primarily due to increased profit on export sales, along with an adjustment to the estimated fiscal 2004 benefit.

Segment Information

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

Chicken segment is involved primarily in the processing of live chickens into fresh, frozen and value-added chicken products. The Chicken segment markets its products domestically to food retailers, foodservice distributors, restaurant operators and noncommercial foodservice establishments such as schools, hotel chains, healthcare facilities, the military and other food processors, as well as to international markets throughout the world. The Chicken segment also includes sales from allied products and the chicken breeding stock subsidiary.

Beef segment is involved primarily in the processing of live fed cattle and fabrication of dressed beef carcasses into primal and sub-primal meat cuts and case-ready products. It also involves deriving value from allied products such as hides and variety meats for sale to further processors and others. The Beef segment markets its products domestically to food retailers, foodservice distributors, restaurant operators and noncommercial foodservice establishments such as schools, hotel chains, healthcare facilities, the military and other food processors, as well as to international markets throughout the world. Allied products are also marketed to manufacturers of pharmaceuticals and technical products.

Pork segment is involved primarily in the processing of live market hogs and fabrication of pork carcasses into primal and sub-primal meat cuts and case-ready products. This segment also represents the Company's live swine group and related allied product

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processing activities. The Pork segment markets its products domestically to food retailers, foodservice distributors, restaurant operators and noncommercial foodservice establishments such as schools, hotel chains, healthcare facilities, the military and other food processors, as well as to international markets throughout the world. It also sells allied products to pharmaceutical and technical products manufacturers, as well as live swine to pork producers.

Prepared Foods segment includes the Company's operations that manufacture and market frozen and refrigerated food products. Products include pepperoni, beef and pork pizza toppings, pizza crusts, flour and corn tortilla products, appetizers, prepared meals, ethnic foods, soups, sauces, side dishes and meat dishes, and processed meats. The Prepared Foods segment markets its products domestically to food retailers, foodservice distributors, restaurant operators and noncommercial foodservice establishments such as schools, hotel chains, healthcare facilities, the military and other food processors, as well as to international markets throughout the world.

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

Sales by Segment in millions

	Sales 2005	Sales 2004	Sales Change	Volume Change	Average Sales Price Change
Chicken	$ 8,295	$ 8,363	$ (68)	(2.6)%	1.8 %
Beef	11,618	11,951	(333)	(0.0)%	(2.8)%
Pork	3,247	3,185	62	(4.6)%	6.9 %
Prepared Foods	2,801	2,891	(90)	(6.7)%	3.8 %
Other	53	51	2	N/A	N/A
Total	$ 26,014	$ 26,441	$ (427)	(2.3)%	0.7 %

Operating Income by Segment in millions

	Operating Income 2005	Operating Income 2004	Operating Income Change	Operating Margin 2005	Operating Margin 2004
Chicken	$ 582	$ 548	$ 34	7.0 %	6.6 %
Beef	(12)	127	(139)	(0.1)%	1.1 %
Pork	47	140	(93)	1.4 %	4.4 %
Prepared Foods	78	28	50	2.8 %	1.0 %
Other	70	82	(12)	N/A	N/A
Total	$ 765	$ 925	$ (160)	2.9 %	3.5 %

Chicken segment sales decreased 0.8% in fiscal 2005 as compared to the same period last year. The decline in sales was primarily due to lower volumes, caused largely by one less week of sales, partially offset by higher average sales prices and improved product mix. Chicken segment operating income increased $34 million in fiscal 2005, as compared to the same period last year. Excluding fiscal 2005 charges of $12 million related to plant closing accruals and $8 million of hurricane losses, and fiscal 2004 charges of $13 million related to fixed asset write-downs and $13 million of plant closing related accruals, operating income increased $28 million. Fiscal 2005 operating income was positively impacted by decreased grain costs of $312 million. However, the current year benefits from decreased grain costs were partially offset by the effect of the Company realizing a loss of $27 million in fiscal 2005 as compared to a gain of $127 million in fiscal 2004 from the Company s commodity risk

management activities. Additionally, fiscal 2005 operating income was negatively impacted by higher energy costs.

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Beef segment sales decreased 2.8% in fiscal 2005 as compared to the same period last year. The decline in sales primarily resulted from the effects of import and export restrictions. Those restrictions contributed to lower international sales volumes and lower average domestic sales prices due in part to the mix of products allowed for export. Additionally, the current year had one less week of sales. Fiscal 2005 operating income decreased $215 million as compared to the prior year, excluding $10 million received in connection with vitamin antitrust litigation in fiscal 2005, prior year BSE-related charges of $61 million and $5 million of charges related to intangible asset impairments and fixed asset write-downs recorded in fiscal 2004. The decrease in operating income was primarily due to lower domestic cattle supplies and restrictions on imports of Canadian cattle for most of the year, which resulted in lower production volumes and raised the operating cost per head. Additionally, operating income was negatively impacted by decreased volumes and margins at the Company s Lakeside operation in Canada.

Pork segment sales increased 1.9% in fiscal 2005 as compared to the same period last year. The increase in sales resulted primarily from higher average sales prices, both domestically and internationally, as compared to the same period last year. The higher average sales prices, driven primarily by higher average live hog prices, were partially offset by a decrease in volumes, caused largely by one less week of sales. Fiscal 2005 operating income decreased $63 million as compared to the prior year, excluding current year costs of $33 million related to a legal settlement involving the Company s live swine operations, $2 million received in fiscal 2005 in connection with vitamin antitrust litigation and $1 million of charges recorded in fiscal 2004 related to fixed asset write-downs. The decrease in operating income was primarily due to higher average live hog prices and lower volumes, which increased the operating cost per head and more than offset the increase in average sales prices.

Prepared Foods segment sales decreased 3.1% in fiscal 2005 as compared to the same period last year. The decline in sales was primarily due to lower volumes, caused largely by one less week of sales and the rationalization of lower margin product lines, partially offset by higher average sales prices. Fiscal 2005 operating income decreased $2 million as compared to the prior year, excluding plant closing related accruals of $2 million and $27 million recorded in fiscal years 2005 and 2004, respectively, and excluding $27 million of fixed asset write-downs and intangible asset impairments recorded in fiscal 2004. The decrease in the Prepared Foods segment s operating income was primarily due to increased raw material prices.

