

# TYSON FOODS INC

## FORM 10-Q (Quarterly Report)

Filed 05/12/98 for the Period Ending 03/28/98

Address	2200 DON TYSON PARKWAY SPRINGDALE, AR 72762-6999
Telephone	479-290-4000
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SIC Code	2015 - Poultry Slaughtering and Processing
Industry	Food Processing
Sector	Consumer/Non-Cyclical
Fiscal Year	09/30

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 28, 1998

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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

**Commission File Number 0-3400**

**TYSON FOODS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware 71-0225165**

(State or other jurisdiction of (I.R.S. Employer Identification No.)

incorporation or organization)

2210 West Oaklawn Drive, Springdale, Arkansas 72762-6999

(Address of principal executive offices and zip code)

(501) 290-4000

(Registrant's telephone number, including area code)

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 (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding March 28, 1998
-----	-----
Class A Common Stock, \$.10 Par Value	128,749,411 Shares
Class B Common Stock, \$.10 Par Value	102,645,513 Shares

# TYSON FOODS, INC.

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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

(In millions except per share amounts)

	(Unaudited) March 28, 1998	September 27, 1997
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$34.4	\$23.6
Accounts receivable	769.9	617.8
Inventories	1,151.6	886.1
Assets held for sale	125.2	6.2
Other current assets	53.8	38.8
	<hr/>	<hr/>
Total Current Assets	2,134.9	1,572.5
Net Property, Plant, and Equipment	2,389.5	1,924.8
Excess of Investments over Net Assets Acquired	1,032.2	731.1
Investments and Other Assets	238.2	182.6
	<hr/>	<hr/>
Total Assets	\$5,794.8	\$4,411.0
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Notes payable	\$56.3	\$37.3
Current portion of long-term debt	57.9	94.6
Trade accounts payable	342.6	290.3
Other accrued liabilities	467.4	298.8
	<hr/>	<hr/>
Total Current Liabilities	924.2	721.0
Long-Term Debt	2,249.9	1,558.2
Deferred Income Taxes	553.1	506.1
Other Liabilities	33.6	4.2
Shareholders' Equity:		
Common stock (\$.10 par value):		
Class A-Authorized 900 million shares; issued 138.0 million shares at 3-28-98 and 119.5 million shares at 9-27-97	13.8	11.9
Class B-Authorized 900 million shares; issued 102.6 million shares at 3-28-98 and 102.7 million shares at 9-27-97	10.3	10.3
Capital in excess of par value	740.7	379.1
Retained earnings	1,448.3	1,390.8
Currency translation adjustment	(2.1)	(2.5)
	<hr/>	<hr/>
	2,211.0	1,789.6
Less treasury stock, at cost-		
9.2 million shares at 3-28-98 and 8.8 million shares at 9-27-97	174.7	165.6
Less unamortized deferred compensation	2.3	2.5
	<hr/>	<hr/>
Total Shareholders' Equity	2,034.0	1,621.5
	<hr/>	<hr/>
Total Liabilities and Shareholders' Equity	\$5,794.8	\$4,411.0
	=====	=====

The accompanying notes are an integral part of these financial statements.

**TYSON FOODS, INC.**  
**CONSOLIDATED CONDENSED STATEMENTS OF INCOME**  
(In millions except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	March 28, 1998	March 29, 1997	March 28, 1998	March 29, 1997
Sales	\$1,870.8	\$1,574.3	\$3,391.6	\$3,102.2
Cost of Sales	1,602.0	1,312.1	2,862.1	2,591.6
Gross Profit	268.8	262.2	529.5	510.6
Expenses:				
Selling	155.2	125.2	280.8	250.3
General and administrative	33.6	25.3	64.9	48.8
Amortization	8.3	6.9	14.2	13.7
Operating Income	71.7	104.8	169.6	197.8
Other Expense (Income):				
Interest	38.0	26.2	65.2	55.1
Other	(3.2)	2.1	(3.8)	(39.4)
Income Before Taxes on Income	36.9	76.5	108.2	182.1
Provision for Income Taxes	13.6	28.3	40.0	89.3
Net Income	\$23.3	\$48.2	\$68.2	\$92.8
Basic Average				
Shares Outstanding	231.5	216.9	222.4	217.2
Basic Earnings Per Share	\$0.10	\$0.22	\$0.31	\$0.43
Diluted Average				
Shares Outstanding	232.4	219.0	223.4	219.2
Diluted Earnings Per Share	\$0.10	\$0.22	\$0.31	\$0.42
Cash Dividends Per Share:				
Class A	\$0.0250	\$0.0250	\$0.0500	\$0.0450
Class B	\$0.0225	\$0.0225	\$0.0450	\$0.0405

The accompanying notes are an integral part of these financial statements.

**TYSON FOODS, INC.**  
**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**  
(In millions)

(Unaudited)

	Six Months Ended	
	March 28, 1998	March 29, 1997
Cash Flows from Operating Activities:		
Net income	\$68.2	\$92.8
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	114.0	101.5
Amortization	14.2	13.7
Deferred income taxes	(23.9)	(3.7)
Gain on dispositions of assets	(4.0)	(39.0)
(Increase)decrease in accounts receivable	(48.3)	39.6
Increase in inventories	(56.2)	(7.9)
Increase in trade accounts payable	1.6	8.2
Net change in other current assets and liabilities	88.9	47.9
Cash Provided by Operating Activities	<u>154.5</u>	<u>253.1</u>
Cash Flows from Investing Activities:		
Net cash paid for acquisitions	(257.4)	
Additions to property, plant and equipment	(150.5)	(121.9)
Proceeds from sale of property, plant and equipment	12.1	189.1
Net change in other assets and liabilities	(23.1)	(36.9)
Cash (Used for) Provided by Investing Activities	<u>(418.9)</u>	<u>30.3</u>
Cash Flows from Financing Activities:		
Net change in notes payable	(66.0)	(38.5)
Proceeds from long-term debt	780.2	79.4
Repayments of long-term debt	(419.6)	(226.4)
Purchases of treasury shares	(9.8)	(25.8)
Other	(9.4)	(8.5)
Cash Provided by (Used for) Financing Activities	<u>275.4</u>	<u>(219.8)</u>
Effect of Exchange Rate Change on Cash	(0.2)	0.2
Increase in Cash and Cash Equivalents	<u>10.8</u>	<u>63.8</u>
Cash and Cash Equivalents at Beginning of Period	23.6	36.6
Cash and Cash Equivalents at End of Period	<u>\$34.4</u>	<u>\$100.4</u>
	=====	=====
Supplemental Cash Flow Information		
Cash paid during the period for:		
Interest	\$67.2	\$64.4
Income taxes	\$26.8	\$72.4

The accompanying notes are an integral part of these financial statements.

# TYSON FOODS, INC.

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

### 1. Accounting Policies

The consolidated condensed financial statements have been prepared by Tyson Foods, Inc. (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and accounting policies and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Although the management of the Company believes that the disclosures are adequate to make the information presented not misleading, these consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's latest annual report for the fiscal year ended September 27, 1997. The preparation of consolidated condensed 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. In the opinion of the management of the Company, the accompanying consolidated condensed financial statements contain all adjustments, consisting of normal recurring accruals necessary to present fairly the financial position as of March 28, 1998 and September 27, 1997 and the results of operations for the three and six months ended March 28, 1998 and March 29, 1997, and cash flows for the six months ended March 28, 1998 and March 29, 1997. The results of operations for the three and six months ended March 28, 1998 and March 29, 1997, and cash flows for the six months ended March 28, 1998 and March 29, 1997, are not necessarily indicative of the results to be expected for the full year.

