

TYSON FOODS INC

FORM 8-K/A (Amended Current report filing)

Filed 08/31/01 for the Period Ending 08/04/01

Address	2200 DON TYSON PARKWAY SPRINGDALE, AR 72762-6999
Telephone	479-290-4000
CIK	0000100493
Symbol	TSN
SIC Code	2015 - Poultry Slaughtering and Processing
Industry	Food Processing
Sector	Consumer/Non-Cyclical
Fiscal Year	09/30

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K/A

(Amendment No. 1)

**CURRENT REPORT
PURSUANT TO SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported) August 4, 2001

Tyson Foods, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware ----- (State or Other Juris- diction of Incorporation)	0-3400 ----- (Commission File Number)	71-0225165 ----- (IRS Employer diction of Identification No.)
2210 West Oaklawn Drive, Springdale, Arkansas ----- (Address of Principal Executive Offices)		72762-6999 ----- (Zip Code)

Registrant's telephone number, including area code (501) 290-4000

N/A

(Former Name or Former Address, if Changed Since Last Report)

Item 2. Acquisition or Disposition of Assets.

On August 16, 2001, Tyson Foods, Inc. (the "Company") filed a Current Report on Form 8-K announcing the acquisition of IBP, inc. ("IBP") through the merger of IBP into Lasso Acquisition Corporation, wholly-subsiary of the Company ("Lasso"), with Lasso surviving as a wholly-owned subsidiary corporation of the Company. This amendment to the Company's Current Report on Form 8-K is being filed to include the Financial Statements and Pro Forma Financial Information required by Item 7 of Form 8-K.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(a) Financial Statements of Business Acquired:

See Exhibits 99.1 and 99.2 of this Current Report.

(b) Pro Forma Financial Information:

See Exhibit 99.3 of this Current Report.

(c) Exhibits:

Exhibit	Description
2.1	Agreement and Plan of Merger among IBP, Tyson and Purchaser dated as of January 1, 2001 (incorporated by reference to Exhibit (d)(4) to Amendment No. 9 to the Schedule TO filed on January 5, 2001).
2.2	Stipulation and Order dated June 27, 2001, IBP, inc. v. Tyson Foods, Inc., C.A. No. 18373, Court of Chancery of the State of Delaware (incorporated by reference to the Schedule TO filed on July 3, 2001).
10.1	Credit Agreement among Tyson, The Chase Manhattan Bank ("Chase"), J.P. Morgan Securities Inc. ("JPMorgan"), Merrill Lynch Capital Corporation, SunTrust Bank and SunTrust Capital Markets, Inc. with respect to a senior unsecured bridge credit facility in an aggregate principal amount of \$2.5 billion dated August 3, 2001 (incorporated by reference to Exhibit (b)(3) to Amendment No. 6 to the Schedule TO filed on August 6, 2001).
10.2	Receivables Bridge Credit Agreement among Tyson, Chase and JPMorgan with respect to a senior unsecured receivables bridge credit facility in an aggregate principal amount of \$350 million dated August 3, 2001 (incorporated by reference to Exhibit (b)(4) to Amendment No. 6 to the Schedule TO filed on August 6, 2001).
23.1	Consent of PricewaterhouseCoopers LLP, independent auditors for IBP, inc.
99.1	Audited financial statements for IBP, inc. for the periods specified in Rule 3-105(b) of Regulation S-X, and accountants' report provided pursuant to Rule 2-02 of Regulation S-X.
99.2	Unaudited interim financial statements for the periods specified in Rule 3-105(b) of Regulation S-X.
99.3	Pro forma financial information for the combined Tyson Foods, Inc. and IBP, inc. prepared pursuant to Article 11 of Regulation S-X.

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 hereunto duly authorized.

TYSON FOODS, INC.

Date: August 31, 2001

By: /s/ R. Read Hudson

*-----
Name: R. Read Hudson*

Title: Secretary

EXHIBIT INDEX

The following exhibits are filed herewith.

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EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-4 (No. 333-67352) of Tyson Foods, Inc. of our report dated March 19, 2001, except as to Note U, for which the date is March 29, 2001, relating to the financial statements of IBP, inc., which appears in the Current Report on Form 8-K/A dated August 4, 2001.

Omaha, NE
August 31, 2001

EXHIBIT 99.1

IBP, inc. and SUBSIDIARIES

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IBP, Inc. and Subsidiaries:

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of IBP, inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, changes in stockholders' equity and comprehensive income, and of cash flows present fairly, in all material respects, the financial position of IBP, inc. and its subsidiaries at December 30, 2000 and December 25, 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 30, 2000, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and the financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits. The consolidated financial statements give retroactive effect to the merger of Corporate Brand Foods America, Inc. ("CBFA") on February 7, 2000 in a transaction accounted for as a pooling of interests, as described in Note L to the consolidated financial statements. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As indicated in Note R, the Company has restated its 1999 and 1998 financial statements with respect to certain matters involving its subsidiary, DFG, to apply variable plan accounting to certain stock options and to provide expanded segment disclosures.

As discussed in Note S to the consolidated financial statements, the Company changed its method of revenue recognition in fiscal 2000.

PricewaterhouseCoopers LLP
Omaha, Nebraska
March 19, 2001, except as to
Note U, for which the date
is March 29, 2001

REPORT ON FINANCIAL STATEMENT INTEGRITY BY MANAGEMENT

To our Stockholders:

IBP's consolidated financial statements have been prepared by management and we are responsible for their integrity and objectivity. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. We believe these statements present fairly the company's financial position and results of operations.

Our independent auditors, PricewaterhouseCoopers LLP, have audited these consolidated financial statements. Their audit was conducted using auditing standards generally accepted in the United States, which included consideration of our internal controls in order to form an independent opinion on the financial statements. We have made available to PricewaterhouseCoopers LLP, all the company's financial records, as well as the minutes of all meetings of stockholders, directors and committees of directors.

IBP relies on a system of internal accounting controls to provide assurance that assets are safeguarded and transactions are properly authorized and recorded. We continually monitor these controls, modifying and improving them as business operations change. IBP maintains a strong internal auditing department that independently reviews and evaluates these controls as well.

The Audit Committee of the Board of Directors provides oversight to ensure the integrity and objectivity of the company's financial reporting process and the independence of our internal and external auditors. Both internal audit and PricewaterhouseCoopers LLP, have complete access to the Board's Audit Committee with or without the presence of management personnel.

Our management team is responsible for proactively fostering a strong climate of ethical conduct so that the company's affairs are carried out according to the highest standards of personal and corporate behavior. This responsibility is specifically demonstrated in IBP's conflict of interest policy which requires annual written acknowledgment by each and every officer and those management personnel so designated.

We are pleased to present this annual report and the accompanying consolidated financial statements for your review and consideration.

Most sincerely,

/s/ Robert L. Peterson

Robert L. Peterson
Chairman and Chief Executive Officer
IBP, inc.

/s/ Larry Shipley

Larry Shipley
Chief Financial Officer
IBP, inc.

IBP, inc. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	December 30, 2000 -----	Restated December 25, 1999 -----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 29,970	\$ 32,865
Accounts receivable, less allowance for doubtful accounts of \$19,898 and \$21,352	673,485	849,679
Inventories (Note B)	873,544	615,192
Deferred income tax benefits (Note E)	67,343	63,426
Prepaid expenses	21,252	19,566
	-----	-----
TOTAL CURRENT ASSETS	1,665,594	1,580,728
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land and land improvements	127,884	124,053
Buildings and stockyards	760,211	694,212
Equipment	1,538,120	1,373,054
	-----	-----
	2,426,215	2,191,319
Accumulated depreciation and amortization	(1,089,775)	(960,391)
	-----	-----
	1,336,440	1,230,928
Construction in progress	294,334	131,837
	-----	-----
	1,630,774	1,362,765
	-----	-----
OTHER ASSETS:		
Goodwill, net of accumulated amortization of \$221,160 and \$189,395 (Note T)	961,340	1,054,839
Other	168,548	145,225
	-----	-----
	1,129,888	1,200,064
	-----	-----
	\$ 4,426,256	\$ 4,143,557
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses (Note D)	\$ 807,177	\$ 736,242
Notes payable to banks (Note C)	775,000	542,060
Federal and state income taxes	78,016	135,620
Deferred income taxes (Note E)	1,216	3,361
Other	57,991	15,434
	-----	-----
TOTAL CURRENT LIABILITIES	1,719,400	1,432,717
LONG-TERM OBLIGATIONS (Notes C and F)	658,719	789,861
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes (Note E)	7,491	8,366
Other	191,135	167,566
	-----	-----
	198,626	175,932
	-----	-----
REDEEMABLE STOCK (Note Q):	--	44,564
	-----	-----
STOCKHOLDERS' EQUITY (Note Q):		
Common stock	5,450	4,964
Additional paid-in capital	443,388	404,463
Retained earnings	1,481,004	1,358,971
Accumulated other comprehensive income	(11,261)	(8,600)
Treasury stock, at cost	(69,070)	(59,315)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	1,849,511	1,700,483
	-----	-----
	\$ 4,426,256	\$ 4,143,557
	=====	=====

See notes to consolidated financial statements.