2004 vs. 2003

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

Sales increased $1.9 billion or 7.7%, with a 9.4% increase in average sales price and a 1.5% decrease in volume. The increase in sales primarily was due to higher average selling prices. Volumes declined due to a reduction in international export activity related to the Chicken and Beef segments resulting from import restrictions imposed by various countries. Additionally, the Company s Beef segment domestic volumes decreased due to tightened supply of live cattle, the effects of higher beef pricing and significant competing protein supplies in the marketplace.

Cost of sales increased $1.7 billion or 7.7%. As a percent of sales, cost of sales decreased from 92.9% to 92.8%. The increase in cost of sales primarily was due to increases in grain costs in the Chicken segment, which were partially offset by gains resulting from the Company s commodity risk management activities related to grain purchases, and in the Beef segment, higher live cattle prices and BSE-related charges. Also included in fiscal 2004 cost of sales was $18 million to reduce self-insurance reserves to the actuarially determined range. The reserves are compared to actuarial estimates quarterly. Fiscal 2003 had a $6 million reduction in self-insurance reserves. Additionally, fiscal 2003 cost of sales included $167 million received in connection with vitamin antitrust litigation.

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Selling, general and administrative expenses increased $49 million or 5.9%. As a percent of sales, selling, general and administrative expenses decreased from 3.4% to 3.3%. The increase in expenses primarily was due to an increase in personnel and incentive-based compensation of approximately $40 million, an increase of approximately $20 million related to information system technology improvements, an increase of approximately $21 million in employee benefit costs, primarily due to fiscal 2003 actuarial gains of $13 million related to certain retiree medical benefit plans and fiscal 2004 increases in healthcare-related costs. The increases were partially offset by a reduction in auditing, legal and professional fees of approximately $27 million, which included $12 million received in fiscal 2004 related to legal settlements from the Company s insurance providers.

Other charges included plant closing costs of $40 million and $76 million recorded in fiscal years 2004 and 2003, respectively. Fiscal 2004 costs primarily were related to the closings of the Company s Jackson, Mississippi, Manchester, New Hampshire, Augusta, Maine, and Berlin, Maryland, facilities. As part of its on-going plant rationalization efforts, the Company announced in February 2004 its decision to consolidate its manufacturing operations in Jackson, Mississippi, into the Company s Carthage, Mississippi, facility. The Company acquired the Carthage facility when it purchased Choctaw Maid Farms in the fourth quarter of fiscal 2003. In December 2003, the Company announced its decision to close its Manchester, New Hampshire, and Augusta, Maine, Prepared Foods operations to further improve long-term manufacturing efficiencies. After thorough analysis, the Company determined the amount of capital required to bring the Manchester and Augusta facilities to a competitive level and to maintain appropriate food safety standards, would be better spent to accommodate production in newer more modern facilities. The majority of the Manchester and Augusta production was consolidated into other Company facilities. Fiscal 2003 costs were related to the closings of the Company s Berlin, Maryland, Stilwell, Oklahoma, and Jacksonville, Florida, facilities. Also included in other charges for fiscal 2004 were $25 million in charges related to the impairment of various intangible assets and $21 million related to fixed asset write-downs. The impairment charges apply primarily to trademarks acquired in the acquisition of Tyson Fresh Meats, Inc. (TFM) in 2001. These impairment charges primarily resulted from lower product sales under some of the Company s regional trademarks as products are increasingly being sold under the Tyson trademark. The fair value of the Company s trademarks is determined using a royalty rate method based on expected revenues by trademark. The trademarks, as well as all other intangible assets, are reviewed at least annually for impairment. The fixed asset write-downs were the result of the Company implementing a control whereby all plant facilities conduct fixed asset inventories on a recurring basis.

Interest expense decreased $21 million or 7.1%, primarily resulting from an 8.2% decrease in the Company s average indebtedness. The Company incurred $13 million of expenses in each fiscal year of 2004 and 2003, related to the buy back of bonds at attractive prices when available in the market and to the early redemption of Tyson de Mexico preferred shares. The overall weighted average borrowing rate increased to 7.7% from 7.4%, primarily due to the fiscal 2004 reduction of short-term debt, which carried lower interest rates.

Other expense decreased $3 million as compared to fiscal 2003, primarily resulting from the $10 million write-down related to the impairment of an equity interest in a live swine operation recorded in fiscal 2003. This decrease was partially offset by increased foreign exchange losses of approximately $9 million from the Company s Canadian operation in fiscal 2004.

The effective tax rate increased from 35.5% in fiscal 2003 to 36.6% in fiscal 2004. The estimated ETI amount reduced the fiscal 2004 effective tax rate by 0.5%, compared to 1.9% in fiscal 2003. The decrease in the fiscal 2004 estimated ETI benefit resulted from a reduction in the estimated fiscal 2004 profit from export sales primarily due to the effects of BSE and avian influenza, along with an adjustment to the estimated fiscal 2003 benefit. The fiscal 2004 estimated rate also increased due to the expiration of certain general business credits.

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Sales by Segment in millions

	Sales 2004	Sales 2003	Sales Change	Volume Change	Average Sales Price Change
Chicken	$ 8,363	$ 7,389	$ 974	3.5 %	9.4 %
Beef	11,951	11,935	16	(9.8)%	11.0 %
Pork	3,185	2,470	715	7.3 %	20.2 %
Prepared Foods	2,891	2,700	191	0.3 %	6.8 %
Other	51	55	(4)	N/A	N/A
Total	$ 26,441	$ 24,549	$ 1,892	(1.5)%	9.4 %

Operating Income by Segment in millions

	Operating Income 2004	Operating Income 2003	Operating Income Change	Operating Margin 2004	Operating Margin 2003
Chicken	$ 548	$ 156	$ 392	6.6 %	2.1 %
Beef	127	320	(193)	1.1 %	2.7 %
Pork	140	75	65	4.4 %	3.0 %
Prepared Foods	28	59	(31)	1.0 %	2.2 %
Other	82	227	(145)	N/A	N/A
Total	$ 925	$ 837	$ 88	3.5 %	3.4 %

Chicken segment sales increased 13.2% in fiscal 2004 as compared to fiscal 2003. Excluding plant closing related accruals of $13 million and $76 million recorded in fiscal years 2004 and 2003, respectively, and fixed asset write-downs of $13 million recorded in fiscal 2004, operating income increased $342 million. Sales and operating income increased primarily due to increased average sales prices and sales volumes, as well as improvements in product mix and operating efficiencies. Operating income was negatively impacted by approximately $239 million of increased grain costs, partially offset by a benefit of approximately $127 million from the Company s commodity risk management activities related to grain purchases. The increase in the Company s domestic Chicken segment sales volumes in fiscal 2004 were partially offset by decreased international sales volumes due to import restrictions by various countries caused by the avian influenza outbreaks in the United States.