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share". Statement 128 replaced the previously reported primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes the dilutive effects of options, warrants, and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where necessary, restated to conform to the Statement 128 requirements.

The Notes to Consolidated Financial Statements for the fiscal year ended September 27, 1997, reflect the significant accounting policies, debt provisions, borrowing arrangements, dividend restrictions, contingencies and commitments of the Company. There were no material changes in such items during the six months ended March 28, 1998, except as disclosed in these notes.

## 2. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for the three and six months ended:

	(In millions)			
	Three Months Ended		Six Months Ended	
	March 28, 1998	March 29, 1997	March 28, 1998	March 29, 1997
	-----	-----	-----	-----
Numerator:				
Net Income	\$23.3	\$48.2	\$68.2	\$92.8
	=====	=====	=====	=====
Denominator:				
Denominator for basic earnings per share-weighted average shares	231.5	216.9	222.4	217.2
Effect of dilutive securities:				
Employee stock options	0.9	2.1	1.0	2.0
	-----	-----	-----	-----
Denominator for diluted earnings per share-adjusted weighted average shares and assumed conversions	232.4	219.0	223.4	219.2
	=====	=====	=====	=====
Basic earnings per share	\$0.10	\$0.22	\$0.31	\$0.43
	=====	=====	=====	=====
Diluted earnings per share	\$0.10	\$0.22	\$0.31	\$0.42
	=====	=====	=====	=====

## 3. Inventories

Inventories, valued at the lower of cost (first-in, first-out) or market, consist of the following:

(In millions)

	March 28, 1998	September 27, 1997
	-----	-----
Finished and work-in-process	\$ 526.5	\$366.1
Live poultry and hogs	413.6	353.4
Seafood related products	49.5	39.5
Hatchery eggs and feed	80.7	57.8
Supplies	81.3	69.3
	-----	-----
Total	\$1,151.6	\$886.1
	=====	=====

## 4. Acquisitions and Dispositions

On January 9, 1998, the Company completed the acquisition of Hudson Foods, Inc. ("Hudson") pursuant to which Hudson merged with and into a wholly-owned subsidiary of the Company (the "Hudson Acquisition"). At the effective time of merger the Class A and Class B shareholders of Hudson received an aggregate of approximately 18.4 million shares of the Company's Class A common stock and approximately \$257.4 million in cash. On January 9, 1998, the Company borrowed \$318 million under its commercial

paper program to finance the \$257.4 million cash portion of the Hudson Acquisition and repay approximately \$61 million under Hudson's revolving credit facilities. Reference is made to the Company's Current Report on Form 8-K, dated January 15, 1998 for a more detailed description of Hudson and the Hudson Acquisition, including certain pro forma financial information giving effect to the Hudson Acquisition. The Hudson Acquisition has been accounted for as a purchase and the excess of investment over net assets acquired is being amortized straight-line over forty years. The Company's consolidated results of operations include the operations of Hudson since the acquisition date. The following unaudited pro forma information shows the results of operations as though the purchase of Hudson had been made at the beginning of fiscal 1997.

	(In millions, except per share data)	
	Six Months Ended	
	March 28, 1998	March 29, 1997
	-----	
Net sales	\$3,808.5	\$3,898.6
Net income	60.4	97.5
Basic Earnings Per Share	0.26	0.41
Diluted Earnings Per Share	0.26	0.41

The unaudited pro forma results are not necessarily indicative of the actual results of operations that would have occurred had the purchase actually been made at the beginning of 1997, or the results which may occur in the future.

On April 10, 1998, Hudson, a wholly owned subsidiary of the Company, and Fresh Foods of North Carolina, LLC ("Fresh Foods"), a wholly owned subsidiary of WSMP, Inc., signed a definitive asset purchase agreement for Fresh Foods to acquire the core business of Pierre Foods from Hudson. Pierre Foods, based in Cincinnati, Ohio and part of the Hudson Acquisition, is primarily engaged in producing and distributing packaged, precooked food products to the foodservice industry. The terms of the purchase agreement call for WSMP to pay \$122 million in cash and to assume Pierre Foods' liabilities. The transaction is expected to be finalized by mid-June. The related net assets of Pierre Foods have been classified as "assets held for sale" in the Consolidated Condensed Balance Sheets.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **FINANCIAL CONDITION**

For the six months ended March 28, 1998, net cash totaling \$154.5 million was provided by all operating activities. Operations provided \$168.5 million in cash and \$14.0 million was used by net changes in receivables, inventories, payables and other items. The Company used cash from operations to fund \$150.5 million of property, plant and equipment additions. The expenditures for property, plant and equipment were related to acquiring new equipment, upgrading facilities in order to maintain competitive standing and position the Company for future opportunities.

At March 28, 1998, working capital was \$1,210.7 million compared to \$851.5 million at 1997 fiscal year-end, an increase of \$359.2 million. The current ratio at March 28, 1998 was 2.3 to 1 compared to 2.2 to 1 at September 27, 1997. Working capital has increased since year-end primarily due to increases in accounts receivable, inventories and assets held for sale, offset slightly by an increase in notes payable, accounts payable and other current liabilities primarily due to the Hudson Acquisition. The increase in assets held for sale consists of Pierre Foods' core business net assets (See Note 4 of Notes to Consolidated Condensed Financial Statements). At March 28, 1998, total debt was 53.8% of total capitalization compared to 51.0% at September 27, 1997. The Company's foreseeable cash needs for operations and capital expenditures will continue to be met through cash flows from operations and borrowings supported by existing credit facilities as well as additional credit facilities which the Company believes are available.

The Company has an unsecured revolving credit agreement totaling \$1 billion which supports the Company's commercial paper program. This \$1 billion facility expires in May 2002. At March 28, 1998, \$981.6 million was outstanding under this \$1 billion facility consisting of \$812.6 million in commercial paper and \$169.0 million drawn under the revolver. The Company's \$250 million facility was terminated effective May 4, 1998. Additional outstanding long-term debt at March 28, 1998 consisted of \$790.6 million of public debt, \$221.6 million of institutional notes, \$181.9 million in leveraged equipment loans and \$74.2 million of other indebtedness. On January 9, 1998, the Company borrowed approximately \$318 million under its commercial paper program, the proceeds of which were used to (i) finance the \$257.4 million cash portion of the Hudson Acquisition and (ii) repay approximately \$61 million under Hudson's revolving credit facilities. Subsequent to the Hudson Acquisition, the Company refinanced \$269.7 million in outstanding long-term debt assumed pursuant to the Hudson Acquisition with commercial paper. On January 21, 1998 the Company issued, in two separate series, \$150 million 6% Notes due January 15, 2003 and \$150 million 7% Notes due January 15, 2028. On February 4, 1998, the Company issued \$100 million 6.08% Mandatory Par Put Remarketed SecuritiesSM ("MOPPRSSM") due February 1, 2010 and \$50 million Floating Rate MOPPRSSM due February 1, 2010. On April 28, 1998, the Company issued debt securities in the form of \$240 million 7% Notes due May 1, 2018. The net proceeds from these debt offerings were used by the Company to repay a portion of the borrowings under its commercial paper program. The Company may use funds borrowed under its revolving credit facilities, commercial paper program or through the issuance of additional debt securities from time to time in the future to repay additional indebtedness of Hudson assumed by the Company as a result of the Hudson Acquisition, to finance acquisitions as opportunities may arise, to refinance other indebtedness or capital leases of the Company, and for other general corporate purposes.