IBP, inc. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share data)

	52 Weeks Ended		
	53 Weeks Ended December 30, 2000	Restated December 25, 1999	Restated December 26, 1998
Net sales (Notes A and S)	\$16,949,608	\$15,121,689	\$13,734,773
Cost of products sold	15,913,264	14,126,619	12,997,239
Gross profit	1,036,344	995,070	737,534
Selling, general and administrative expenses	658,163	440,474	355,564
Non-recurring merger-related expense	31,299	-	-
Earnings from operations	346,882	554,596	381,970
Interest:			
Incurred	(104,204)	(81,989)	(70,011)
Capitalized	9,851	8,589	7,976
Income	6,095	5,584	4,464
	(88,258)	(67,816)	(57,571)
Earnings before income taxes, accounting change and extraordinary item	258,624	486,780	324,399
Income taxes (Note E)	105,971	168,913	126,432
Earnings before accounting change and extraordinary item	152,653	317,867	197,967
Cumulative effect of change in accounting principle (Note R)	(2,429)	-	-
Extraordinary loss on early extinguishment of debt, less applicable taxes (Note F)	(15,037)	-	(14,815)
Net earnings	\$ 135,187	\$ 317,867	\$ 183,152
Earnings per share (Note K):			
Earnings before accounting change and extraordinary item	\$ 1.41	\$ 3.26	\$ 2.02
Cumulative effect of change in accounting principle	(.02)	-	-
Extraordinary item	(.14)	-	(.15)
Net earnings	\$ 1.25	\$ 3.26	\$ 1.87
Earnings per share - assuming dilution:			
Earnings before accounting change and extraordinary item	\$ 1.40	\$ 2.96	\$ 1.86
Cumulative effect of change in accounting principle	(.02)	-	-
Extraordinary item	(.14)	-	(.14)
Net earnings	\$ 1.24	\$ 2.96	\$ 1.72

See notes to consolidated financial statements.

IBP, inc. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share data)

	53 Weeks Ended	52 Weeks Ended	
	December 30, 2000	Restated December 25, 1999	Restated December 26, 1998
Pro forma amounts assuming the accounting change is applied retroactively:			
Earnings before extraordinary item	\$ 152,653	\$ 317,122	\$ 199,432
Net earnings	137,616	317,122	184,617
Earnings per common share:			
Earnings before extraordinary item	\$ 1.41	\$ 3.25	\$ 2.04
Net earnings	1.27	3.25	1.89
Earnings per common share- assuming dilution:			
Earnings before extraordinary item	\$ 1.40	\$ 2.95	\$ 1.87
Net earnings	1.26	2.95	1.73

See notes to consolidated financial statements.

IBP, inc. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN
STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(in thousands, except per share data)

	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders' Equity
Restated balances, December 27, 1997	96,866	\$ 4,964	\$ 411,238	\$ 881,243	\$ (6,114)	\$ (55,483)	\$ 1,235,848
Comprehensive income:							
Net earnings - restated				183,152			183,152
Other comprehensive income:							
Foreign currency translation adjustments					(10,342)		(10,342)
Comprehensive income - restated							172,810
Dividends declared on common stock, \$.10 per share				(9,246)			(9,246)
Dividends on preferred stock				(1,719)			(1,719)
Accretion of redeemable stock				(322)			(322)
Treasury shares purchased	(592)					(12,370)	(12,370)
Treasury shares delivered under employee stock plans	320		(1,674)			7,470	5,796
Restated balances, December 26, 1998	96,594	\$ 4,964	\$ 409,564	\$ 1,053,108	\$ (16,456)	\$ (60,383)	\$ 1,390,797
Comprehensive income:							
Net earnings - restated				317,867			317,867
Other comprehensive income:							
Foreign currency translation adjustments					7,856		7,856
Comprehensive income - restated							325,723
Dividends declared on common stock, \$.10 per share				(9,230)			(9,230)
Accretion of redeemable stock				(356)			(356)
Dividends on preferred stock				(2,418)			(2,418)
Treasury shares purchased	(326)					(6,170)	(6,170)
Treasury shares delivered under employee stock plans	378		(5,101)			7,238	2,137
Restated balances, December 25, 1999	96,646	\$ 4,964	\$ 404,463	\$ 1,358,971	\$ (8,600)	\$ (59,315)	\$ 1,700,483

See notes to consolidated financial statements.

IBP, inc. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN
STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(in thousands, except per share data)

(in thousands, except per share data)

	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders' Equity
Restated balances, December 25, 1999	96,646	\$ 4,964	\$ 404,463	\$ 1,358,971	\$ (8,600)	\$ (59,315)	\$ 1,700,483
Comprehensive income:							
Net earnings				135,187			135,187
Other comprehensive income:							
Foreign currency translation adjustments					(2,661)		(2,661)
Comprehensive income							132,526
Dividends declared on common stock, \$.10 per share				(10,588)			(10,588)
Accretion of redeemable stock				(2,214)			(2,214)
Dividends on preferred stock				(352)			(352)
Transfer of redeemable stock to additional paid in capital			25,822				25,822
Common shares issued in exchange for redeemable stock	9,729	486	14,391				14,877
Treasury shares purchased	(957)					(15,300)	(15,300)
Treasury shares delivered under employee stock plans	250		(1,288)			5,545	4,257
Balances, December 30, 2000	105,668	\$ 5,450	\$ 443,388	\$ 1,481,004	\$ (11,261)	\$ (69,070)	\$ 1,849,511

See notes to consolidated financial statements.

IBP, inc. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	53 Weeks Ended December 30, 2000	52 Weeks Ended	
		Restated December 25, 1999	Restated December 26, 1998
		Inflows (outflows)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	\$ 135,187	\$ 317,867	\$ 183,152
Adjustments to reconcile net earnings to cash flows from operations:			
Depreciation and amortization	146,716	125,515	110,249
Amortization of intangible assets	35,444	31,163	28,924
Non-cash restricted and variable stock compensation	38,038	(9,675)	11,668
Long-lived asset impairment write-downs	66,115	29,351	-
Deferred income tax (benefit) provision	7,199	(3,936)	(6,314)
Change in customer advances	-	12,000	(14,100)
Extraordinary loss on extinguishment of debt	15,037	-	14,815
Provision for bad debts	10,455	15,907	2,161
Net loss on disposal of fixed assets	1,112	1,710	16,996
Other operating cash inflows	14,332	15,072	15,609
Other operating cash outflows	(18,739)	(6,359)	(8,299)
Working capital changes, net of effects of acquisitions:			
Accounts receivable	164,834	(177,301)	(30,560)
Inventories	(260,294)	(107,050)	(22,967)
Accounts payable and accrued liabilities	(8,825)	53,099	70,099
Change in checks in process of clearance	31,604	20,576	(29,464)
	243,028	72	158,817
Net cash flows provided by operating activities	378,215	317,939	341,969
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions, net of cash acquired	(11,790)	(504,420)	(186,639)
Capital expenditures	(428,217)	(208,781)	(183,040)
Proceeds from disposals of marketable securities	25,000	20,800	257,721
Purchases of marketable securities	(25,000)	(19,400)	(250,954)
Investment in life insurance contracts	(8,287)	(7,759)	(38,000)
Proceeds from sale of fixed assets	4,082	4,523	3,687
Investments in equity ventures	(12,650)	-	-
Insurance proceeds	-	3,010	190
Investments in notes receivable	-	(8,000)	-
Other investing cash inflows	981	319	-
Net cash flows used in investing activities	(455,881)	(719,708)	(397,035)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in short-term debt	232,940	317,964	121,210
Purchase of treasury stock	(15,300)	(6,170)	(12,370)
Dividends paid on common stock	(10,256)	(9,229)	(9,252)
Exercise of stock options	4,108	2,137	3,238
Principal payments on long-term obligations	(391,632)	(10,977)	(118,360)
Proceeds from issuance of long-term debt	297,664	100,800	49,773
Redemption of preferred stock	(28,512)	-	-
Proceeds from sale of stock and warrants	-	9,582	7,944
Premiums paid on early retirement of debt	(7,629)	-	(20,636)
Payment of loan acquisition costs	(6,866)	-	(6,824)
Other financing cash outflows	-	-	(156)
Net cash flows provided by financing activities	74,517	404,107	14,567
Effect of exchange rate on cash and cash equivalents	254	1,698	(1,548)
Net change in cash and cash equivalents	(2,895)	4,036	(42,047)
Cash and cash equivalents at beginning of year	32,865	28,829	70,876
Cash and cash equivalents at end of year	\$ 29,970	\$ 32,865	\$ 28,829

See notes to consolidated financial statements.

IBP, inc. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FISCAL YEARS ENDED DECEMBER 30, 2000, DECEMBER 25, 1999
AND DECEMBER 26, 1998

Columnar amounts in thousands, except share and per share amounts

A. GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

RESTATEMENTS - The accompanying financial statements for 1999 and 1998 have been restated to reflect adjustments for irregularities and misstatements at one of the company's subsidiaries, the application of variable plan accounting for certain stock options, and expanded disclosures related to segment information, acquisitions, long-term debt and capital lease obligations, contingencies, redeemable stock and capital stock. See Notes M, P and R for more detail relating to the effects of these restatements.

The statements of cash flows have also been restated to provide more detail of certain cash transactions that were previously reported on a combined basis and to reclassify the change in the company's checks in process of clearing to cash flows from operations as a change in accounts payable, consistent with the balance sheet classification. The change in this balance previously was included in financing activities.

On February 7, 2000, the company acquired Corporate Brand Foods America, Inc. ("CBFA") through an exchange of shares. The business combination was accounted for as a pooling of interests. These historical financial statements of the company have been restated to give effect to the above acquisition as though the companies had operated together from the beginning of the earliest period presented.

PRINCIPLES OF CONSOLIDATION - All subsidiaries are wholly owned and are consolidated in the accompanying financial statements. All material intercompany balances, transactions and profits have been eliminated.

MANAGEMENT'S USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

FISCAL YEAR - IBP's fiscal year ends on the last Saturday of the calendar year. Fiscal 2000 was a 53-week year and fiscal years 1999 and 1998 each totaled 52 weeks.

REVENUE RECOGNITION - Revenue from product sales are recognized upon delivery to customers. See Note S for information regarding changes in accounting for revenue recognition in 2000.

FREIGHT EXPENSE - Freight expense associated with products shipped to customers is recognized in cost of products sold. Prior to the fourth quarter 2000, this freight expense had been classified as a reduction of net sales. All prior periods have been reclassified to conform to the current year presentation.

EXPORT SALES - In 2000, 1999 and 1998, net export sales, principally to customers in Asia and also to destinations in the Americas and Europe, totaled \$2.1 billion, \$1.8 billion and \$1.7 billion, respectively.