Beef segment sales increased 0.1% in fiscal 2004 as compared to fiscal 2003. Operating income for fiscal 2004 included BSE-related charges of $61 million and $5 million of charges related to intangible asset impairments and fixed asset write-downs. Additionally, operating income was negatively impacted by increases in live cattle prices, production declines and decreased capacity utilization. These decreases were partially offset by higher average selling prices and increased volumes and margins at the Company s Lakeside operation in Canada.

Pork segment sales increased 28.9% in fiscal 2004 as compared to fiscal 2003. The increase in the Pork segment s operating income primarily was due to higher average sales prices and increased demand, as pork benefited from stronger domestic and international markets, more than offsetting increases in average live hog prices. Operating income was negatively impacted by approximately $1 million related to fixed asset write-downs recorded in fiscal 2004.

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Prepared Foods segment sales increased 7.1% in fiscal 2004 as compared to fiscal 2003. Fiscal 2004 operating income increased $23 million, excluding plant closing costs of approximately $27 million, intangible asset impairments of $22 million and fixed asset write-downs of $5 million, all of which were recorded in fiscal 2004. The increase in the Prepared Foods segment s operating income primarily was due to higher average sales prices and increased volumes, partially offset by increased raw material prices.

Other segment operating income decreased $145 million primarily due to settlements of $167 million received in fiscal 2003 in connection with vitamin antitrust litigation. Additionally in fiscal 2003, operating income was affected positively by actuarial gains of $13 million resulting from certain retiree medical benefit plans.

ACQUISITION

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

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 fiscal 2005, net cash of $999 million was provided by operating activities, up $67 million from fiscal 2004. The increase is primarily due to cash from working capital items of $186 million in fiscal 2005, as compared to cash used by working capital items of $47 million in fiscal 2004, partially offset by a $132 million decrease in net income, excluding the non-cash effect of deferred income taxes, as compared to the prior year. The positive working capital for fiscal 2005 is primarily due to an increase in income taxes payable resulting primarily from timing of payments of federal and state estimated payments and improvements in the cash cycle around accounts receivable, accounts payable and inventory. The Company used cash, primarily from operations, to reduce debt by $367 million, to fund $571 million of property, plant and equipment additions, to pay dividends of $55 million and to repurchase $45 million of the Company s Class A common stock in the open market. The Company's foreseeable cash needs for operations growth and capital expenditures are expected to continue to be met through cash flows provided by operating activities. Additionally, at October 1, 2005, the Company had borrowing capacity of $1.5 billion consisting of $746 million available under its $1.0 billion unsecured revolving credit facility and $750 million under its accounts receivable securitization. At October 1, 2005, the Company had construction projects in progress that will require approximately $521 million to complete. Capital spending for fiscal 2006 is expected to be in the range of $600 million to $650 million.

Cash Provided by Operating Activities	in millions		
	2005	2004	2003
	$ 999	$ 932	$ 820

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Total debt at October 1, 2005, was $3.0 billion, a decrease of $367 million from October 2, 2004. During the fourth quarter of fiscal 2005, the Company restructured its revolving credit facilities into one facility, which now consists of a $1.0 billion unsecured revolving credit facility that expires in September 2010. This facility supports the Company's commercial paper program, letters of credit and other short-term funding needs. At October 1, 2005, there were no borrowings outstanding under this facility. Outstanding debt at October 1, 2005, consisted of $2.5 billion of senior notes and notes, a $345 million term loan and other indebtedness of $121 million.

Total Capitalization	in millions (Restated)					
	2005		2004		2003	
Debt	$	2,995	$	3,362	$	3,604
Equity		4,671		4,292		3,954

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

OFF-BALANCE SHEET ARRANGEMENTS

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

CONTRACTUAL OBLIGATIONS

The following table summarizes the Company s contractual obligations as of October 1, 2005:

	in millions Payments Due by Period									
	Less Than One Year		One to Three Years		Three to Five Years		More Than Five Years		Total	
Debt and capital lease obligations:										
Principal payments (1)	$	126	$	912	$	595	$	1,362	$	2,995
Interest payments (2)		128		290		283		340		1,041
Guarantees (3)		7		18		21		41		87
Operating lease obligations (4)		82		78		21		6		187
Purchase obligations (5)		313		17		4		4		338
Capital expenditures (6)		457		54		10		-		521
Other long-term liabilities (7)		4		8		7		47		66
Total contractual commitments	$	1,117	$	1,377	$	941	$	1,800	$	5,235

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(1) In the event of a default on payment or violation of debt covenants, acceleration of the principal payments could occur. At October 1, 2005, the Company was in compliance with all of its debt covenants.
(2) Interest payments include only interest payments on fixed-rate and fixed-term debt, based on the expected payment dates. The Company has other interest obligations on variable-rate, non-term debt; however, these obligations have been excluded, as the timing of payments and expected interest rates cannot be reasonably estimated.
(3) Amounts included are for the guarantees of debt of outside third parties, which involve a lease and grower loans, all of which are substantially collateralized by the underlying assets. The amounts included are the maximum potential amount of future payments.
(4) Amounts included in operating lease obligations are minimum lease payments under lease agreements, as well as residual value guarantee amounts.
(5) Amounts included in purchase obligations are agreements to purchase goods or services that are enforceable and legally binding on the Company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. The purchase obligations amount includes items, such as future purchase commitments for corn, soybeans, livestock and natural gas contracts that provide terms that meet the above criteria. The Company has excluded future purchase commitments for contracts that do not meet these criteria. Purchase orders have not been included in the table, as a purchase order is an authorization to purchase and is not considered an enforceable and legally binding contract. Contracts for goods or services that contain termination clauses without penalty have also been excluded.
(6) Amounts included in capital expenditures are estimated amounts to complete construction projects in progress as of October 1, 2005.
(7) Amounts included in other long-term liabilities are items that meet the definition of a purchase obligation and are recorded in the Company s Consolidated Balance Sheets.