## **RESULTS OF OPERATIONS**

The operating results for the second quarter of fiscal 1998 were impacted by the excess supply of all meat proteins, weakness in the export markets and the quality of the Hudson Foods sales mix the Company inherited. Sales for the second quarter of fiscal 1998 increased 18.8% from the same quarter of fiscal 1997. This increase is mainly due to a 27.3% increase in total volume partially offset by a 6.7% decrease in average sales prices. Consumer poultry sales, excluding turkey, accounted for an increase of

12.8% of the total change in sales for the second quarter of fiscal 1998 as compared to the same quarter of fiscal 1997. This increase was due to a 31.8% increase in tonnage offset by a 12.4% decrease in average sales prices. A significant portion of the increase in total sales and consumer poultry sales for the second quarter of fiscal 1998 compared to the second quarter of fiscal 1997 is due to the Hudson Acquisition.

Mexican Original, Culinary Foods and Mallards Food sales as a group accounted for an increase of 0.7% of the total change in sales for the second quarter of fiscal 1998 as compared to the same quarter of fiscal 1997. This increase was primarily due to a 17.7% increase in average sales prices and a 4.1% increase in tonnage, largely due to the acquisition of Mallards Food in August 1997. Seafood sales accounted for a decrease of 1.8% of the change in total sales for the second quarter of fiscal 1998 as compared to the same quarter of fiscal 1997. This decrease was due to a 34.7% decrease in tonnage slightly offset by a 0.1% increase in average sales prices. The seafood operations continue to be affected by the availability of some species of fish as well as reduced pricing on some products and other regulations which limit its source of supply. Sales of Hudson's Pierre Foods, turkey and miscellaneous as a group accounted for an increase of 6.2% of the change in total sales for the second quarter of fiscal 1998 as compared to the same quarter of fiscal 1997. Sales of live swine, animal foods, by-products, and other, as a group accounted for an increase of 0.9% of the change in total sales for the second quarter of fiscal 1998 as compared to the same quarter of fiscal 1997.

Sales for the first six months of fiscal 1998 increased 9.3% over the same period of fiscal 1997. This increase was largely due to consumer poultry sales, excluding turkey, which accounted for an increase of 5.9% of the change in total sales for the first six months of fiscal 1998 as compared to the same period of fiscal 1997. This increase in consumer poultry sales was primarily due to an increase in tonnage of 19.0% offset somewhat by a decrease in average sales prices of 10.0%. A significant portion of the increase in total sales and consumer poultry sales for the first six months of fiscal 1998 compared to the same period of fiscal 1997 is due to the Hudson Acquisition.

Mexican Original, Culinary Foods and Mallards Food sales as a group accounted for an increase of 0.6% of the change in total sales for the first six months of fiscal 1998 as compared to the same period of fiscal 1997. This increase was primarily due to a 16.1% increase in average sales prices as well as a 0.6% increase in tonnage, largely due to the acquisition of Mallards Food in August 1997. Seafood sales accounted for a decrease of 1.3% of the change in total sales for the first six months of fiscal 1998 as compared to the same period of fiscal 1997. This decrease was due to a 32.7% decrease in tonnage partially offset by a 5.3% increase in average sales prices. Sales of Hudson's Pierre Foods, turkey and miscellaneous as a group accounted for an increase of 3.1% of the change in total sales for the first six months of fiscal 1998 as compared to the same period of last year. Sales of live swine, animal foods, by-products, and other as a group accounted for an increase of 1.0% of the change in total sales for the first six months of fiscal 1998 as compared to the same period of last year.

The Company recognizes that conducting business in or selling products into foreign countries, including but not limited to Russia and certain Asian countries, entails inherent risks including various political, credit, inventory and currency risks. The Company, however, is continually monitoring its international business practices and, whenever possible, will attempt to minimize the Company's financial exposure to these risks.

Cost of goods sold increased 22.1% for the second quarter of fiscal 1998 as compared to the same quarter of fiscal 1997. This increase is mainly the result of the increase in sales. The cost of ingredients used in feed for poultry and swine and the ingredients used in Mexican Original operations during the second quarter of fiscal 1998 decreased in comparison with the same quarter of fiscal 1997. As a percent of sales, cost of sales was 85.6% for the second quarter of fiscal 1998 compared to 83.3% in the second quarter of fiscal 1997.

Cost of goods sold increased 10.4% for the first six months of fiscal 1998 compared to the same period of fiscal 1997. This increase is mainly the result of the increase in sales. As a percent of sales, cost of sales was 84.4% for the first six months of fiscal 1998 compared to 83.5% in the same period of fiscal 1997.

Operating expenses increased 25.2% for the second quarter of fiscal 1998 over the same quarter of fiscal 1997 mostly due to the Hudson Acquisition. Selling expense, as a percent of sales, increased to 8.3% for the second quarter of fiscal 1998 as compared to 8.0% for the second quarter of fiscal 1997. General and administrative expense, as a percent of sales, was 1.8% in the second quarter of fiscal 1998 compared to 1.6% in the same period last year. Amortization expense, as a percent of sales, was 0.4% in the second quarter of fiscal 1998 and 1997.

Operating expenses increased 15.1% for the first six months of fiscal 1998 from the same period of fiscal 1997 mostly due to the Hudson Acquisition. Selling expense, as a percent of sales, increased to 8.3% for the first six months of fiscal 1998 as compared to 8.1% for the same period of fiscal 1997. General and administrative expense, as a percent of sales, was 1.9% in the first six months of fiscal 1998 compared to 1.6% in the same period last year. Included in general and administrative expense for the first six months of fiscal 1998 is a charge of \$6 million for penalties and costs associated with the plea agreement by the Company with respect to the investigation by the Office of Independent Counsel in connection with former Secretary of Agriculture Michael Espy. (See Part II. Item 1- Legal Proceedings.) Amortization expense, as a percent of sales, was 0.4% in the first six months of fiscal 1998 and 1997.

Interest expense increased 45.0% for the second quarter of fiscal 1998 compared to the same quarter of fiscal 1997 primarily as a result of a 28.4% increase in the Company's average indebtedness over the same period last year. The weighted average interest rate of all Company debt increased to 6.7% compared to 5.9% for the same period last year.

Interest expense increased 18.3% in the first six months of fiscal 1998 compared to the same period of fiscal 1997. The Company had a higher level of borrowing which increased the Company's average indebtedness by 8.8% from the same period last year. The weighted average interest rate of all Company debt increased to 6.6% compared to 6.0% for the same period last year.

The effective income tax rate for the second quarter and first six months of fiscal 1998 was 36.9% and 37.0%, respectively compared to 37.0% and 49.0% for the same periods of fiscal 1997. The first six months of fiscal 1997 effective tax rate was impacted by the taxes on the gain from the sale of the beef division assets. Certain costs were allocated to the beef division which are not deductible for tax purposes, resulting in a higher effective tax rate.