STATEMENT OF CASH FLOWS - For purposes of the statement of cash flows, management considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. Such investments are carried at cost, which approximates fair value.

DERIVATIVE INSTRUMENTS - To manage interest rate and currency exposures, the company uses interest rate swaps and currency forward contracts. IBP specifically designates interest rate swaps as hedges of debt instruments and recognizes interest differentials as adjustments to interest expense in the period they occur. Gains and losses related to foreign currency hedges of firmly committed transactions are deferred and are recognized in income when the hedged transaction occurs.

To manage its commodity exposures, the company uses commodity futures, options and forward contracts. These instruments are used primarily in forward purchases of livestock and, to a lesser extent, forward sales of products. The company accounts for these instruments as hedges of specific lots of livestock or sales and any gain or loss is not recognized until the hedged transaction occurs.

Livestock hedging gains or losses are included in cost of products sold while forward sales hedging transactions are recorded in net sales. Cash flows related to derivative financial instruments are classified in the statement of cash flows in a manner consistent with those of transactions being hedged.

MARKETABLE SECURITIES - Marketable securities are classified as available for sale, are highly liquid and are purchased and sold on a short-term basis as part of IBP's management of working capital. Such securities consist of auction market preferred stock, which management does not intend to hold more than one year, and tax-exempt securities and commercial paper with maturities of less than one year.

INVENTORIES - Inventories are valued on the basis of the lower of first-in, first-out cost or market.

PROPERTY, PLANT AND EQUIPMENT - Depreciation is provided for property, plant and equipment on the straight-line method over the estimated useful lives of the respective classes of assets as follows:

Land improvements.....	8 to 20 years
Buildings and stockyards.....	10 to 40 years
Equipment.....	3 to 12 years

Leasehold improvements, included in the equipment class, are amortized over the life of the lease or the life of the asset, whichever is shorter.

GOODWILL - Goodwill is amortized on a straight-line basis generally over 40 years.

IMPAIRMENT OF LONG-LIVED ASSETS - The company reviews the carrying value of its long-lived assets (including goodwill) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assessment of any impairment is based on

estimated future undiscounted cash flows attributable to the assets. In the event such cash flows are not expected to be sufficient to recover the carrying value of the assets, the assets are written down to their estimated fair values. See Note T for asset impairments recorded in 2000 and 1999.

FOREIGN CURRENCY TRANSLATION - The translation of foreign currency into U.S. dollars is performed for balance sheet accounts using the current exchange rate in effect at the balance sheet date and for revenue and expense accounts using the average exchange rate during the period. The gains or losses resulting from translation are included in stockholders' equity. Exchange adjustments resulting from foreign currency transactions, which were not material in any of the years presented, are generally recognized in net earnings.

ACCOUNTING CHANGES - Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (FAS 133), is effective the first quarter of 2001, on December 31, 2000. FAS 133 requires that all derivative instruments be recorded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, depending on the type of hedge transaction. For fair-value hedge transactions in which the company is hedging changes in an asset's, liability's, or firm commitment's fair value, changes in the fair value of the derivative instrument will generally be offset in the earnings statement by changes in the hedged item's fair value. For cash-flow hedge transactions in which the company is hedging the variability of cash flows related to a variable-rate asset, liability, or a forecasted transaction, changes in the fair value of the derivative instrument will be reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges will be recognized in current-period earnings.

The company estimated that, on December 31, 2000, it will record a net-of-tax cumulative-effect-type adjustment of \$13,106 gain in earnings to recognize at fair value all derivative instruments that will be designated as fair-value hedging instruments. The company expects to record an offsetting net-of-tax cumulative-effect-type adjustment of \$13,143 loss in earnings to recognize the difference (attributable to the hedged risks) between the carrying values and fair values of related hedged assets, liabilities, and firm commitments. Additionally, the Company expects to record \$78 net-of-tax loss in earnings to reflect the fair value of derivatives that will not qualify as hedges under FAS 133.

COMPREHENSIVE INCOME - Comprehensive income consists of net earnings and foreign currency translation adjustments. Management considers its foreign investments to be permanent in nature and does not provide for taxes on currency translation adjustments arising from converting the investment in a foreign currency to U.S. dollars. There were no reclassification adjustments to be reported in the periods presented.

RECLASSIFICATIONS - Certain reclassifications have been made to prior financial statements to conform to the current year presentation.

B. INVENTORIES:

Inventories are comprised of the following:

	December 30, 2000	Restated December 25, 1999
	-----	-----
Product inventories:		
Raw materials	\$ 78,004	\$ 57,385
Work in process	101,973	84,505
Finished goods	412,211	238,710
	-----	-----
	592,188	380,600
Livestock	185,413	137,300
Supplies	95,943	97,292
	-----	-----
	\$ 873,544	\$ 615,192
	=====	=====

C. CREDIT ARRANGEMENTS:

At December 30, 2000, IBP had in place a \$950 million nine-month revolving credit facility (the "Nine-Month Facility"). From time to time, IBP also used uncommitted lines of credit for some or all of its short-term borrowing needs.

The Nine-Month Facility has a maturity date of September 20, 2001. Facility fees can vary from .150 to .200 of 1% on the total amount of the facility. The company incurred financing fees and costs associated with this credit facility of \$7 million that will be amortized over the nine-month term.

Borrowings outstanding under the revolving facility at December 30, 2000, totaled \$775 million, all of which was classified as current liabilities. The interest rate at December 30, 2000 on this debt was 7.64%.

During fiscal 2000, the maximum amount of borrowings under all of IBP's credit arrangements, including any amounts considered non-current, was \$853 million. Average borrowings under IBP's credit arrangements and the weighted average interest rate during fiscal 2000 were \$732 million and 6.7%. The comparable 1999 figures were average borrowings of \$606 million and an average interest rate of 5.5%.

IBP's Nine-Month Facility agreement contains certain restrictive covenants that, among other things, (1) require the maintenance of a minimum debt service coverage ratio; and (2) provide for a maximum funded debt ratio.

D. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses are comprised of the following:

	December 30, 2000	Restated December 25, 1999
	-----	-----
Accounts payable, principally trade creditors	\$361,839	\$302,101
Checks in process of clearance	154,191	122,754
Accrued expenses:		
Employee compensation	86,340	98,999
Employee benefits	48,297	47,274
Property and other taxes	27,608	25,587
Marketing costs	26,728	25,273
Other	102,174	114,254
	-----	-----
	291,147	311,387
	-----	-----
	\$807,177	\$736,242
	=====	=====

E. INCOME TAXES:

Income tax expense consists of the following:

	2000	Restated 1999	Restated 1998
	-----	-----	-----
Current:			
Federal	\$ 75,852	\$148,955	\$119,831
State	11,772	20,794	13,555
Foreign	11,148	3,100	(640)
	-----	-----	-----
	98,772	172,849	132,746
Deferred:			
Federal	7,881	(6,148)	(6,695)
State	511	(413)	531
Foreign	(1,193)	2,625	(150)
	-----	-----	-----
	7,199	(3,936)	(6,314)
	-----	-----	-----
	\$105,971	\$168,913	\$126,432
	=====	=====	=====

Total income tax expense varies from the amount that would be provided by applying the U.S. federal income tax rate to earnings before income taxes. The major reasons for this difference (expressed as a percentage of pre-tax earnings) are as follows:

	2000	Restated 1999	Restated 1998
Federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	3.2	2.8	3.0
Settlement of federal audit issues	-	(2.8)	-
Foreign tax items	(5.1)	(1.6)	(1.3)
Goodwill impairment and amortization	4.7	1.4	1.9
Variable stock options and restricted stock expense	3.6	(0.6)	0.8
Fair value of asset contributions in excess of tax basis	(1.0)	-	-
Other, net	0.6	0.5	(0.4)
	-----	-----	-----
	41.0%	34.7%	39.0%
	=====	=====	=====

Management reached a settlement in 1999, with the U.S. Internal Revenue Service ("IRS") on audit issues related to fiscal years 1989, 1990 and 1991. As a result of that settlement, the company reduced income taxes payable and income tax expense by \$14 million or \$.15 per diluted share. The IRS is currently examining the years 1992 through 1996. In management's opinion, adequate provisions for income taxes have been made for all years.

Deferred income tax liabilities and assets were comprised of the following:

	December 30, 2000	Restated December 25, 1999
Deferred tax assets:		
Nondeductible accrued liabilities	\$ 112,792	\$ 106,589
State tax credit carryforwards	7,757	9,140
Bad debt and claims reserves	5,321	7,259
Federal and state operating loss carryforwards	42,885	31,969
Other	5,989	4,213
	-----	-----
Gross deferred tax assets	174,744	159,170
Valuation allowance	(7,757)	(9,140)
	-----	-----
Net deferred tax assets	166,987	150,030
	-----	-----
Deferred tax liabilities:		
Fixed assets	(102,719)	(76,280)
Intangible assets	(3,929)	(17,901)
Other	(1,703)	(4,150)
	-----	-----
	(108,351)	(98,331)
	-----	-----
	\$ 58,636	\$ 51,699
	=====	=====

The net \$1.4 million decrease in the valuation allowance for deferred tax assets was the result of net state tax credits utilized. No benefit has been recognized for these state tax credit carryforwards, most of which expire in the years 2004 through 2008.

At December 30, 2000, after considering utilization restrictions, the company's acquired tax loss carryforwards approximated \$102 million. The net operating loss carryforwards, which are subject to utilization limitations due to ownership changes, may be utilized to offset future taxable income as follows: \$57.2 million in 2001, \$11.7 million in 2002 and \$4.6 million each in 2003 through 2009 and the remainder in 2010. Loss carryforwards not utilized in the first year that they are available may be carried over and utilized in subsequent years, subject to their expiration provisions. These carryforwards expire during the years 2004 through 2019.

During the third quarter 2000, the company filed amended tax returns for the years 1992 through 1997, claiming additional deductions plus interest. The IRS has challenged and continues to challenge certain tax credits claimed by the company on tax returns filed for fiscal years 1992 to date, aggregating approximately \$100 million. While the company believes it has a basis for claiming such credits, no benefit has been reflected for financial reporting purposes given the uncertainty of ultimate sustainability. The outcome of this matter remains uncertain.