RECENTLY ISSUED ACCOUNTING STANDARDS AND REGULATIONS

In March 2005, the Financial Accounting Standards Board (FASB) issued Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143 (the Interpretation). Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations (SFAS No. 143), was issued in June 2001 and requires an entity to recognize the fair value of a liability for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. SFAS No. 143 applies to legal obligations associated with the retirement of a tangible long-lived asset that resulted from the acquisition, construction, development and (or) the normal operation of a long-lived asset. The associated asset costs are capitalized as part of the carrying amount of the long-lived asset. The Interpretation clarifies that the term conditional asset retirement obligation as used in SFAS No. 143, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The Interpretation requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. SFAS No. 143 acknowledges that in some cases, sufficient information may not be available to reasonably estimate the fair value of an asset retirement obligation. The Interpretation is effective for fiscal years ending after December 15, 2005. The Company is currently in the process of evaluating any potential effects of the Interpretation but does not believe its adoption will have a material impact on its consolidated financial statements.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123R, Share-Based Payment (SFAS No. 123R), which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation (SFAS No. 123). SFAS No. 123R supersedes Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and amends FASB Statement No. 95, Statement of Cash Flows. The revision requires companies to measure and recognize compensation expense for all share-based payments to employees, including grants of employee stock options, in the financial statements based on

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the fair value at the date of the grant. SFAS No. 123R permits companies to adopt its requirements using either the modified prospective method or the modified retrospective method. Under the modified prospective method, compensation cost is recognized beginning with the effective date for all share-based payments granted after the effective date and for all awards granted to employees prior to the effective date of SFAS No. 123R that remain unvested on the effective date. The modified retrospective method includes the requirements of the modified prospective method, but also permits entities to restate either all prior periods presented or prior interim periods of the year of adoption for the impact of adopting this standard. The Company will apply the modified prospective method upon adoption. In April 2005, the Securities and Exchange Commission announced it would provide for phased-in implementation of SFAS No. 123R. As a result, SFAS No. 123R is effective for the first interim or annual reporting period of the registrant s first fiscal year beginning on or after June 15, 2005. The Company estimates that compensation expense related to employee stock options for fiscal 2006 is expected to be in the range of $10-$15 million. SFAS No. 123R also requires the benefits of tax deductions in excess of recognized compensation costs to be reported as financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. The Company believes this reclass will not have a material impact on its Consolidated Statements of Cash Flows.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 151, "Inventory Costs" (SFAS No. 151). SFAS No. 151 requires abnormal amounts of inventory costs related to idle facility, freight handling and wasted material expenses to be recognized as current period charges. Additionally, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The standard is effective for fiscal years beginning after June 15, 2005. The Company believes the adoption of SFAS No. 151 will not have a material impact on its consolidated financial statements.

In October 2004, the President signed into law the American Jobs Creation Act (the AJC Act). The AJC Act provides for the elimination of the ETI and allows for a federal income tax deduction for a percentage of income earned from certain domestic production activities. The Company s domestic, or U.S., production activities will qualify for the deduction. Based on the effective date of this provision of the AJC Act, the Company will be eligible for this deduction beginning in fiscal 2006. This provision will be phased in from fiscal 2006 through fiscal 2011 and provides for a deduction of between 3% and 9% of qualifying domestic production income over that period. Additionally, on December 21, 2004, the FASB issued FASB Staff Position 109-1, Application of FASB Statement No. 109, *Accounting for Income Taxes* (SFAS No. 109), to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004 (FSP 109-1). FSP 109-1, which was effective upon issuance, states the deduction under this provision of the AJC Act should be accounted for as a special deduction in accordance with SFAS No. 109. The Company has not yet quantified the impact that will be realized from these provisions of the AJC Act.

The AJC Act also allows for an 85% dividends received deduction on the repatriation of certain earnings of foreign subsidiaries. On December 21, 2004, the FASB issued FASB Staff Position 109-2, Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004 (FSP 109-2). FSP 109-2, which was effective upon issuance, allows companies time beyond the financial reporting period of enactment to evaluate the effect of the AJC Act on its plan for reinvestment or repatriation of foreign earnings for purposes of applying SFAS No. 109. Additionally, FSP 109-2 provides guidance regarding the required disclosures surrounding a company s reinvestment or repatriation of foreign earnings. Additionally, the Internal Revenue Service issued three notices relating to the repatriation, which clarify the provisions of the Act. The latest in the series of notices was IRS Notice 2005-64, which was issued during the fourth quarter of fiscal 2005. During fiscal 2005, the Company repatriated foreign earnings using the provision of the act as discussed in Note 17, Income Taxes of the Notes to Consolidated Financial Statements.

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In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed. The Act allows a possible subsidy to retirement health plan sponsors to help offset the costs of participant prescription drug benefits. In March 2004, the FASB issued Staff Position No. 106-2, Accounting and Disclosure Requirements Related to the Act (the Position). The Position was effective for interim or annual periods beginning after June 15, 2004. The Position allowed plan sponsors to recognize or defer recognizing the effects of the Act in its financial statements until specific accounting guidance for this federal subsidy was issued. In the fourth quarter of fiscal 2005, the Company concluded the prescription drug benefits included in its postretirement medical plan is actuarially equivalent to Medicare Part D under the Act. In accordance with FASB Staff Position 106-2, the Company decreased its accumulated postretirement obligation and recognized an actuarial gain of approximately $55 million related to the present value of all future subsidies expected to be received. This gain was more than offset by actuarial losses primarily related to increased claims costs, resulting in a net actuarial loss of approximately $9 million from the Company s postretirement health plan. Under the Act, the subsidy is not subject to federal income tax expense, resulting in a reduction in the Company s effective tax rate by 3.6%, or approximately $19 million. It is the Company s policy to fully recognize experience gains and losses of its postretirement plans in the year in which they occur. There was no effect on service or interest cost in the current period.