## **IMPACT OF YEAR 2000**

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

Based on a recent assessment, the Company determined that it will be required to modify or replace limited portions of its software so that its computer systems will function properly with respect to dates in the year 2000 and thereafter. The Company presently believes that with modifications to existing software and conversions to new software, the Year 2000 Issue will not pose significant operational problems for its computer systems.

The Company has initiated formal communications with all of its significant suppliers and large customers to determine the extent to which the Company's interface systems are vulnerable to those third parties' failure to remediate their own Year 2000 Issues. The Company's total Year 2000 project cost and estimates to complete include the estimated costs and time associated with the impact of third party Year 2000 Issues based upon presently available information. However, there can be no guarantee that the systems of other companies on which the Company's systems rely will be timely converted and would not have an adverse effect on the Company's systems.

The Company will utilize both internal and external resources to reprogram, or replace, and test the software for Year 2000 modifications. The Company anticipates completing the Year 2000 project by December 31, 1998, which is prior to any anticipated impact on its operating systems. The total cost of the Year 2000 project is not expected to have a material effect on the Company's results of operations.

## **ENVIRONMENTAL MATTERS**

The Company has a strong financial commitment to environmental matters. During the first six months of fiscal 1998 the Company invested approximately \$20.2 million in water quality facilities, including capital outlays to build and upgrade facilities and day-to-day operations of waste- water facilities.

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

The Company and its representatives may from time to time make written or oral forward-looking statements with respect to their current views and estimates of future economic circumstances, industry conditions, company performance and financial results. These forward-looking statements are subject to a number of factors and uncertainties, including those related to the Company's ability to effectively assimilate Hudson, which 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. Among the factors that may affect the operating results of the Company are the following: (i) fluctuations in the cost and availability of raw materials, such as feed grain costs in relation to historical levels; (ii) changes in the availability and relative costs of labor and contract growers; (iii) market conditions for finished products, including the supply and pricing of alternative proteins, all of which may impact the Company's pricing power; (iv) effectiveness of advertising and marketing programs; (v) the ability of the Company to make effective acquisitions and successfully integrate newly acquired businesses, including Hudson, into existing operations; (vi) risks associated with leverage, including cost increases due to rising interest rates; (vii) changes in regulations and laws, including changes in accounting standards, environmental laws, occupational, health and safety laws, and laws regulating fishing and seafood processing activities; (viii) access to foreign markets together with foreign economic conditions, including currency fluctuations; and (ix) the effect of, or changes in, general economic conditions.

### **Item 3. Quantitative and Qualitative Disclosure About Market Risks**

Market risks relating to the Company's operations result primarily from changes in interest rates, foreign exchange rates and commodity prices, as well as credit risk concentrations. To address these risks the Company enters into various hedging transactions as described below. The Company does not use financial instruments for trading purposes and is not a party to any leveraged derivatives.

#### **Foreign Currency and Interest Rate Risks**

The Company periodically enters into foreign exchange forward contracts and option contracts to hedge some of its foreign currency exposure. The Company uses such contracts to hedge exposure to changes in foreign currency exchange rates, primarily Japanese yen, associated with sales denominated in foreign currency. Gains and losses on these contracts are deferred and recognized as an adjustment of the subsequent transaction when it occurs. Forward and option contracts generally have maturities not exceeding twelve months. The Company also hedges exposure to changes in interest rates on certain of its financial instruments. Under the terms of various leveraged equipment loans, the Company enters into interest rate swap agreements to effectively lock in a fixed interest rate for these borrowings. The maturity dates of these leveraged equipment loans range from 2005 to 2008 with interest rates ranging from 4.7% to 6.0%.

As of March 28, 1998, the stated or notional amounts of the Company's outstanding foreign currency and interest rate derivative financial instruments were as follows:

(In millions)

	March 28, 1998
Interest rate swaps	\$150.3
Foreign currency purchased options to sell	33.6
Foreign currency sold options to sell	37.9

The following table provides information about the Company's derivative financial instruments and other financial instruments that are sensitive to changes in interest rates. The table presents the Company's debt obligations, principal cash flows and related weighted-average interest rates by expected maturity dates. For interest rate swaps, the table presents notional amounts and weighted-average interest rates or strike rates by contractual maturity dates. Notional amounts are used to calculate the contractual cash flows to be exchanged under the contract.

Interest Rate Sensitivity Principal (Notional) Amount by Expected Maturity Average Interest (Swap) Rate								
(dollars in millions)	1998	1999	2000	2001	2002	There- after	Total	Fair Value 3/28/98
<b>Liabilities</b>								
Long-term Debt, including Current Portion								
Fixed Rate	\$57.9	\$227.9	\$128.1	\$74.6	\$177.8	\$605.9	\$1,272.2	\$1,272.2
Average Interest Rate	8.98%	6.28%	8.59%	9.46%	6.20%	6.75%	7.36%	
Variable Rate	-	-	-	-	\$981.6	\$54.0	\$1,035.6	\$1,035.6
Average Interest Rate	-	-	-	-	5.72%	3.87%	5.62%	

#### Interest Rate Derivative Financial Instruments Related to Debt Interest Rate Swaps

Pay Fixed \$7.2 \$16.0 \$17.2 \$18.4 \$19.6 \$71.9 \$150.3 \$3.6 Average Pay Rate 6.60% 6.71% 6.71% 6.69% 6.73% 6.63% Average Receive Rate-USD 6 Month Libor.

The following table summarizes information on instruments and transactions that are sensitive to foreign currency exchange rates, including foreign currency forward exchange agreements. For foreign currency forward exchange agreements, the table presents the notional amounts and weighted-average exchange rates by expected (contractual) maturity dates. These notional amounts generally are used to calculate the contractual payments to be exchanged under the contract.

Exposures Related to Derivative Contracts with United States Dollar Functional Currency Principal (Notional) Amount by Expected Maturity  
Average Forward Foreign Currency Exchange Rate (USD/Foreign Currency)

(dollars in millions)

	1998	1999	2000	2001	2002	There- after	Total	Fair Value 3/28/98
Sold Option Contracts to Sell Foreign Currencies for US\$								
Japanese Yen								
Notional Amount	\$31.4	\$ 6.5	-	-	-	-	\$37.9	\$ 0
Weighted Average Strike Price	113.03	109.48	-	-	-	-	-	-
Purchased Option Contracts to Sell Foreign Currencies for US\$								
Japanese Yen								
Notional Amount	\$ 28.0	\$ 5.6	-	-	-	-	\$33.6	\$1.6
Weighted Average Strike Price	126.84	126.69	-	-	-	-	-	-

### Commodities Risk

The Company is a purchaser of certain commodities, primarily corn and soybeans. The Company uses commodity futures and purchased options for hedging purposes to reduce the effect of changing commodity prices on a portion of its commodity purchases. The contracts that effectively meet risk reductions and correlation criteria are recorded using hedge accounting. Gains and losses on hedge transactions are recorded as a component of the underlying inventory purchase.

The following table provides information about the Company's corn, soybean meal and other feed ingredient inventory and futures contracts that are sensitive to changes in commodity prices. For inventory, the table presents the carrying amount and fair value at March 28, 1998. For the futures contracts the table presents the notional amounts in bushels, the weighted average contract prices, and the total dollar contract amount by expected maturity dates, the latest of which occurs four months from the reporting date. Contract amounts are used to calculate the contractual payments and quantity of corn and soybean meal to be exchanged under the futures contracts.