F. LONG-TERM OBLIGATIONS:

Long-term obligations are summarized as follows:

	December 30, 2000	Restated December 25, 1999
	-----	-----
7.95% Senior Notes due 2010	\$ 300,000	\$ -
Revolving credit facilities	-	218,327
CBFA Term Loans	-	138,125
7.45% Senior Notes due 2007	125,000	125,000
6.125% Senior Notes due 2006	100,000	100,000
7.125% Senior Notes due 2026	100,000	100,000
6.0% Securities due 2001	50,000	50,000
12.5% CBFA Subordinated Notes due 2007	-	33,464
Discount on subordinated notes	-	(2,655)
Present value of capital lease obligations	24,101	26,878
Other	14,969	13,847
	-----	-----
	714,070	802,986
Less amounts due within one year	55,351	13,125
	-----	-----
	\$ 658,719	\$ 789,861
	=====	=====

CBFA had three term loans in original principal amounts of \$65 million ("Term Loan A"), \$70 million ("Term Loan B"), and \$12 million ("Term Loan C"). Term Loans A and B were repayable in graduated quarterly installments through 2004 and 2006, respectively. Term Loan C was due in 2006. The Term Loans were at variable interest rates based upon two options. At year-end 1999, the weighted average interest rate on borrowings under Term Loans A, B and C was 9.6%. These Term Loans were paid off upon IBP's acquisition of CBFA on February 7, 2000, using available IBP debt facilities.

CBFA had senior subordinated promissory notes (the "Subordinated Notes") with a financial institution, which was also a CBFA stockholder. The principal amount of the Subordinated Notes was due

June 30, 2007 and interest accrued at a blended rate of 12.2%. The Subordinated Notes contained detachable warrants to purchase a total of 2.2 million shares of Class B Common Stock. The allocation of fair values of these debt and equity instruments resulted in debt discounts, which were being amortized to interest expense over the term of the Subordinated Notes. These Subordinated Notes were paid off upon IBP's acquisition of CBFA on February 7, 2000, using available IBP debt facilities.

On February 7, 2000, the company completed its merger with CBFA and, at the same time, refinanced all of CBFA's various existing debt obligations, using available IBP credit facilities that were at more favorable terms. Prepayment premiums, accelerated amortization of unamortized deferred financing costs, and transaction expenses totaled \$22 million, before applicable income tax benefit of \$7 million, and was accounted for as an extraordinary loss in the consolidated statement of earnings.

On January 31, 2000, the company issued \$300 million of 7.95% 10-year notes under its \$550 million Debt Securities program originally registered with the Securities and Exchange Commission ("SEC") in 1996. This Debt Securities program was subsequently amended and filed with the SEC on January 27, 2000. The net proceeds, issued at a slight discount to par, were used to repay existing borrowings under revolving credit facilities. Interest is payable semiannually.

During the first quarter 1998, the company completed its purchase of all of the \$112 million outstanding 10.75% Senior Subordinated Notes of its wholly owned subsidiary, Foodbrands America, Inc. ("Foodbrands"). Net prepayment premiums, accelerated amortization of unamortized deferred financing costs, and transaction expenses totaled \$24 million, before applicable income tax benefit of \$9 million, and was accounted for as an extraordinary loss.

The purchase of the Foodbrands obligations by IBP was funded with available credit facilities. The portion of borrowings under IBP's revolving credit facilities considered long-term was \$218 million at December 25, 1999.

Substantially all of the leased assets under capital leases can be purchased by IBP at the end of the respective lease terms. Leased assets at December 30, 2000 were comprised of \$19.4 million in buildings and \$12.1 million in equipment in the consolidated balance sheets, with accumulated amortization of approximately \$12 million. Minimum lease payments under capital lease obligations for each of the five fiscal years subsequent to 2000 are (in millions); \$5.4; \$3.4; \$2.2; \$2.2; and \$2.1. Amounts representing interest in the above payments total \$4.9.

Aggregate maturities of long-term obligations, excluding capital leases, for each of the five fiscal years subsequent to 2000 are (in millions): \$51.0; \$1.2; \$1.2; \$2.7 and \$1.0.

G. STOCK PLANS:

Officer Long-Term Stock Plans:

IBP has officer long-term stock plans which provide for awards to key officers of IBP which, subject to certain restrictions, will vest generally after five years resulting in the delivery of shares of common stock over the one-year period following such vesting. At December 30,

2000, there were approximately 252,500 shares available for future awards under the plans. The company recognized compensation expense for these plans totaling \$2.9 million, \$3.1 million and \$2.3 million, respectively, in 2000, 1999 and 1998.

The status of shares under the officer long-term stock plans is summarized as follows:

	Number of Shares	Weighted Average Price per Share
Balance, December 27, 1997	602.6	\$20.48
Granted	48.8	23.94
Delivered	-	-
Forfeited	(9.3)	21.48
Balance, December 26, 1998	642.1	20.54
Granted	61.7	22.49
Delivered	(86.9)	15.12
Forfeited	(6.9)	25.38
Balance, December 25, 1999	610.0	21.84
Granted	342.1	17.03
Delivered	(192.6)	21.70
Forfeited	(12.0)	25.48
Balance, December 30, 2000	747.5	\$19.89

Stock Option Plans:

IBP has stock option plans under which incentive and non qualified stock options may be granted to key employees and directors of IBP and its subsidiaries. As of December 30, 2000, the plans provided for the delivery of up to 6.9 million shares of common stock upon exercise of options granted at no less than the market value of the shares on the effective date of grant. An additional 0.4 million options granted in 1998 were non-qualified ("non-qualifying options") based upon differences in market price on the effective date and issuance date. The expense recorded for the non-qualifying options was less than \$1 million in each of the years 2000, 1999 and 1998.

The company's stock option plan grants officers additional bonus options if the original options are exercised. The original officer options are generally issued at market price at the date of the grant, vest over a five-year period and have a ten-year term. The bonus options are issued at market price at the date the bonus options are granted and are exercisable after two years, provided the shares acquired with the original options are still owned by the officer. As a result of the bonus options feature, variable plan accounting is appropriate for the options granted under these provisions. Compensation expense for the original options is recorded over the vesting period based on the difference between the market value and the exercise price at the end of each period. Compensation expense related to the bonus options is recorded based on the market value and the exercise prices over the vesting period from the date vesting becomes probable, to the date the bonus options are vested and exercisable. Compensation charges (credits) related to these options under variable plan accounting were \$11,336, \$(11,991) and \$10,968 in 2000, 1999, and 1998 respectively.

All options may be granted for terms up to but not exceeding ten years and are generally fully vested after five years from the date

granted. At December 30, 2000 and December 25, 1999, there were 2.0 million and 2.7 million options, respectively, reserved for future grants.

The company follows the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). Accordingly, no compensation cost has been recognized for the stock option plans under that standard. Had compensation cost for IBP's stock option plans been determined based on the fair value at the grant date for awards in 2000, 1999 and 1998 consistent with the provisions of SFAS No. 123, IBP's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below:

	2000	Restated 1999	Restated 1998
Net earnings - as reported	\$135,187	\$317,867	\$183,152
Net earnings - pro forma	142,582	303,725	190,056
Earnings per share - as reported	1.25	3.26	1.87
Earnings per share - pro forma	1.32	3.12	1.94
Earnings per diluted share - as reported	1.24	2.96	1.72
Earnings per diluted share - pro forma	1.31	2.82	1.78

The weighted average fair values at date of grant for options granted at market value during 2000, 1999 and 1998 were \$5.19, \$7.53 and \$7.29 per option respectively. The weighted-average fair value for the non-qualifying options granted in 1998 was \$13.15 per option. The fair value of each option was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for options granted in 2000, 1999 and 1998:

	2000	1999	1998
Expected option life	6 years	6 years	6 years
Expected annual volatility	28%	26%	26%
Risk-free interest rate	5.9%	5.8%	4.7%
Dividend yield	0.4%	0.4%	0.4%

The status of stock options under the plans is summarized as follows:

	Number of Shares	Weighted Average Price Per Share	Options Exercisable
Balance at December 27, 1997	4,125.2	\$17.85	1,846.3
Granted at market value	208.7	21.37	
Granted at a price below market value	434.2	16.56	
Exercised	(320.1)	11.44	
Canceled	(199.4)	21.64	

	Number of Shares	Weighted Average Price Per Share	Options Exercisable
Balance at December 26, 1998	4,248.6	\$18.20	2,230.9
Granted	651.0	20.63	
Exercised	(290.9)	10.64	
Canceled	(179.0)	21.65	
Balance at December 25, 1999	4,429.7	\$18.92	2,543.7
Granted	1,028.9	13.96	
Exercised	(199.0)	11.42	
Canceled	(368.0)	19.83	
Balance at December 30, 2000	4,891.6	\$18.13	2,687.2

The following table summarizes information about stock options outstanding at December 30, 2000:

Range of Exercisable Prices	Number Outstanding At 12/30/2000	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$ 6.75 to 15.99	1,649.2	5.9 years	\$12.23
16.00 to 25.99	3,154.4	6.3 years	20.94
26.00 to 33.00	88.0	6.2 years	28.07
\$ 6.75 to 33.00	4,891.6	6.3 years	\$18.13

Range of Exercisable Prices	Number Exercisable At 12/30/2000	Weighted Average Exercise Price
\$ 6.75 to 15.99	808.1	\$11.07
16.00 to 25.99	1,819.4	21.68
26.00 to 33.00	59.7	28.16
\$ 6.75 to 33.00	2,687.2	\$18.64

Shares of common stock to be delivered for approximately 0.4 million options under the stock option plans must come from previously issued shares. All other shares of stock to be delivered pursuant to the stock option plans and the officer long-term stock plans may alternatively come from previously authorized but unissued common stock.