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

Contingent liabilities: The Company is subject to lawsuits, investigations and other claims related to wage and hour/labor, livestock procurement, securities, environmental, product, taxing authorities 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 and disclosures 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.

Accrued self insurance: Insurance expense for health and welfare, workers compensation, auto liability and general liability risks 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, which could result in adjustments to amounts recorded.

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

Goodwill and other 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. The Company assesses its goodwill and other intangible assets for impairment at least annually in accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets.

Marketing and advertising costs: The Company incurs advertising, retailer incentive and consumer incentive costs to promote its products through its marketing programs. These programs include cooperative advertising, volume discounts, in-store display incentives, coupons and other programs. The recognition of the costs related to these programs requires management judgment in estimating the potential performance and redemption of each program. These estimates are based on many factors, including historical experience of similar promotional programs. Actual expenses may differ if the performance and redemption rates vary from the estimated rates.

Income taxes: The Company estimates its total income tax expense based on statutory tax rates and tax planning opportunities available to the Company in various jurisdictions in which the Company earns income. Federal income taxes include an estimate for taxes on earnings of foreign subsidiaries that are expected to be remitted to the United States and be taxable, but not for earnings that are considered permanently invested in the foreign subsidiary. Deferred income taxes are recognized for the future tax effects of temporary differences between financial and income tax reporting using tax rates in effect for the years in which the differences are expected to reverse. Valuation allowances are recorded when it is more likely than not that a tax benefit will not be realized for a deferred tax asset.

NON-GAAP FINANCIAL MEASURES

This report and other public communications issued by the Company from time to time include certain non-GAAP (Generally Accepted Accounting Principles) financial measures, which are defined as numerical measures of a company s financial performance, financial position or cash flows that exclude (or include) amounts that are included in (or excluded from) the most directly comparable measures calculated and presented in accordance with GAAP in the Company s financial statements.

Non-GAAP financial measures utilized by the Company include presentations of operating income and other GAAP measures of operating performance that exclude or include the effect of the closings of selected operations, BSE-related charges, dispositions of assets or investments, fixed asset write-downs, impairment charges related to various intangible assets, litigation settlements, natural disaster related charges, non-recurring income tax adjustments and other similar events. The Company s management believes these non-GAAP financial measures provide useful information to investors by removing the effect of variances in GAAP reported results of operations that are not indicative of fundamental changes in the Company s earnings. Management also believes the presentation of these non-GAAP financial measures is consistent with its past practice, as well as industry practice in general, and will enable investors and analysts to compare current non-GAAP measures with non-GAAP measures presented in prior periods. The non-GAAP financial measures used by the Company should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

MARKET RISKS

Market risks relating to the Company's operations result primarily from changes in commodity prices, interest rates and foreign exchange rates, as well as credit risk concentrations. To address certain of these risks, the Company enters into various derivative transactions as described below. If a derivative instrument is a hedge, as defined by SFAS No. 133, as amended, depending on the nature of the hedge, changes in the fair value of the instrument will be either offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of an instrument's change in fair value, as defined by SFAS No. 133, as amended, will be immediately recognized in earnings as a component of cost of sales. Additionally, the Company holds certain positions, primarily in grain and livestock futures, which do not meet the criteria for SFAS No. 133 hedge accounting. These positions are marked to fair value and the unrealized gains and losses are reported in earnings at each reporting date. The changes in market value of derivatives used in the Company s risk management activities surrounding inventories on hand or anticipated purchases of inventories are recorded in cost of sales. The changes in market value of derivatives used in the Company s risk management activities surrounding forward sales contracts are recorded in sales.

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

Commodities Risk: The Company is a purchaser of certain commodities, such as corn, soybeans, livestock and natural gas in the course of normal operations. The Company uses commodity futures to reduce the effect of changing prices and as a mechanism to procure the underlying commodity. However, as the commodities underlying the Company s derivative financial instruments can experience significant price fluctuations, any requirement to mark-to-market the positions that have not been designated or do not qualify as hedges under SFAS No. 133 could result in volatility in the Company s results of operations. 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 designated and highly effective at meeting this risk reduction and correlation criteria are recorded using hedge accounting. The following table presents a sensitivity analysis resulting from a hypothetical change of 10% in market prices as of October 1, 2005, and October 2, 2004, respectively, on fair value of open positions. The fair value of such positions is a summation of the fair values calculated for each commodity by valuing each net position at quoted futures prices. The market risk exposure analysis includes hedge and non-hedge positions. The underlying commodities hedged have a correlation to price changes of the derivative positions such that the values of the commodities hedged based on differences between commitment prices and market prices and the value of the derivative positions used to hedge these commodity obligations are inversely correlated. The following sensitivity analysis reflects the impact on earnings for changes in the fair value of open positions.

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Effect of 10% change in fair value		in millions
	2005	2004
Livestock:		
Cattle	$ 3	$ 12
Hogs	13	18
Grain	15	5
Natural Gas	12	13

Interest Rate Risk: The Company has exposure to changes in interest rates on its fixed-rate, long-term debt. Market risk for fixed-rate, long-term debt is estimated as the potential increase in fair value, resulting from a hypothetical 10% decrease in interest rates, and amounts to approximately $47 million at October 1, 2005, and $51 million at October 2, 2004. The fair values of the Company s long-term debt were estimated based upon quoted market prices and/or published interest rates.

The Company hedges exposure to changes in interest rates on certain of its financial instruments. Under the terms of various leveraged equipment loans, the Company enters into interest rate swap agreements to effectively lock in a fixed interest rate for these borrowings. The maturity dates of these leveraged equipment loans range from fiscal years 2006 to 2009 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 2005 and 2004.