(In millions)	Carrying amount	Fair value
On Balance Sheet Commodity Position and Related Derivatives		
Corn, Soybean Meal and Other Feed Ingredient Inventory		
	\$ 39.7	\$ 39.7
Corn Futures Contracts		
Contract Volumes (bushels)	3,130,000	-
Weighted Average Price (Per bushel)	\$ 2.69	-
Contract Amount (\$US in millions)	\$ 8.4	\$ 8.1

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

On December 22, 1997, the Company entered into a plea agreement ("Plea Agreement") with the United States whereby the Company agreed to plead guilty to one (1) count of Gratuity to a Public Official in violation of 18 U.S.C. 201(c)(1)(A). Pursuant to said Plea Agreement, the Company agreed to (i) pay a fine of Four Million and No/100 Dollars (\$4,000,000.00), (ii) pay Two Million and No/100 Dollars (\$2,000,000.00) to be applied to the costs of the investigation of the Office of the Independent Counsel ("OIC"), and (iii) enter into a Compliance Agreement among the Company, the United States Department of Agriculture ("USDA") and the OIC. The USDA, as the lead agency for purposes of suspension and debarment, has determined that the terms and conditions of the Plea Agreement provide adequate assurance that the Company's future dealings with the federal government will be conducted with the high degree of integrity that the federal government expects of its business partners and that suspension, debarment, or action under the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Agricultural Marketing Act of 1946 is not necessary to protect its interests. On January 12, 1998 the United States District Court for the District of Columbia entered judgement against the Company enforcing the terms and conditions of the Plea Agreement and also placing the Company on probation for a term of four (4) years.

On July 28, 1997, Hudson received notice from the United States Department of Justice ("DOJ") that it was prepared to bring an action against Hudson for the alleged violation of the Clean Water Act at Hudson's Berlin, Maryland poultry processing facility. The DOJ alleged that over the past five years, Hudson had repeatedly discharged pollutants in quantities in excess of its National Pollutant Discharge Elimination System ("NPDES") permit limits, violated monitoring and sampling requirements of its NPDES permit and failed to provide notice of NPDES violations. On September 19, 1997, Hudson entered into an agreement in principle with the DOJ for the settlement of these claims. On May 8, 1998, a Consent Decree between the United States, Hudson and the Company was filed with the United States District Court together with a Complaint alleging these violations. Upon expiration of a thirty (30) day comment period, it is anticipated that the District Court will approve and enter the Consent Decree, at which time the Consent Decree will become effective. The Consent Decree, while stating that Hudson denies the violations alleged in the Complaint, provides for the payment to the United States of \$4.0 million and the expenditure of \$2.0 million in supplemental environmental projects (SEP's).

### Item 2. Changes in Securities

Not Applicable

### Item 3. Defaults Upon Senior Securities

Not Applicable

#### Item 4. Submission of Matters to a Vote of Security Holders

The following directors were elected at the annual meeting of shareholders held January 9, 1998:

DIRECTORS	VOTES FOR	VOTES WITHHELD
Neely Cassady	1,116,580,621	1,065,743
Lloyd V. Hackley	1,116,586,506	1,059,858
Gerald M. Johnston	1,116,564,775	1,081,589
Shelby Massey	1,116,583,375	1,062,989
Joe F. Starr	1,098,077,490	19,568,874
Leland Tollett	1,116,564,870	1,081,494
Barbara Tyson	1,116,551,502	1,094,862
Don Tyson	1,116,549,525	1,096,839
John Tyson	1,116,538,276	1,108,088
Fred S. Vorsanger	1,116,580,921	1,065,443
Donald E. Wray	1,116,565,329	1,081,035

No other items were voted on at the annual meeting of shareholders or during the quarter ended March 28, 1998.

#### Item 5. Other Information

Not Applicable

#### Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

The exhibits filed with this report are listed in the exhibit index at the end of this Item 6.

(b) Reports on Form 8-K:

On January 5, 1998 and January 15, 1998, the Company filed Current Reports on Form 8-K related to the definitive agreement and plan of merger with Hudson Foods, Inc.

On January 27, 1998, the Company filed a Current Report on Form 8-K related to the Company's First Quarter Fiscal 1998 Operating Results.

On February 4, 1998, the Company filed a Current Report on Form 8-K related to Remarketing Agreements dated January 28, 1998 between the Company and Merrill Lynch, Pierce, Fenner & Smith, Incorporated with respect to the Company's issuance of \$100 million of 6.08% MOPPRSSM due February 1, 2010 and \$50 million of Floating Rate MOPPRSSM due February 1, 2010.

On April 27, 1998, the Company filed a Current Report on Form 8-K related to the Company's Second Quarter and First Six Months of Fiscal 1998 Operating Results.

## EXHIBIT INDEX

The following exhibits are filed with this report.

Exhibit No. -----	Page ----
3.1 Certificate of Incorporation of the Company as amended (previously filed as Exhibit 3(a) to the Company's Registration Statement on Form S-4 filed with the Commission on July 8, 1992, Commission File No. 33-49368, and incorporated herein by reference).	
3.2 Amended and Restated Bylaws of the Company (previously filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended September 28, 1996, Commission File No. 0-3400, and incorporated herein by reference).	
4.1 Form of 7.0% \$200 million Note due May 1, 2018	20-25
4.2 Form of 7.0% \$40 million Note due May 1, 2018	26-31
12 Ratio of Earnings to Fixed Charges	32
27.1 Financial Data Schedule	
27.2 Restated Financial Data Schedule for the 3 months ended December 28, 1996	
27.3 Restated Financial Data Schedule for the 6 months ended March 29, 1997	
27.4 Restated Financial Data Schedule for the 9 months ended June 28, 1997	
27.5 Restated Financial Data Schedule for the 12 months ended September 27, 1997	
27.6 Restated Financial Data Schedule for the 12 months ended September 28, 1996	

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**TYSON FOODS, INC.**

Date: May 12, 1998  
-----

/s/ Wayne Britt  
-----

Wayne Britt  
Executive Vice President and  
Chief Financial Officer

Date: May 12, 1998  
-----

/s/ James G. Ennis  
-----

James G. Ennis  
Vice President, Controller and  
Chief Accounting Officer

**CUSIP: 902494 AF0**

No. 1 \$200,000,000

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Company or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

**TYSON FOODS, INC.**  
**7.00% Note due May 1, 2018**

TYSON FOODS, INC., a Delaware corporation (the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co. or registered assigns, at the office or agency of the Company in The City of New York, New York, the principal sum of \$200,000,000 on May 1, 2018, in the coin or currency of the United States, and to pay interest, semi-annually on May 1 and November 1 of each year, commencing November 1, 1998, on said principal sum at said office or agency, in like coin or currency, at the rate per annum specified in the title of this Note, from the May 1 or the November 1, as the case may be, next preceding the date of this Note to which interest has been paid or duly provided for, unless the date hereof is a date to which interest has been paid or duly provided for, in which case from the date of this Note, or unless no interest has been paid or duly provided for on this Note, in which case from May 1, 1998, until payment of said principal sum has been made or duly provided for; provided, that payment of interest may be made at the option of the Company by check mailed to the address of the person entitled thereto as such address shall appear on the Security Register of the Company or by wire transfer as provided in the Indenture. Notwithstanding the foregoing, if the date hereof is after the 15th day of April or October, as the case may be, and before the following May 1 or November 1, this Note shall bear interest from such May 1 or November 1; provided, that if the Company shall default in the payment of interest due on such May 1 or November 1, then this Note shall bear interest from the next preceding May 1 or November 1 to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for on these Notes, from May 1, 1998. The interest so payable on any May 1 or November 1 will, subject to certain exceptions provided in the Indenture referred to on the reverse hereof, be paid to the person in whose name this Note is registered at the close of business on the April 15 or October 15, as the case may be, next preceding such May 1 or November 1, whether or not such day is a Business Day. Reference is made to the further provisions of this Note set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been manually signed by the Trustee under the Indenture referred to on the reverse hereof.