The company, by virtue of its acquisition of CBFA, has a restricted stock plan. During the third quarter 2000, the participants of this plan voluntarily relinquished their rights to put the stock back to the company. Prior to the relinquishments, the plan was accounted for as a "variable plan" in accordance with APB Opinion #25 and classified as redeemable stock in the accompanying consolidated balance sheet. Following the relinquishments, the plan became a "fixed plan" and the redeemable stock was reclassified to equity and deferred compensation liability in the accompanying balance sheet. The company recorded compensation expense of \$26.7 million, \$2.3 million and \$0.7 million related to these grants in fiscal 2000, 1999 and 1998, respectively. Approximately 1.2 million shares were granted in 1997 and 0.8 million shares were granted in fiscal 1999. Approximately 1.6 million shares outstanding under the restricted stock plan were vested during 2000 and delivered. At December 30, 2000, there were approximately 0.4 million shares unvested under the restricted stock plan. The remaining 0.4 million unvested shares will vest no later than 8 years following the

grant date, based on a combination of performance-based and time-based criteria.

H. SUPPLEMENTAL CASH FLOW INFORMATION:

Supplemental information on cash payments is presented as follows:

	2000	1999	1998
Interest, net of amounts capitalized	\$ 82,566	\$ 65,137	\$ 62,598
Income taxes	154,194	197,235	76,364

I. FINANCIAL INSTRUMENTS:

The company monitors the risk of default by its financial instrument counterparties, all of which are major financial institutions, and does not anticipate nonperformance.

Interest and Currency Rate Derivatives:

The company's policy is to manage interest cost using a mix of fixed and variable rate debt. To manage this mix in a cost-effective manner, the company may enter into interest rate swaps in which the company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These interest rate swaps effectively convert a portion of the company's fixed-rate debt to variable-rate debt, or vice versa.

The notional amounts of these swap agreements were \$350 million at year-end 2000 and \$50 million at year-end 1999. The notional amounts of these and other derivative instruments do not represent assets or liabilities of the company but, rather, are the basis for the settlements under the contract terms. The swaps were completely liquidated in early January 2001 for cash proceeds of \$31 million. Under FAS 133, the offsetting adjustment previously recorded to the hedged debt will be amortized as a credit to interest expense over the debt lives through 2010.

The company's Canadian subsidiary enters into currency futures contracts to hedge its exposures on receivables, live cattle and purchase commitments in foreign currencies. At December 30, 2000, the company had outstanding contracts to buy Canadian dollars totaling CDN\$136 million at various dates through 2001. Comparable outstanding contracts at year-end 1999 totaled CDN\$96 million. The company also had outstanding contracts at year-ends 2000 and 1999 to sell \$20 million U.S. dollars at various dates, to hedge its receivables denominated in U.S. dollars.

Commodity Derivatives:

The company uses commodity futures contracts to hedge its forward livestock purchases, which, in 2000, accounted for approximately 8% of its livestock purchases. At December 30, 2000, the company had outstanding approximately 3,800 contracts to buy fed cattle and hogs and 8,200 contracts to sell fed cattle and hogs. Total commodity hedging gains/(losses) totaled \$(19,544), \$11,047 and \$23,108 in 2000, 1999 and 1998, respectively. Hedging losses deferred on the balance sheet at December 30, 2000 totaled \$(3,777).

Fair Value of Financial Instruments:

The following methods and assumptions are used in estimating the

fair value of each class of the company's financial instruments at December 30, 2000:

For cash equivalents, accounts receivable, notes payable and accounts payable, the carrying amount is a reasonable estimate of fair value because of the short-term nature of these instruments.

For securities included in other assets, fair value is based upon quoted market prices for these or similar securities. The carrying amount approximates fair value for these securities. Life insurance contracts are carried at fair value.

For long-term debt, fair value was determined using valuation techniques that considered cash flows discounted at current market rates and management's best estimate for instruments without quoted market prices. At year-end 2000, the carrying value exceeded the fair value by \$65 million. At year-end 1999, the fair value exceeded the carrying value by \$14 million. The company's long-term debt is generally not callable until maturity, except for the 7.125% Senior Notes due 2026, subject to prepayment premiums.

For derivatives, the fair value was estimated using termination cash values. The fair value of interest rate swap agreements at December 30, 2000, was \$26 million and of currency rate derivatives was \$2 million. For commodity derivatives, the fair value at year-end 2000 included positive values of \$4 million and negative values of \$10 million.

J. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS:

IBP's subsidiary, Foodbrands America, Inc. ("Foodbrands"), has defined benefit pension plans at three of its facilities. Foodbrands also provides life insurance and medical benefits for substantially all retired hourly and salaried employees of one of its subsidiaries under various defined benefit plans.

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 65,916	\$ 70,921	\$ 63,652	\$ 68,851
Service cost	566	568	222	221
Interest cost	4,858	4,690	4,694	4,452
Actuarial (gain) loss	768	(3,979)	1,848	(4,634)
Benefits paid	(6,195)	(6,284)	(6,685)	(5,938)
	-----	-----	-----	-----
Benefit obligation at end of year	65,913	65,916	63,731	62,952
	-----	-----	-----	-----
Change in plan assets:				
Fair value of plan assets at beginning of year	70,019	66,737	22	5
Actual return on plan assets	(1,065)	9,378	1	1
Employer contribution	626	188	6,692	5,954
Benefits paid	(6,195)	(6,284)	(6,685)	(5,938)
	-----	-----	-----	-----
Fair value of plan assets at end of year	63,385	70,019	30	22
	-----	-----	-----	-----

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Funded status	(2,528)	4,103	(63,701)	(62,930)
Unrecognized net actuarial (gain) loss	3,569	(3,967)	(1,791)	(3,775)
Unrecognized prior service cost	--	--	663	711
Net amount recognized	\$ 1,041	\$ 136	\$(64,829)	\$(65,994)
Amounts recognized in the statement of financial position consist of:				
Prepaid benefit cost	\$ 1,434	\$ 1,040	\$ --	\$ --
Accrued benefit liability	(393)	(904)	(64,829)	(65,994)
Net amount recognized	\$ 1,041	\$ 136	\$(64,829)	\$(65,994)
Weighted-average assumptions as of year end:				
Discount rate	7.50%	7.75%	7.50%	7.75%
Expected return on plan assets	8.50%	8.50%	n/a	n/a

For measurement purposes, an 8.0% annual rate of increase in the per capita claims cost of covered health care benefits and a 6.0% annual rate of increase in the per capita claims costs of covered dental benefits were assumed for 2000. Health care rates were assumed to decrease gradually to 5.5% by 2005 and dental rates were assumed to decrease gradually to 4.0% by 2002.

Components of net periodic benefit cost:

Pension benefits	2000	1999	1998
	Service cost	\$ 566	\$ 568
Interest cost	4,858	4,690	4,787
Expected return on plan assets	(5,704)	(5,578)	(5,501)
Net periodic (benefit) cost	\$ (280)	\$ (320)	\$ (241)
Other benefits			
Service cost	\$ 222	\$ 236	\$ 253
Interest cost	4,694	4,499	4,853
Expected return on plan assets	--	--	7
Net periodic cost	\$4,916	\$4,735	\$5,113

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were \$59,697, \$59,697 and \$56,132, respectively, as of December 30, 2000 and \$518, \$518, and \$489, respectively, as of December 25, 1999.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-percentage- Point Increase	1-percentage- Point Decrease
	-----	-----
Effect on total of service and interest cost components for 2000	\$ 87	\$ (83)
Effect on year-end postretirement benefit obligation	\$ 959	\$(918)

K. EARNINGS PER SHARE:

	Fiscal Year		
	2000	Restated 1999	Restated 1998
	-----	-----	-----
Numerator:			
Earnings before accounting change and extraordinary item	\$ 152,653	\$ 317,867	\$ 197,967
Preferred stock dividends and accretion	(2,566)	(2,774)	(2,041)
	-----	-----	-----
Earnings before accounting change and extraordinary item available for common shares	150,087	315,093	195,926
Accounting change	(2,429)	--	--
Extraordinary item	(15,037)	--	(14,815)
	-----	-----	-----
Earnings available for common shares	\$ 132,621	\$ 315,093	\$ 181,111
	=====	=====	=====
Denominator:			
Weighted average common shares outstanding	105,806	96,586	96,774
Dilutive effect of employee stock plans	1,270	10,015	8,518
	-----	-----	-----
Diluted average common shares	107,076	106,601	105,292
	=====	=====	=====
Basic earnings before accounting change and extraordinary item per common share	\$ 1.41	\$ 3.26	\$ 2.02
	=====	=====	=====
Diluted earnings before accounting change and extraordinary item per common share	\$ 1.40	\$ 2.96	\$ 1.86
	=====	=====	=====

The summary below lists stock options outstanding at the end of the fiscal years which were not included in the computations of diluted EPS because the options' exercise price was greater than the average market price of the common shares. These options had varying expiration dates.

	2000	Restated 1999	Restated 1998
	-----	-----	-----
Stock options excluded from Diluted EPS computation	1,391	1,552	120
Average option price per share	\$24.71	\$24.72	\$27.28

L. ACQUISITIONS:

On May 8, 1998, the company acquired substantially all of the operating assets of Jac Pac Foods, Ltd ("Jac Pac"). Jac Pac, with facilities in New Hampshire and Nebraska, produces and sells high quality, value-added beef products to a broad base of food service companies, restaurants and supermarkets. The purchase price consisted of \$58.6 million, including liabilities assumed of \$23.8 million. The excess of the purchase price over the fair value of net assets acquired resulted in goodwill of \$16.8 million.

On July 17, 1998, the company acquired the stock of Jordan's Meats. Jordan's Meats manufactures and sells a complete line of processed meat products to leading retailers and food service distributors primarily in New England but also throughout the United States. The purchase price totaled \$84.6 million, including \$11.1 million of liabilities assumed. The excess of the purchase price over the fair value of net assets acquired resulted in goodwill of \$63.7 million.