Foreign Currency Risk: The Company has non-cash foreign exchange gain/loss exposure from fluctuations in foreign currency exchange rates as a result of certain receivables and payable balances. The primary currency exchanges the Company has exposure to are the Canadian dollar, the Mexican peso, the European euro, the British pound sterling and the Brazilian real. The Company periodically enters into foreign exchange forward contracts to hedge some of its foreign currency exposure. There were no significant contracts outstanding at October 1, 2005, and October 2, 2004.

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 October 1, 2005, and October 2, 2004, approximately 13.0% and 15.0%, respectively, of the Company s net accounts receivable balance was due from one customer. No other single customer or customer group represents greater than 10% of net accounts receivable.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED STATEMENTS OF INCOME

		Three years ended October 1, 2005 in millions, except per share data		
		(Restated)		
		2005	2004	2003
Sales		$ 26,014	$ 26,441	$ 24,549
Cost of Sales		24,274	24,550	22,805
		1,740	1,891	1,744
Operating Expenses:				
	Selling, general and administrative	928	880	831
	Other charges	47	86	76
Operating Income		765	925	837
Other Expense:				
	Interest	227	275	296
	Other	10	15	18
		237	290	314
Income Before Income Taxes		528	635	523
Provision for Income Taxes		156	232	186
Net Income		$ 372	$ 403	$ 337
Weighted Average Shares Outstanding:				
	Class A Basic	243	243	244
	Class B Basic	102	102	102
	Diluted	357	357	352
Earnings Per Share:				
	Class A Basic	$ 1.11	$ 1.20	$ 1.00
	Class B Basic	$ 1.00	$ 1.08	$ 0.90
	Diluted	$ 1.04	$ 1.13	$ 0.96

See accompanying notes.

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CONSOLIDATED BALANCE SHEETS

	October 1, 2005, and October 2, 2004 in millions, except per share data (Restated)	
	2005	2004
Assets		
Current Assets:		
Cash and cash equivalents	$ 40	$ 33
Accounts receivable, net	1,214	1,240
Inventories	2,062	2,063
Other current assets	169	196
Total Current Assets	3,485	3,532
Net Property, Plant and Equipment	4,007	3,964
Goodwill	2,502	2,558
Intangible Assets	142	149
Other Assets	368	261
Total Assets	$ 10,504	$ 10,464
Liabilities and Shareholders Equity		
Current Liabilities:		
Current debt	$ 126	$ 338
Trade accounts payable	961	945
Other current liabilities	1,070	1,010
Total Current Liabilities	2,157	2,293
Long-Term Debt	2,869	3,024
Deferred Income Taxes	638	695
Other Liabilities	169	160
Shareholders Equity:		
Common stock ($0.10 par value):		
Class A-authorized 900 million shares:		
issued 268 million shares in 2005 and 2004	27	27
Class B-authorized 900 million shares:		
issued 102 million shares in 2005 and 2004	10	10
Capital in excess of par value	1,867	1,849
Retained earnings	3,032	2,728
Accumulated other comprehensive income (loss)	28	(12)
	4,964	4,602
Less treasury stock, at cost-		
15 million shares in 2005 and 17 million shares in 2004	238	264
Less unamortized deferred compensation	55	46
Total Shareholders Equity	4,671	4,292
Total Liabilities and Shareholders Equity	$ 10,504	$ 10,464

See accompanying notes.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Three years ended October 1, 2005
in millions

	Common Stock Class A Shares	Amount	Class B Shares	Amount	Capital In Excess Of Par Value	(Restated) Retained Earnings
Balance-September 28, 2002	267	$27	102	$10	$1,879	$2,097
Comprehensive Income:						
Net income						337
Other comprehensive income (loss) net of tax of $8 million						
Derivative gain recognized in cost of sales (net of $(1) million tax)						
Derivative unrealized gain (net of $7 million tax)						
Unrealized gain on investments (net of $1 million tax)						
Currency translation adjustment						
Additional pension liability (net of $2 million tax)						
Total Comprehensive Income						
Purchase of Treasury Shares						
Restricted Shares Issued					(19)	
Restricted Shares Canceled					1	
Dividends Paid						(54)
Amortization of Deferred Compensation						
Balance-September 27, 2003	267	27	102	10	1,861	2,380
Comprehensive Income						
Net Income						403
Other comprehensive income (loss) net of tax of $(13) million						
Derivative gain recognized in cost of sales (net of $(26) million tax)						
Derivative unrealized gain (net of $12 million tax)						
Currency translation adjustment						
Additional pension liability (net of $1 million tax)						
Total Comprehensive Income						
Purchase of Treasury Shares						
Stock Options Exercised					(2)	
Restricted Shares Issued					1	
Restricted Shares Canceled					1	
Dividends Paid						(55)
Amortization of Deferred Compensation						
Reclassification and Other	1				(12)	
Balance-October 2, 2004	268	27	102	10	1,849	2,728
Comprehensive Income						
Net Income						372
Other comprehensive income (loss) net of tax of $11 million						
Derivative loss recognized in cost of sales (net of $13 million tax)						
Derivative unrealized loss (net of $0 tax)						
Unrealized loss on investments (net of $(1) million)						
Currency translation adjustment						
Additional pension liability (net of $(1) million tax)						
Total Comprehensive Income						
Purchase of Treasury Shares						
Stock Options Exercised					14	
Restricted Shares Issued						
Restricted Shares Canceled					1	
Dividends Paid						(55)
Dividends Accrued						(13)
Amortization of Deferred Compensation						

Other					3	
Balance-October 1, 2005	268	$27	102	$10	$1,867	$3,032

See accompanying notes.