IN WITNESS WHEREOF, TYSON FOODS, INC. has caused this instrument to be signed manually or by facsimile by its duly authorized officers.

Dated: May 1, 1998  
**TYSON FOODS, INC.**

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

**Attest:**

\_\_\_\_\_

**CERTIFICATE OF AUTHENTICATION**

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

**Dated: May 1, 1998 THE CHASE MANHATTAN BANK,  
as Trustee**

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

Authorized Signatory

This Note is one of a duly authorized issue of debentures, notes, bonds or other evidences of indebtedness of the Company (hereinafter called the "Securities") of the series hereinafter specified, all issued or to be issued under and pursuant to an indenture dated as of June 1, 1995 (herein called the "Indenture"), duly executed and delivered by the Company to The Chase Manhattan Bank, as Trustee (herein called the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Securities. The Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest (if any) at different rates, may be subject to different redemption provisions (if any) may be subject to different sinking, purchase or analogous funds (if any) and may otherwise vary as in the Indenture provided. This Note is one of a series designated as the 7.00% Notes due May 1, 2018 of the Company, limited in aggregate principal amount to \$240,000,000.

Interest will be computed on the basis of a 360-day year of 12 30-day months. The Company shall pay interest on overdue principal and, to the extent lawful, on overdue installments of interest at the rate per annum borne by this Note. If a payment date is not a Business Day as defined in the Indenture at a place of payment, payment may be made at that place on the next succeeding day that is a Business Day, and no interest shall accrue for the intervening period.

In case an Event of Default with respect to the 7.00% Notes due May 1, 2018, as defined in the Indenture, shall have occurred and be continuing, the principal hereof may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions which provide that without prior notice to any Holders, the Company and the Trustee may amend the Indenture and the Securities of any series with the written consent of the Holders of a majority in principal amount of the outstanding Securities of all series affected by such supplemental indenture (all such series voting as one class), and the Holders of a majority in principal amount of the outstanding Securities of all series affected thereby (all such series voting as one class) by written notice to the Trustee may waive future compliance by the Company with any provision of the Indenture or the Securities of such series; provided that without the consent of each Holder of the Securities of each series affected thereby, an amendment or waiver, including a waiver of past defaults, may not: (i) extend the stated maturity of the principal of, or any sinking fund obligation or any installment of interest on, such Holder's Security, or reduce the principal amount thereof or the rate of interest thereon (including any amount in respect of original issue discount), or any premium payable with respect thereto, or adversely affect the rights of such Holder under any mandatory repurchase provision or any right of repurchase at the option of such Holder, or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon an acceleration of the maturity or the amount thereof provable in bankruptcy, or change any place of payment where, or the currency in which, any Security of such series or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date or, in the case of mandatory repurchase, the date

therefor); (ii) reduce the percentage in principal amount of outstanding Securities of such series the consent of whose Holders is required for any such supplemental indenture, for any waiver of compliance with certain provisions of the Indenture or certain Defaults and their consequences provided for in the Indenture; (iii) waive a Default in the payment of principal of or interest on any Security of such series; (iv) cause any Security of such series to be subordinated in right of payment to any obligation of the Company; or (v) modify any of the provisions of the Indenture governing supplemental indentures with the consent of Securityholders except to increase any such percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each outstanding Security of any series affected thereby.

It is also provided in the Indenture that, subject to certain conditions, the Holders of at least a majority in principal amount of the outstanding Securities of the series affected (all such series voting as a single class), by notice to the Trustee, may waive an existing Default or Event of Default with respect to the Securities of such series and its consequences, except a Default in the payment of principal of or interest on any Security or in respect of a covenant or provision of the Indenture which cannot be modified or amended without the consent of the Holder of each outstanding Security affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default with respect to the Securities of such series arising therefrom shall be deemed to have been cured, for every purpose of the Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

The Indenture provides that a series of Securities may include one or more tranches (each a "tranche") of Securities, including Securities issued in a periodic offering. The Securities of different tranches may have one or more different terms, including authentication dates and public offering prices, but all the Securities within each such tranche shall have identical terms, including authentication date and public offering price. Notwithstanding any other provision of the Indenture, subject to certain exceptions, with respect to sections of the Indenture concerning the execution, authentication and terms of the Securities, redemption of the Securities, Events of Default of the Securities, defeasance of the Securities and amendment of the Indenture, if any series of Securities includes more than one tranche, all provisions of such sections applicable to any series of Securities shall be deemed equally applicable to each tranche of any series of Securities in the same manner as though originally designated a series unless otherwise provided with respect to such series or tranche pursuant to a board resolution or a supplemental indenture establishing such series or tranche.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Note in the manner, at the place, at the respective times, at the rate and in the coin or currency herein prescribed.

The Notes are issuable initially only in registered form without coupons in denominations of \$1,000 and any multiple of \$1,000 at the office or agency of the Company in The City of New York, and in the manner and subject to the limitations provided in the Indenture, but without the payment of any service charge, Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations.

This Note will not be redeemable prior to maturity.

Upon due presentment for registration of transfer of this Note at the office or agency of the Company in The City of New York, a new Note or Notes of authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange therefor, subject to the limitations provided in the Indenture, without charge except for any tax or other governmental charge imposed in connection therewith.

The Company, the Trustee and any authorized agent of the Company or the Trustee may deem and treat the registered Holder hereof as the absolute owner of this Note (whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing hereon made by anyone other than the Company or the Trustee or any authorized agent of the Company or the Trustee), for the purpose of receiving payment of, or on account of, the principal hereof and premium, if any, and, subject to the provisions on the face hereof, interest hereon, and for all other purposes, and neither the Company nor the Trustee nor any authorized agent of the Company or the Trustee shall be affected by any notice to the contrary.

No recourse under or upon any obligation, covenant or agreement of the Company in the Indenture or any indenture supplemental thereto or in any Note, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present, or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance hereof and as part of the consideration for the issue hereof.

Terms used herein which are defined in the Indenture shall have the respective meanings assigned thereto in the Indenture.