The company, through a special acquisition subsidiary, purchased the assets of the appetizer division of Diversified Foods Group, L.L.C. ("DFG"), on October 18, 1998. The Chicago, Illinois-based division, which includes a production plant in Chicago and another in Newark, New Jersey, was acquired for a purchase price of \$91.6 million, which included liabilities assumed of \$15.2 million. Goodwill recorded for the excess of the purchase price over the value of net assets acquired totaled \$65.5 million. Additional consideration of up to \$40 million is provided under the amended DFG purchase agreement contingent on meeting specified earnings targets through 2001. The company made a \$7.8 million contingent payment in the second quarter 2000 which was initially recorded as a purchase price adjustment based on incorrect 1999 fiscal earnings for DFG. See Note T for details regarding impairment charges related to DFG.

The company acquired Zemco Industries, Inc., the owner of Russer Foods on April 8, 1999. Russer Foods, based in Buffalo, New York, produces and markets a variety of premium deli meats. The purchase price totaled \$170.5 million, including assumed liabilities of \$19.2 million. The allocation of the purchase price over the fair value of assets acquired resulted in goodwill of \$110.3 million.

On April 12, 1999, the company acquired the outstanding stock of H&M Food Systems Company, Inc. ("H&M"), a producer of custom-formulated pre-cooked meat products and prepared foods with two plants in Texas. The purchase price was \$134.5 million, including assumed liabilities of \$12.6 million. The excess of the purchase price over the fair value of the net assets acquired resulted in goodwill of \$75.7 million.

On June 28, 1999, the company purchased Wilton Foods, Inc. (Wilton) for \$19.1 million, including assumed liabilities of \$5.2 million. Wilton, a leading producer of hors d'oeuvres, appetizer, premium kosher meals and prepared foods, is operated under DFG. The excess of the aggregate purchase price over fair value of identifiable assets and liabilities acquired of approximately \$13.1 million was recognized as goodwill. The DFG purchase agreement was amended upon the acquisition of Wilton to include Wilton's results in the contingent consideration calculation provided by the DFG purchase agreement, as described above.

On August 23, 1999, IBP, through its IBP Foods, Inc. subsidiary, purchased substantially all of the operating assets of Thorn Apple Valley, Inc. ("TAVI"), a further processor of pork and poultry products, which had been involved in bankruptcy proceedings. The purchase price for the TAVI net assets totaled \$109.9 million, which included liabilities assumed of \$2.3 million. There were no intangible assets or goodwill recorded in connection with this acquisition.

On December 1, 1999, the company acquired substantially all of the operating assets of Wright Brand Foods, Inc. ("WBF"), a Vernon, Texas based processor of high quality bacon products, for \$116.5 million, which

included liabilities assumed of \$8.7 million. The excess of the purchase price over the fair value of the net assets acquired of \$59.9 million was recognized as goodwill.

All of the consideration for the above acquisitions was in cash and all were accounted for by the purchase method of accounting. Accordingly, the accompanying consolidated statements of operations include the results from the respective dates of each acquisition. Goodwill under these acquisitions is being amortized on a straight-line basis over forty years. In addition, the company identified and recorded \$25 million in other intangible assets, primarily registered trademarks, associated with the acquisitions. These other intangible assets are being amortized over their useful lives, generally ten to twenty years.

The following pro forma financial information assumes the above businesses were acquired at the beginning of 1998. These results have been prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the assets been acquired at the beginning of 1998, or of the results which may occur in the future. The pro forma results do not include TAVI's discontinued fresh pork operation which IBP did not purchase. However, the pro forma results do include significant TAVI nonrecurring charges related to goodwill and asset impairments, Russian credit losses, product recalls and bankruptcy-related legal and financing expenses.

	Fiscal Year Ended	
	Restated Dec. 25, 1999	Restated Dec. 26, 1998

	(unaudited)	
Net sales	\$15,565,597	\$14,636,273
Earnings from operations	525,922	424,671
Earnings before extraordinary item	261,663	211,915
Net earnings	261,663	197,100
Earnings per diluted share:		
Earnings before extraordinary item	\$ 2.43	\$ 1.99
Net earnings	2.43	1.85

Corporate Brand Foods America

On February 7, 2000, the company acquired Corporate Brand Foods America, Inc. ("CBFA"), a privately held processor and marketer of meat and poultry products for the retail and foodservice markets. In the transaction, accounted for as a pooling of interests, IBP issued 14.4 million common shares for all of the outstanding stock of CBFA. The company also assumed \$316 million of CBFA's debt and \$28 million of preferred stock obligations.

IBP had product sales to CBFA in IBP's fiscal years ended December 25, 1999 and December 26, 1998, totaling \$65 million and \$53 million, respectively. The effects of conforming CBFA's accounting policies to those of IBP were not material.

Prior to the merger, CBFA's fiscal year ended on the Sunday closest to the last day of February. The following information presents certain statement of earnings data for the separate companies preceding the merger, based on fiscal year periods that coincide with the company's fiscal years:

	Fiscal Year	
	Restated 1999	Restated 1998
Net sales:		
IBP, as previously reported	\$14,551,549	\$12,848,635
Intercompany sales to CBFA	(64,804)	(52,782)
	-----	-----
Net IBP sales	\$14,486,745	\$12,795,853
CBFA	634,944	480,855
	-----	-----
	\$15,121,689	\$13,734,773
	=====	=====
Net earnings:		
IBP	\$ 314,464	\$ 180,184
CBFA	3,403	2,968
	-----	-----
	\$ 317,867	\$ 183,152
	=====	=====

M. BUSINESS SEGMENTS:

Segment information has been prepared in accordance with FASB Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information." Performance of the segments is evaluated on earnings from operations.

The Beef Carcass segment is involved in the slaughter of live fed cattle, reducing them to dressed carcasses and allied products for sales to further processors. At least 87% of Beef Carcass sales were to other IBP segments, chiefly to Beef Processing in 2000, 1999 and 1998. The Beef Carcass segment also markets its allied products to manufacturers of pharmaceuticals and animal feeds.

The Beef Processing segment is primarily involved in fabrication of dressed beef carcasses into primals and sub-primal meat cuts.

The Pork segment is involved in hog slaughter and fabrication and related allied product processing activities.

The Beef Processing and Pork segments market their products to food retailers, distributors, wholesalers, restaurants and hotel chains and other food processors in domestic and international markets. The Pork segment also sells allied products to pharmaceutical and animal feeds manufacturers.

The Foodbrands America segment consists of several IBP subsidiaries, principally Foodbrands America, Inc., The Bruss Company, and IBP Foods, Inc. The Foodbrands America group produces, markets and distributes a variety of frozen and refrigerated products to the "away from home" food preparation market, including pizza toppings and crusts, value-added pork-based products, ethnic specialty foods, appetizers, soups, sauces and side dishes as well as deli meats and processed beef, pork and poultry products. The Foodbrands America segment also produces portion-controlled premium beef and pork products for sale to restaurants and foodservice customers in domestic and international markets.

The All Other segment includes several businesses that do not constitute reportable business segments. These businesses primarily include the company's logistics operations, its Lakeside Farm Industries, Ltd. subsidiary (Canadian beef slaughter and fabrication operation and

cattle feedlot), its cow boning operations, its hide curing and tanning operations, and its newly formed Fresh Meats Case Ready operations.

Corporate includes various unallocated corporate items not attributable to the company's operating segments. The principal items in this caption are unallocated goodwill amortization and variable stock options expense (credits).

Intersegment sales have been recorded at amounts approximating market. Earnings from operations are comprised of net sales less all identifiable operating expenses, allocated corporate selling, general and administrative expenses, and goodwill amortization. Allocable corporate costs are allocated generally based on sales. Net interest expense and income taxes have been excluded from segment operations.

The Foodbrands America segment's earnings from operations for 2000 were impacted by \$108 million in non-recurring charges: \$31 million in merger-related expenses; an \$11 million bad debt expense; and \$66 million in asset impairment charges.

NET SALES	2000	Restated 1999	Restated 1998
Sales to unaffiliated customers:			
Beef Carcass	\$ 1,146,790	\$ 1,000,728	\$ 1,017,470
Beef Processing	8,157,245	7,641,552	7,133,083
Pork	2,371,725	2,177,513	2,208,473
Foodbrands America	3,264,326	2,503,942	1,742,158
All Other	2,009,522	1,797,954	1,633,589
	-----	-----	-----
	\$ 16,949,608	\$ 15,121,689	\$ 13,734,773
	=====	=====	=====
Intersegment sales:			
Beef Carcass	\$ 7,986,737	\$ 7,293,431	\$ 6,942,784
Beef Processing	297,112	266,348	249,635
Pork	540,100	360,030	248,884
All Other	468,283	472,961	474,270
Intersegment elimination	(9,292,232)	(8,392,770)	(7,915,573)
	-----	-----	-----
	\$ -	\$ -	\$ -
	=====	=====	=====
Net sales:			
Beef Carcass	\$ 9,133,527	\$ 8,294,159	\$ 7,960,254
Beef Processing	8,454,357	7,907,900	7,382,718
Pork	2,911,825	2,537,543	2,457,357
Foodbrands America	3,264,326	2,503,942	1,742,158
All Other	2,477,805	2,270,914	2,107,859
Intersegment elimination	(9,292,232)	(8,392,769)	(7,915,573)
	-----	-----	-----
	\$ 16,949,608	\$ 15,121,689	\$ 13,734,773
	=====	=====	=====
EARNINGS FROM OPERATIONS			
Beef Carcass	\$ 142,283	\$ 91,513	\$ 124,322
Beef Processing	108,150	163,656	1,651
Pork	69,603	151,689	119,838
Foodbrands America	(60,169)	102,370	98,708
All Other	112,639	46,730	72,536
	-----	-----	-----
Earnings from segments	372,506	555,958	417,055
Corporate	(25,624)	(1,362)	(35,085)
	-----	-----	-----
Total earnings from operations	346,882	554,596	381,970
Net interest expense	(88,258)	(67,816)	(57,571)
	-----	-----	-----
Earnings before income taxes and extraordinary item	\$ 258,624	\$ 486,780	\$ 324,399
	=====	=====	=====
ACCOUNTS RECEIVABLE			
Beef Carcass	\$ 50,075	\$ 53,958	\$ 44,554
Beef Processing	174,865	267,216	224,409
Pork	114,933	178,640	115,150
Foodbrands America	192,191	203,089	120,150
All Other	99,791	101,272	103,373
	-----	-----	-----
Accounts receivable from segments	631,855	804,175	607,636
Corporate	41,630	45,504	27,579
	-----	-----	-----
	\$ 673,485	\$ 849,679	\$ 635,215
	=====	=====	=====