TYSON FOODS, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Three years ended October 1, 2005
in millions

	Treasury Stock		Unamortized Deferred Compensation	Accumulated Other Comprehensive Income (Loss)	(Restated) Total Shareholders' Equity
	Shares	Amount			
Balance-September 28, 2002	16	$(265)	$(37)	$(49)	$3,662
Comprehensive Income:					
Net income					337
Other comprehensive income (loss) net of tax of $8 million					
Derivative gain recognized in cost of sales (net of $(1) million tax)				(2)	(2)
Derivative unrealized gain (net of $7 million tax)				11	11
Unrealized gain on investments (net of $1 million tax)				1	1
Currency translation adjustment				21	21
Additional pension liability (net of $2 million tax)				3	3
Total Comprehensive Income					371
Purchase of Treasury Shares	4	(41)			(41)
Restricted Shares Issued	(4)	55	(37)		(1)
Restricted Shares Canceled		(1)	1		1
Dividends Paid					(54)
Amortization of Deferred Compensation			16		16
Balance-September 27, 2003	16	(252)	(57)	(15)	3,954
Comprehensive Income:					
Net income					403
Other comprehensive income (loss) net of tax of $(13) million					
Derivative gain recognized in cost of sales (net of $(26) million tax)				(40)	(40)
Derivative unrealized gain (net of $12 million tax)				19	19
Currency translation adjustment				23	23
Additional pension liability (net of $1 million tax)				1	1
Total Comprehensive Income					406
Purchase of Treasury Shares	4	(72)			(72)
Stock Options Exercised	(3)	44			42
Restricted Shares Issued		6	(7)		-
Restricted Shares Canceled		(4)	2		(1)
Dividends Paid					(55)
Amortization of Deferred Compensation			16		16
Reclassification and Other		14			2
Balance-October 2, 2004	17	(264)	(46)	(12)	4,292
Comprehensive Income:					
Net income					372
Other comprehensive income (loss) net of tax of $11 million					
Derivative loss recognized in cost of sales (net of $13 million tax)				21	21
Derivative unrealized loss (net of $0 tax)				(1)	(1)
Unrealized loss on investments (net of $(1) million)				(2)	(2)
Currency translation adjustment				23	23
Additional pension liability (net of $(1) million tax)				(1)	(1)
Total Comprehensive Income					412
Purchase of Treasury Shares	3	(45)			(45)
Stock Options Exercised	(3)	37			51

Restricted Shares Issued	(2)	38	(35)		3
Restricted Shares Canceled		(4)	1		(2)
Dividends Paid					(55)
Dividends Accrued					(13)
Amortization of Deferred Compensation			25		25
Other					3
Balance-October 1, 2005	15	$(238)	$(55)	$28	$4,671

See accompanying notes.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three years ended October 1, 2005 in millions		
	(Restated)		
	2005	2004	2003
Cash Flows From Operating Activities:			
Net income	$ 372	$ 403	$ 337
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	465	458	427
Amortization	36	32	31
Plant closing related charges	10	28	22
Impairment and write-down of assets	25	46	-
Deferred taxes	(93)	8	113
Other	(2)	4	36
(Increase) decrease in accounts receivable	24	67	(179)
(Increase) decrease in inventories	13	(65)	(78)
Increase in trade accounts payable	11	109	60
Net change in other current assets and liabilities	138	(158)	51
Cash Provided by Operating Activities	999	932	820
Cash Flows From Investing Activities:			
Additions to property, plant and equipment	(571)	(486)	(402)
Proceeds from sale of assets	47	27	30
Purchases of marketable securities	(543)	(99)	-
Proceeds from marketable securities	504	-	-
Net change in other assets and liabilities	2	(42)	11
Cash Used for Investing Activities	(561)	(600)	(361)
Cash Flows From Financing Activities:			
Payments of debt, net	(720)	(242)	(387)
Proceeds from borrowings of debt	353	-	-
Purchase of treasury shares	(45)	(72)	(41)
Dividends	(55)	(55)	(54)
Stock options exercised and other	24	43	-
Cash Used for Financing Activities	(443)	(326)	(482)
Effect of Exchange Rate Change on Cash	12	2	(3)
Increase (Decrease) in Cash and Cash Equivalents	7	8	(26)
Cash and Cash Equivalents at Beginning of Year	33	25	51
Cash and Cash Equivalents at End of Year	$ 40	$ 33	$ 25

See accompanying notes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restatement: In the fourth quarter of fiscal 2005, the Company recognized an actuarial gain resulting from the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act). The Act allows for a possible subsidy to retirement health plan sponsors to help offset the costs of participant prescription drug benefits. In March 2004, the FASB issued Staff Position No. 106-2, Accounting and Disclosure Requirements Related to the Act. In the fourth quarter of fiscal 2005, the Company concluded the prescription drug benefits included in its postretirement medical plan were actuarially equivalent to Medicare Part D under the Act. Included in a net actuarial loss of approximately $9 million related to the Company s post-retirement health plan and in accordance with FASB Staff Position 106-2, the Company decreased its accumulated postretirement obligation and recognized an actuarial gain of approximately $55 million related to the present value of all future subsidies expected to be received and earned by plan participants as of October 1, 2005. FASB Staff Position 106-2 states that In the periods in which the subsidy affects the employer s accounting for the plan, it shall have no effect on any plan-related temporary difference accounted for under FASB Statement 109 because the subsidy is exempt from federal taxation. However, the Company erroneously recorded non-recurring income tax expense related to the actuarial gain of approximately $19 million. The tax treatment of the actuarial gain reduced net income by $19 million or $0.05 per diluted share. The error was identified in January 2006.

The information contained in the financial statements and the notes thereto reflect only the adjustments described in this section of Note 1 and do not reflect events occurring after December 12, 2005, the date of our filing of our original 2005 Form 10-K, or modify or update those disclosures that have been affected by subsequent events.

The following statements reflect the changes from the Company s previously issued financial statements for the fiscal year ending October 1, 2005.

TYSON FOODS, INC.

CONSOLIDATED STATEMENT OF INCOME

		For the fiscal year ended October 1, 2005 in millions, except per share data		
		As Originally Reported	Adjustments	Restated
Sales		$ 26,014	$ -	$ 26,014
Cost of Sales		24,274		24,274
		1,740	-	1,740
Operating Expenses:				
	Selling, general and administrative	928		928
	Other charges	47		47
Operating Income		765	-	765
Other Expense:				
	Interest	227		227
	Other	10		10
		237	-	237
Income Before Income Taxes		528	-	528
Provision for Income Taxes		175	(19)	156
Net Income		$ 353	$ 19	$ 372
Weighted Average Shares Outstanding:				
	Class A Basic	243		243
	Class B Basic	102		102
	Diluted	357		357
Earnings Per Share:				
	Class A Basic	$ 1.05	$ 0.06	$ 1.11
	Class B Basic	$ 0.95	$ 0.05	$ 1.00
	Diluted	$ 0.99	$ 0.05	$ 1.04

TYSON FOODS, INC.