**CUSIP: 902494 AF0**

No. 2 \$40,000,000

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Company or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

**TYSON FOODS, INC.**  
**7.00% Note due May 1, 2018**

TYSON FOODS, INC., a Delaware corporation (the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co. or registered assigns, at the office or agency of the Company in The City of New York, New York, the principal sum of \$40,000,000 on May 1, 2018, in the coin or currency of the United States, and to pay interest, semi-annually on May 1 and November 1 of each year, commencing November 1, 1998, on said principal sum at said office or agency, in like coin or currency, at the rate per annum specified in the title of this Note, from the May 1 or the November 1, as the case may be, next preceding the date of this Note to which interest has been paid or duly provided for, unless the date hereof is a date to which interest has been paid or duly provided for, in which case from the date of this Note, or unless no interest has been paid or duly provided for on this Note, in which case from May 1, 1998, until payment of said principal sum has been made or duly provided for; provided, that payment of interest may be made at the option of the Company by check mailed to the address of the person entitled thereto as such address shall appear on the Security Register of the Company or by wire transfer as provided in the Indenture. Notwithstanding the foregoing, if the date hereof is after the 15th day of April or October, as the case may be, and before the following May 1 or November 1, this Note shall bear interest from such May 1 or November 1; provided, that if the Company shall default in the payment of interest due on such May 1 or November 1, then this Note shall bear interest from the next preceding May 1 or November 1 to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for on these Notes, from May 1, 1998. The interest so payable on any May 1 or November 1 will, subject to certain exceptions provided in the Indenture referred to on the reverse hereof, be paid to the person in whose name this Note is registered at the close of business on the April 15 or October 15, as the case may be, next preceding such May 1 or November 1, whether or not such day is a Business Day. Reference is made to the further provisions of this Note set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been manually signed by the Trustee under the Indenture referred to on the reverse hereof.

IN WITNESS WHEREOF, TYSON FOODS, INC. has caused this instrument to be signed manually or by facsimile by its duly authorized officers.

Dated: May 1, 1998  
**TYSON FOODS, INC.**

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

**Attest:**

\_\_\_\_\_

**CERTIFICATE OF AUTHENTICATION**

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

**Dated: May 1, 1998 THE CHASE MANHATTAN BANK,  
as Trustee**

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

Authorized Signatory

This Note is one of a duly authorized issue of debentures, notes, bonds or other evidences of indebtedness of the Company (hereinafter called the "Securities") of the series hereinafter specified, all issued or to be issued under and pursuant to an indenture dated as of June 1, 1995 (herein called the "Indenture"), duly executed and delivered by the Company to The Chase Manhattan Bank, as Trustee (herein called the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Securities. The Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest (if any) at different rates, may be subject to different redemption provisions (if any) may be subject to different sinking, purchase or analogous funds (if any) and may otherwise vary as in the Indenture provided. This Note is one of a series designated as the 7.00% Notes due May 1, 2018 of the Company, limited in aggregate principal amount to \$240,000,000.

Interest will be computed on the basis of a 360-day year of 12 30-day months. The Company shall pay interest on overdue principal and, to the extent lawful, on overdue installments of interest at the rate per annum borne by this Note. If a payment date is not a Business Day as defined in the Indenture at a place of payment, payment may be made at that place on the next succeeding day that is a Business Day, and no interest shall accrue for the intervening period.

In case an Event of Default with respect to the 7.00% Notes due May 1, 2018, as defined in the Indenture, shall have occurred and be continuing, the principal hereof may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions which provide that without prior notice to any Holders, the Company and the Trustee may amend the Indenture and the Securities of any series with the written consent of the Holders of a majority in principal amount of the outstanding Securities of all series affected by such supplemental indenture (all such series voting as one class), and the Holders of a majority in principal amount of the outstanding Securities of all series affected thereby (all such series voting as one class) by written notice to the Trustee may waive future compliance by the Company with any provision of the Indenture or the Securities of such series; provided that without the consent of each Holder of the Securities of each series affected thereby, an amendment or waiver, including a waiver of past defaults, may not: (i) extend the stated maturity of the principal of, or any sinking fund obligation or any installment of interest on, such Holder's Security, or reduce the principal amount thereof or the rate of interest thereon (including any amount in respect of original issue discount), or any premium payable with respect thereto, or adversely affect the rights of such Holder under any mandatory repurchase provision or any right of repurchase at the option of such Holder, or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon an acceleration of the maturity or the amount thereof provable in bankruptcy, or change any place of payment where, or the currency in which, any Security of such series or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date or, in the case of mandatory repurchase, the date

therefor); (ii) reduce the percentage in principal amount of outstanding Securities of such series the consent of whose Holders is required for any such supplemental indenture, for any waiver of compliance with certain provisions of the Indenture or certain Defaults and their consequences provided for in the Indenture; (iii) waive a Default in the payment of principal of or interest on any Security of such series; (iv) cause any Security of such series to be subordinated in right of payment to any obligation of the Company; or (v) modify any of the provisions of the Indenture governing supplemental indentures with the consent of Securityholders except to increase any such percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each outstanding Security of any series affected thereby.

It is also provided in the Indenture that, subject to certain conditions, the Holders of at least a majority in principal amount of the outstanding Securities of the series affected (all such series voting as a single class), by notice to the Trustee, may waive an existing Default or Event of Default with respect to the Securities of such series and its consequences, except a Default in the payment of principal of or interest on any Security or in respect of a covenant or provision of the Indenture which cannot be modified or amended without the consent of the Holder of each outstanding Security affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default with respect to the Securities of such series arising therefrom shall be deemed to have been cured, for every purpose of the Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

The Indenture provides that a series of Securities may include one or more tranches (each a "tranche") of Securities, including Securities issued in a periodic offering. The Securities of different tranches may have one or more different terms, including authentication dates and public offering prices, but all the Securities within each such tranche shall have identical terms, including authentication date and public offering price. Notwithstanding any other provision of the Indenture, subject to certain exceptions, with respect to sections of the Indenture concerning the execution, authentication and terms of the Securities, redemption of the Securities, Events of Default of the Securities, defeasance of the Securities and amendment of the Indenture, if any series of Securities includes more than one tranche, all provisions of such sections applicable to any series of Securities shall be deemed equally applicable to each tranche of any series of Securities in the same manner as though originally designated a series unless otherwise provided with respect to such series or tranche pursuant to a board resolution or a supplemental indenture establishing such series or tranche.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Note in the manner, at the place, at the respective times, at the rate and in the coin or currency herein prescribed.

The Notes are issuable initially only in registered form without coupons in denominations of \$1,000 and any multiple of \$1,000 at the office or agency of the Company in The City of New York, and in the manner and subject to the limitations provided in the Indenture, but without the payment of any service charge, Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations.

This Note will not be redeemable prior to maturity.

Upon due presentment for registration of transfer of this Note at the office or agency of the Company in The City of New York, a new Note or Notes of authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange therefor, subject to the limitations provided in the Indenture, without charge except for any tax or other governmental charge imposed in connection therewith.

The Company, the Trustee and any authorized agent of the Company or the Trustee may deem and treat the registered Holder hereof as the absolute owner of this Note (whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing hereon made by anyone other than the Company or the Trustee or any authorized agent of the Company or the Trustee), for the purpose of receiving payment of, or on account of, the principal hereof and premium, if any, and, subject to the provisions on the face hereof, interest hereon, and for all other purposes, and neither the Company nor the Trustee nor any authorized agent of the Company or the Trustee shall be affected by any notice to the contrary.

No recourse under or upon any obligation, covenant or agreement of the Company in the Indenture or any indenture supplemental thereto or in any Note, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present, or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance hereof and as part of the consideration for the issue hereof.

Terms used herein which are defined in the Indenture shall have the respective meanings assigned thereto in the Indenture.