GEOGRAPHIC LOCATION OF PROPERTY,
PLANT AND LONG-LIVED EQUIPMENT, NET

	2000	Restated 1999	Restated 1998
United States	\$ 1,552,427	\$ 1,280,386	\$ 1,081,234
Canada	78,347	82,379	76,938
	-----	-----	-----
	\$ 1,630,774	\$ 1,362,765	\$ 1,158,172
	=====	=====	=====

ADDITIONS TO PROPERTY, PLANT
AND EQUIPMENT, INCLUDING
ACQUISITIONS

Beef Carcass	\$ 24,832	\$ 28,110	\$ 18,290
Beef Processing	54,923	18,254	6,990
Pork	16,060	16,199	30,676
Foodbrands America	184,015	604,270	248,351
All Other	160,177	46,368	65,372
	-----	-----	-----
	\$ 440,007	\$ 713,201	\$ 369,679
	=====	=====	=====

DEPRECIATION AND AMORTIZATION
Of fixed assets:

Beef Carcass	\$ 18,549	\$ 17,157	\$ 16,846
Beef Processing	16,576	14,399	14,084
Pork	18,676	19,551	18,779
Foodbrands America	65,703	51,291	37,544
All Other	25,872	21,831	21,706
	-----	-----	-----
Total of segments	145,376	124,229	108,959
Corporate	1,340	1,286	1,290
	-----	-----	-----
Total	\$ 146,716	\$ 125,515	\$ 110,249
	=====	=====	=====
Of intangible assets:			
Foodbrands America	\$ 26,798	\$ 22,606	\$ 16,629
All Other	1,086	997	3,362
	-----	-----	-----
Total of segments	27,884	23,603	19,991
Corporate	7,560	7,560	8,933
	-----	-----	-----
Total	\$ 35,444	\$ 31,163	\$ 28,924
	=====	=====	=====

NET SALES BY GEOGRAPHIC LOCATION OF CUSTOMERS

United States	\$14,345,182	\$12,846,936	\$11,724,073
Japan	1,028,222	898,464	840,219
Canada	566,792	512,685	424,057
Korea	295,660	237,492	142,863
Mexico	266,804	206,994	187,048
Other foreign countries	446,948	419,118	416,513
	-----	-----	-----
	\$16,949,608	\$15,121,689	\$13,734,773
	=====	=====	=====

N. COMMITMENTS:

The company leases various facilities and equipment under noncancelable operating lease arrangements that expire at various dates through the year 2014. The company's rental expense for all operating leases was (in millions) \$39.4; \$27.0; and \$23.9 for fiscal years 2000, 1999 and 1998. Future minimum lease payments under noncancelable operating leases with lease terms in excess of one year at December 30, 2000 are as follows:

	Minimum Lease Payments	Sublease Rentals	Net
	-----	-----	-----
2001	\$20,733	\$ 862	\$19,871
2002	14,081	863	13,218
2003	11,465	862	10,603
2004	7,462	863	6,599
2005	5,994	862	5,132
Thereafter	31,962	1,437	30,525
	-----	-----	-----
Total	\$91,697	\$ 5,749	\$85,948
	=====	=====	=====

The company had livestock and other purchase commitments, letters of credit, and other commitments and guarantees at December 30, 2000 aggregating approximately \$460 million. Livestock purchase commitments were at a market or market-derived price at the time of delivery or were fully hedged if the price was determined at an earlier date.

In addition to the livestock purchase commitments above, the company is committed to purchase approximately 25 million market hogs between 2001 and 2009 at market-derived prices under various contracts with producers. Contractual commitments for the next five years average approximately 5 million hogs annually, which represents approximately 21% of IBP's current annual production capacity.

O. CONTINGENCIES:

IBP is involved in numerous disputes incident to the ordinary course of its business. While the outcome of any litigation is not predictable with certainty, or subject to the company's control, management believes that any liability for which provision has not been made relative to the various lawsuits, claims and administrative proceedings pending against IBP, including those described below, is not likely to have a material adverse effect on its future consolidated results of operations, financial position or liquidity.

In July 1996, a lawsuit was filed against IBP by certain cattle producers in the U.S. District Court, Middle District of Alabama, seeking certification of a class of all cattle producers. The complaint alleges that IBP has used its market power and alleged "captive supply" agreements to reduce the prices paid to producers for cattle. Plaintiffs have disclosed that, in addition to declaratory relief, they seek actual and punitive damages. The original motion for class certification was denied by the District Court; plaintiffs then amended their motion, defining a narrower class consisting of only those cattle producers who sold cattle directly to IBP from 1994 through the date of certification. The District Court approved this narrower class in April 1999. The 11th Circuit Court of Appeals reversed the District Court decision to certify a class, on the basis that there were inherent conflicts amongst class members preventing the named plaintiffs from providing adequate representation to the class. The plaintiffs then filed pleadings seeking to certify an amended class. The Court denied the plaintiffs' motion on October 17, 2000. Plaintiffs have sought reconsideration of the judge's denial or, in the alternative, to certify a new class. This motion, as well as the company's motions for summary judgment on both liabilities and damages, is now pending. Management continues to believe that the company has acted properly and lawfully in its dealings with cattle producers.

On January 12, 2000, The United States Department of Justice ("DOJ"), on behalf of the Environmental Protection Agency ("EPA"), filed a lawsuit against IBP in U.S. District Court for the District of Nebraska, alleging violations of various environmental laws at IBP's Dakota City facility. This action alleges, among other things, violations of: (1) the Clean Air Act; (2) the Clean Water Act; (3) the Resource, Conservation and Recovery Act; (4) the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA"); and (5) the Emergency Planning and Community Right to Know Act ("EPCRA"). This action seeks injunctive relief to remedy alleged violations and damages of \$25,000 per violation per day for alleged violations which occurred prior to January 30, 1997, and \$27,500 per violation per day for alleged violations after that date. The Complaint alleges that some violations began to occur as early as 1989, although the great majority of the violations are alleged to have occurred much later, and continue into the present. The company determined to reserve \$3.5 million during 1999 for the claims raised in this lawsuit based upon the evaluation of a confidential settlement demand received from the DOJ, and review and evaluation of the resolution of comparable claims, in light of the company's assessment of the facts as known to the company in light of the legal theories advanced by the DOJ. On the same basis, the company believes the range of exposure is between \$3.5 million and \$15.9 million, though is unable to predict with accuracy the ultimate resolution in this matter due to risks and uncertainties that make such an evaluation difficult at this time. The company believes it has meritorious defenses on each of these allegations and intends to aggressively defend these claims.

On May 19, 2000, IBP signed a Partial Consent Decree with the EPA that makes environmental improvements that were already underway at IBP's Dakota City, Nebraska facility federally enforceable. Although this Partial Consent Decree does not purport to resolve all of the allegations in the Complaint, if EPA were to prevail in court on certain of its factual allegations, these improvements may satisfy part of the injunctive relief sought by EPA under the Complaint. EPA has acknowledged that final injunctive relief under CAA claims may incorporate some or all of the work agreed to under the Partial Consent Decree.

In February 2000, several lawsuits were filed against IBP by certain shareholders in the United States District Court for the District of Nebraska seeking to certify a class of all persons who purchased IBP stock between March 25, 1999 and January 12, 2000. The complaints, seeking unspecified damages, allege that IBP violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder, and claims IBP issued materially false statements about the company's compliance with environmental laws in order to inflate the company's stock price. The lawsuits have been consolidated and the Court has appointed three lead plaintiffs and has appointed lead and liaison counsel. An amended consolidated complaint with respect to all the actions was filed, and the company prepared and filed a motion to dismiss this complaint. On February 14, 2001, lead plaintiffs filed a motion for leave to amend the amended consolidated complaint to add additional claims on behalf of all persons who purchased IBP stock between March 25, 1999 to January 25, 2001. The proposed new claims allege that IBP violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and rule 10b-5 thereunder, and claims IBP issued materially false statements about the company's financial results in order to inflate the company's stock price. The company has filed its opposition to plaintiffs' motion for leave to amend. Management believes it has accurately reported the company's compliance

with environmental laws, and the company intends to vigorously contest these claims.

On January 15, 1997, the Illinois EPA brought suit against IBP at its Joslin, Illinois facility alleging that IBP's operations at its Joslin, Illinois facility are violating the "odor nuisance" regulations enacted in the State of Illinois. IBP has already commenced additional improvements at its Joslin facility to further reduce odors from this operation, but denies Illinois EPA's contention that such conditions amount to a "nuisance". IBP is in the midst of discussions aimed at a complete resolution of these issues, and reports this issue solely because of a recent determination that the penalties have the potential to exceed \$100,000.