CONSOLIDATED BALANCE SHEET

	October 1, 2005 in millions, except per share data		
	As Originally Reported	Adjustments	Restated
Assets			
Current Assets:			
Cash and cash equivalents	$ 40	$ -	$ 40
Accounts receivable, net	1,214		1,214
Inventories	2,062		2,062
Other current assets	169		169
Total Current Assets	3,485	-	3,485
Net Property, Plant and Equipment	4,007		4,007
Goodwill	2,502		2,502
Intangible Assets	142		142
Other Assets	368		368
Total Assets	$ 10,504	$ -	$ 10,504
Liabilities and Shareholders Equity			
Current Liabilities:			
Current debt	$ 126	$ -	$ 126
Trade accounts payable	961		961
Other current liabilities	1,070		1,070
Total Current Liabilities	2,157	-	2,157
Long-Term Debt	2,869		2,869
Deferred Income Taxes	657	(19)	638
Other Liabilities	169		169
Shareholders Equity:			
Common stock ($0.10 par value):			
Class A-authorized 900 million shares:			
issued 268 million shares in 2005	27		27
Class B-authorized 900 million shares:			
issued 102 million shares in 2005	10		10
Capital in excess of par value	1,867		1,867
Retained earnings	3,013	19	3,032
Accumulated other comprehensive income (loss)	28		28
	4,945	19	4,964
Less treasury stock, at cost-			
15 million shares in 2005	238		238
Less unamortized deferred compensation	55		55
Total Shareholders Equity	4,652	19	4,671
Total Liabilities and Shareholders Equity	$ 10,504	$ -	$ 10,504

TYSON FOODS, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	For the fiscal year ended October 1, 2005 in millions		
	As Originally Reported	Adjustments	Restated
Balance October 2, 2004	$ 4,292	$ -	$ 4,292
Comprehensive Income:			
Net income	353	19	372
Other comprehensive income, net of tax of $11 million	40	-	40
Total Comprehensive Income	393	19	412
Purchase of Treasury Shares	(45)		(45)
Stock Options Exercised	51		51
Restricted Shares Issued	3		3
Restricted Shares Canceled	(2)		(2)
Dividends Paid	(55)		(55)
Dividends Accrued	(13)		(13)
Amortization of Deferred Compensation	25		25
Other	3		3
Balance October 1, 2005	$ 4,652	$ 19	$ 4,671

TYSON FOODS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the fiscal year ended October 1, 2005 in millions		
	As Originally Reported	Adjustments	Restated
Cash Flows From Operating Activities:			
Net income	$ 353	$ 19	$ 372
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	465		465
Amortization	36		36
Plant closing related charges	10		10
Impairment and write-down of assets	25		25
Deferred taxes	(74)	(19)	(93)
Other	(2)		(2)
(Increase) decrease in accounts receivable	24		24
(Increase) decrease in inventories	13		13
Increase in trade accounts payable	11		11
Net change in other current assets and liabilities	138		138
Cash Provided by Operating Activities	999	-	999
Cash Flows From Investing Activities:			
Additions to property, plant and equipment	(571)		(571)
Proceeds from sale of assets	47		47
Purchases of marketable securities	(543)		(543)
Proceeds from marketable securities	504		504
Net change in other assets and liabilities	2		2
Cash Used for Investing Activities	(561)	-	(561)
Cash Flows From Financing Activities:			
Payments of debt, net	(720)		(720)
Proceeds from borrowings of debt	353		353
Purchase of treasury shares	(45)		(45)
Dividends	(55)		(55)
Stock options exercised and other	24		24
Cash Used for Financing Activities	(443)	-	(443)
Effect of Exchange Rate Change on Cash	12	-	12
Increase in Cash and Cash Equivalents	7	-	7
Cash and Cash Equivalents at Beginning of Year	33		33
Cash and Cash Equivalents at End of Year	$ 40	$ -	$ 40

TYSON FOODS, INC.

Description of Business: Tyson Foods, Inc. (collectively, the Company or Tyson), founded in 1935 with world headquarters in Springdale, Arkansas, is the world s largest processor and marketer of chicken, beef and pork and the second largest food company in the *Fortune* 500. Tyson produces a wide variety of brand name protein-based and prepared food products marketed in the United States and more than 80 countries around the world. Tyson is the recognized market leader in the retail and foodservice markets it serves. The Company has approximately 114,000 team members and more than 300 facilities and offices in 29 states and 19 countries.

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

Fiscal Year: The Company utilizes a 52- or 53-week accounting period that ends on the Saturday closest to September 30. The Company's accounting cycle resulted in a 52-week year for fiscal years 2005 and 2003, and a 53-week year for fiscal year 2004.

Reclassifications: Certain reclassifications related to segment reporting have been made to prior periods to conform to current presentations. The effect of these reclassifications is not material to the Company s consolidated financial statements.

Cash and Cash Equivalents: Cash equivalents consist of investments in short-term, highly liquid securities having original maturities of three months or less, which are made as part of the Company's cash management activity. The carrying values of these assets approximate their fair market values. The Company primarily utilizes a cash management system with a series of separate accounts consisting of lockbox accounts for receiving cash, concentration accounts that funds are moved to, and several zero-balance disbursement accounts for funding of payroll, accounts payable and grower payments. As a result of the Company's cash management system, checks issued, but not presented to the banks for payment, may create negative book cash balances. Checks outstanding in excess of related book cash balances totaling approximately $332 million at October 1, 2005, and $359 million at October 2, 2004, are included in trade accounts payable and accrued salaries, wages and benefits.

Accounts Receivable: The Company records trade accounts receivable at net realizable value. This value includes an appropriate allowance for estimated uncollectible accounts to reflect any loss anticipated on the trade accounts receivable balances and charged to the provision for doubtful accounts. The Company calculates this allowance based on a history of write-offs, level of past due accounts and relationships with and economic status of the customers.

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

Total inventory consists of:			in millions	
	2005		2004	
Processed products	$	1,210	$	1,197
Livestock		537		545
Supplies and other		315		321

Total inventory	$	2,062	$