**Exhibit 12**

Tyson Foods, Inc.  
Ratio of Earnings to Fixed Charges  
March 28, 1998  
(Dollars in millions)

	1998	1997
Fixed Charges:		
Interest Expense	65.2	55.1
Interest Income	5.8	3.7
Interest Capitalized	1.0	1.8
Interest Allocated to Beef and Pork	0.0	0.9
Amortization of Debt Discount	0.5	2.2
Interest Portion of Rental Expense (33%)	5.1	5.7
	-----	-----
Total Fixed Charges (A)	77.6	69.4
Earnings:		
Net Income(Loss)	68.2	92.8
Provision for Income Taxes	40.0	89.3
Fixed Charges	77.6	69.4
Less Capitalized Interest	(1.0)	(1.8)
	-----	-----
Earnings and Fixed Charges (B)	184.9	249.7
Ratio of Earnings to Fixed Charges (B/A)	2.38	3.60

For purposes of computing the above ratios of earnings to fixed charges, "earnings" consist of income from continuing operations before income taxes and fixed charges (excluding capitalized interest). "Fixed charges" consist of (i) interest on indebtedness, whether expensed or capitalized, but excluding interest to fifty-percent owned subsidiaries (ii) the Company's proportionate share of interest of fifty-percent owned subsidiaries, (iii) that portion of rental expense the Company believes to be representative of interest (one-third of rental expense) and (iv) amortization of debt discount and expense.

**ARTICLE 5**

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 28, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

CIK: 0000100493

NAME: TYSON FOODS, INC.

MULTIPLIER: 1,000,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	OCT 3 1998
PERIOD END	MAR 28 1998
CASH	34
SECURITIES	0
RECEIVABLES	770
ALLOWANCES	0
INVENTORY	1,152
CURRENT ASSETS	2,135
PP&E	3,728
DEPRECIATION	1,339
TOTAL ASSETS	5,795
CURRENT LIABILITIES	924
BONDS	2,250
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	24
OTHER SE	2,010
TOTAL LIABILITY AND EQUITY	5,795
SALES	3,392
TOTAL REVENUES	3,392
CGS	2,862
TOTAL COSTS	2,862
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	65
INCOME PRETAX	108
INCOME TAX	40
INCOME CONTINUING	68
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	68
EPS PRIMARY	.31
EPS DILUTED	.31

**ARTICLE 5**

THIS SCHEDULE CONTAINS RESTATED SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 28, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

RESTATED:

CIK: 0000100493

NAME: TYSON FOODS, INC.

MULTIPLIER: 1,000,000

PERIOD TYPE	3 MOS
FISCAL YEAR END	SEP 27 1997
PERIOD END	DEC 28 1996
CASH	116
SECURITIES	0
RECEIVABLES	495
ALLOWANCES	0
INVENTORY	989
CURRENT ASSETS	1,644
PP&E	3,001
DEPRECIATION	1,144
TOTAL ASSETS	4,364
CURRENT LIABILITIES	571
BONDS	1,699
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	15
OTHER SE	1,568
TOTAL LIABILITY AND EQUITY	4,364
SALES	1,528
TOTAL REVENUES	1,528
CGS	1,279
TOTAL COSTS	1,279
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	29
INCOME PRETAX	106
INCOME TAX	61
INCOME CONTINUING	45
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	45
EPS PRIMARY	0.21
EPS DILUTED	0.20

**ARTICLE 5**

THIS SCHEDULE CONTAINS RESTATED SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 29, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

RESTATED:

CIK: 0000100493

NAME: TYSON FOODS, INC.

MULTIPLIER: 1,000,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	SEP 27 1997
PERIOD END	MAR 29 1997
CASH	100
SECURITIES	0
RECEIVABLES	508
ALLOWANCES	0
INVENTORY	1,035
CURRENT ASSETS	1,695
PP&E	3,064
DEPRECIATION	1,186
TOTAL ASSETS	4,461
CURRENT LIABILITIES	604
BONDS	1,751
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	22
OTHER SE	1,681
TOTAL LIABILITY AND EQUITY	4,461
SALES	3,102
TOTAL REVENUES	3,102
CGS	2,592
TOTAL COSTS	2,592
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	55
INCOME PRETAX	182
INCOME TAX	89
INCOME CONTINUING	93
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	93
EPS PRIMARY	.43
EPS DILUTED	.42

**ARTICLE 5**

THIS SCHEDULE CONTAINS RESTATED SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 28, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

RESTATED:

CIK: 0000100493

NAME: TYSON FOODS, INC.

MULTIPLIER: 1,000,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	SEP 27 1997
PERIOD END	JUN 28 1997
CASH	38
SECURITIES	0
RECEIVABLES	539
ALLOWANCES	0
INVENTORY	1,000
CURRENT ASSETS	1,619
PP&E	3,134
DEPRECIATION	1,223
TOTAL ASSETS	4,420
CURRENT LIABILITIES	706
BONDS	1,589
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	22
OTHER SE	1,603
TOTAL LIABILITY AND EQUITY	4,420
SALES	4,693
TOTAL REVENUES	4,693
CGS	3,915
TOTAL COSTS	3,915
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	83
INCOME PRETAX	254
INCOME TAX	116
INCOME CONTINUING	138
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	138
EPS PRIMARY	0.64
EPS DILUTED	0.63

**ARTICLE 5**

THIS SCHEDULE CONTAINS RESTATED SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FISCAL 1997 ANNUAL REPORT TO SHAREHOLDERS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

RESTATED:

CIK: 0000100493

NAME: TYSON FOODS, INC.

MULTIPLIER: 1,000,000

PERIOD TYPE	12 MOS
FISCAL YEAR END	SEP 27 1997
PERIOD END	SEP 27 1997
CASH	24
SECURITIES	0
RECEIVABLES	618
ALLOWANCES	0
INVENTORY	886
CURRENT ASSETS	1,573
PP&E	3,163
DEPRECIATION	1,238
TOTAL ASSETS	4,411
CURRENT LIABILITIES	721
BONDS	1,558
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	22
OTHER SE	1,600
TOTAL LIABILITY AND EQUITY	4,411
SALES	6,356
TOTAL REVENUES	6,356
CGS	5,318
TOTAL COSTS	5,318
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	110
INCOME PRETAX	330
INCOME TAX	144
INCOME CONTINUING	186
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	186
EPS PRIMARY	0.86
EPS DILUTED	0.85

## ARTICLE 5

THIS SCHEDULE CONTAINS RESTATED SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FISCAL 1996 ANNUAL REPORT TO SHAREHOLDERS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

RESTATED:

CIK: 0000100493

NAME: TYSON FOODS, INC.

MULTIPLIER: 1,000,000

PERIOD TYPE	12 MOS
FISCAL YEAR END	SEP 28 1996
PERIOD END	SEP 28 1996
CASH	37
SECURITIES	0
RECEIVABLES	547
ALLOWANCES	0
INVENTORY	1,027
CURRENT ASSETS	1,810
PP&E	2,978
DEPRECIATION	1,109
TOTAL ASSETS	4,544
CURRENT LIABILITIES	686
BONDS	1,806
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	15
OTHER SE	1,527
TOTAL LIABILITY AND EQUITY	4,544
SALES	6,454
TOTAL REVENUES	6,454
CGS	5,506
TOTAL COSTS	5,506
OTHER EXPENSES	4
LOSS PROVISION	0
INTEREST EXPENSE	133
INCOME PRETAX	133
INCOME TAX	49
INCOME CONTINUING	87
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	87
EPS PRIMARY	0.40
EPS DILUTED	0.40

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**End of Filing**

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