In October 2000, fourteen lawsuits were filed against IBP by certain shareholders in Delaware, seeking to certify a class of all IBP shareholders (the "Delaware Litigation"). The complaints allege IBP's directors breached their fiduciary duties to IBP shareholders by approving the January 1, 2001 merger agreement with Tyson, which, plaintiffs alleged, would result in a coercive front-end loaded, two-tier acquisition of IBP by Tyson. The plaintiffs further alleged IBP viewed Tyson as the preferred suitor to Smithfield given the alleged antagonism between Mr. Peterson and Smithfield's CEO, Joseph Luter. Plaintiffs seek to certify a class action, injunctive relief against consummation of the Tyson transaction, and in the event the Tyson acquisition is consummated, damages and costs and disbursements, including reasonable attorneys fees. A motion to dismiss this complaint was filed on February 21, 2001. In addition, two separate suits, containing the same general allegations, were filed in the District Court for South Dakota. The first of these suits, filed November 8, 2000, alleged that IBP's directors breached their fiduciary duties by entering into the Rawhide Agreement, in their own personal interests, and that the Rawhide Agreement created barriers to competing bidders. This case was stayed pending resolution of the Delaware Litigation. A second suit, filed January 11, 2001, alleged IBP's directors caused IBP to file a false and misleading 14D-9 in response to Tyson's cash tender offer. The suit seeks a declaration that IBP's 14D-9 is false and misleading, an order directing IBP's directors to exercise their fiduciary duties to obtain a transaction in IBP's best interests, and compensatory damages of not less than \$442 million and punitive actions. A motion to stay pending resolution of the Delaware Litigation has been filed and is pending.

Between January and March 2001, a number of lawsuits were filed by certain shareholders in the United States District Court for the District of South Dakota seeking to certify a class of all persons who purchased IBP stock between February 7, 2000 and January 25, 2001. The complaints, seeking unspecified damages, allege that IBP violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder, and claims IBP issued materially false statements about the company's financial results in order to inflate the company's stock price. The company is currently preparing its responses to these lawsuits. Management believes that these claims are without merit and the company intends to vigorously contest these claims.

P. QUARTERLY FINANCIAL DATA (UNAUDITED): Quarterly results are summarized as follows:

2000	Restated First Quarter	Restated Second Quarter	Restated Third Quarter	Fourth Quarter	Annual
Net sales	\$ 3,955,391	\$4,268,866	\$4,314,435	\$4,410,916	\$16,949,608
Gross profit	235,312	248,104	290,767	262,161	1,036,344
Earnings before accounting change and extraordinary item	33,736	46,442	78,728	(6,253)	152,653
Net earnings/(loss)	16,270	46,442	78,728	(6,253)	135,187
Earnings per share:					
Earnings before accounting change and extraordinary item	.29	.44	.75	(.06)	1.41
Net earnings/(loss)	.13	.44	.75	(.06)	1.25
Earnings per diluted share:					
Earnings before accounting change and extraordinary item	.29	.43	.74	(.06)	1.40
Net earnings/(loss)	.13	.43	.74	(.06)	1.24
Dividends per share	.025	.025	.025	.025	.10
Market price:					
High	18 3/8	18 7/8	17 15/16	26 15/16	26 15/16
Low	11	13 3/16	14	17 1/4	11

The pro forma net earnings for the first quarter, assuming retroactive adoption of SAB 101 accounting change would be \$18,699 or \$0.15 per share and \$0.15 per diluted share.

The above quarterly data for the first three quarters of 2000 has been restated to reflect adjustments described in Note R and includes adoption of the guidance in SAB 101 for the change in accounting for revenue recognition as described in Note S and for the reclassification of freight expense as described in Note A. The following quantifies the adjustments made to increase (decrease) the amounts originally reported to those presented above.

2000	Restated First Quarter	Restated Second Quarter	Restated Third Quarter
	-----	-----	-----
DFG			
Gross profit	\$ (2,344)	\$ (8,399)	\$ 345
Net earnings	(2,111)	(10,023)	1,312
Earnings per share	(.02)	(.09)	.01
Earnings per diluted share	(.02)	(.10)	.01
STOCK OPTIONS			
Net earnings	\$ 2,595	\$ (1,174)	\$ (1,693)
Earnings per share	.02	(.01)	(.01)
Earnings per diluted share	.02	(.01)	(.01)
REVENUE RECOGNITION			
Net sales	\$ (52,853)	\$ (25,763)	\$ 23,183
Gross profit	(2,323)	(1,498)	1,008
Net earnings/(loss)	(3,892)	(879)	676
Earnings per share	(.03)	(.01)	(.01)
Earnings per diluted share	(.03)	(.01)	(.01)
FREIGHT RECLASSIFICATION			
Net sales	126,207	129,099	136,989

1999	Restated First Quarter	Restated Second Quarter	Restated Third Quarter	Restated Fourth Quarter	Restated Annual
	-----	-----	-----	-----	-----
Net sales	\$3,325,183	\$3,738,539	\$3,922,042	\$4,135,925	\$15,121,689
Gross profit	205,018	230,137	290,029	269,886	995,070
Net earnings	66,021	65,241	110,017	76,588	317,867
Earnings per share	.68	.67	1.13	.79	3.26
Earnings per diluted share	.62	.61	1.03	.71	2.96
Dividends per share	.025	.025	.025	.025	.10
Market price:					
High	29 3/16	23 1/8	25 3/4	25	29 3/16
Low	19 3/8	16 3/4	22	17 3/4	16 3/4
Pro forma net earnings assuming retroactive adoption of SAB 101 accounting change					
	64,960	64,562	109,891	77,709	317,122
Pro forma earnings per share	0.67	0.66	1.13	0.80	3.25
Pro forma earnings per diluted share	0.61	0.60	1.03	0.72	2.95

The above quarterly data has been restated to reflect adjustments described in Note R and for the reclassification of freight expense as described in Note A. The following quantifies the adjustments made to increase (decrease) the amounts originally reported to those presented above.

1999 DFG	Restated First Quarter	Restated Second Quarter	Restated Third Quarter	Restated Fourth Quarter	Restated Annual
Gross profit	--	--	--	\$ (8,658)	\$ (8,658)
Net earnings	--	--	--	(9,621)	(9,621)
Earnings per share	--	--	--	(.10)	(.10)
Earnings per diluted share	--	--	--	(.09)	(.09)
STOCK OPTIONS					
Net earnings	\$ 9,419	\$ (2,532)	\$ (377)	\$ 4,316	\$ 10,824
Earnings per share	.10	(.03)	(0.01)	.04	.11
Earnings per diluted Share	.09	(.02)	0.00	.04	.11
FREIGHT RECLASSIFICATION					
Net sales	\$ 114,010	\$ 122,427	\$ 123,356	\$ 133,326	\$ 493,119

Q. CAPITAL STOCK:

REDEEMABLE STOCK:

All redeemable stock was related to issuances by CBFA prior to the merger in 2000, which was accounted for as a pooling of interests.

	December 30, 2000	December 25, 1999
REDEEMABLE STOCK:		
Series A Preferred Stock, \$0.001 par value, 25,000 shares authorized, -0- and 5,053 shares outstanding, redemption amount: \$-0- and \$5.1 million	\$ --	\$ 4,820
Series B Preferred Stock, \$0.001 par value, 25,000 shares authorized, -0- and 18,243 shares outstanding, redemption amount: \$-0- and \$18.5 million	--	16,964
Series C Preferred Stock, \$0.001 par value, 25,000 shares authorized, -0- and 4,891 shares outstanding, redemption amount: \$-0- and \$5.0 million	--	4,161
Class B Common Stock, \$0.001 par value, 12.2 million shares authorized, -0- and 6.5 million shares outstanding	--	12,542
Class B Common Stock Warrants, -0- and 3.3 million warrants outstanding	--	6,077
	\$ --	\$44,564

Preferred Stock. The three series of preferred stock were designated as Series A Cumulative Mandatorily Redeemable Pay-In-Kind Preferred Stock (the "Series A Preferred Stock"), Series B Participating Preferred Stock (the "Series B Preferred Stock") and Series C cumulative Mandatorily Redeemable Stock (the "Series C Preferred Stock"). The holders of Series A and Series B Preferred Stock were entitled to receive annual dividends of

12% payable quarterly in arrears in additional shares of the applicable series of preferred stock. Such dividends were cumulative and accrued whether or not declared or earned. The holders of Series C Preferred Stock were entitled to receive annual dividends of 14% payable quarterly in arrears in additional shares of Series C Preferred Stock. Such dividends were cumulative and accrued whether or not declared or earned. There were no dividends in arrears for Series A, B or C preferred stock at year-end 1999. All three series of redeemable preferred stock were fully redeemed upon IBP's acquisition of CBFA on February 7, 2000, for \$28.5 million.

Class B Common Stock and Warrants. From time to time, the company issued Class B Common Stock and warrants to purchase shares of Class B Common Stock at \$0.01 per share (the "Warrants"). In instances in which Warrants were issued in connection with other securities, proceeds from the issuance were allocated based on the respective fair values of the Warrants and the related securities. Warrants generally expired ten years from the date of grant. Upon a change of control (as defined in the Subordinated Note Agreements) or at any time on or after June 30, 2005, the holder of the Subordinated Notes has the right to require the Company to mandatorily redeem its Class B Common Stock and Warrants at an appraised value. Finally, upon termination of employment with the Company, holders of Class B Common Stock under the Company's 1997 Restricted Stock Plan (the "Restricted Stock Plan") (see additional discussion in Note G) have the right to require the Company to purchase such holders' Class B Common Stock at an appraised value. As a result of these mandatory redemption features (the "Put Features"), the Class B Common Stock and Warrants were classified in the accompanying consolidated balance sheets as redeemable stock.

During the third quarter 2000, the participants of the Restricted Stock Plan voluntarily relinquished their rights to put the stock back to the company. Prior to the relinquishments, the plan was accounted for as a "variable plan" in accordance with APB Opinion #25 and classified as redeemable stock in the accompanying consolidated balance sheet. Following the relinquishments, the plan became a "fixed plan" and the redeemable stock was reclassified to equity and deferred compensation liability in the accompanying balance sheet.

	Redeemable Stock -----
Balances, December 27, 1997	\$ 17,627
Dividends on preferred stock	1,719
Restricted stock expense	700
Accretion of redeemable stock	322
Redeemable stock issued	9,524

Balances, December 26, 1998	29,892
Accretion of redeemable stock	356
Restricted stock expense	2,316
Dividends on preferred stock	2,418
Redeemable stock issued	10,000
Redeemable stock repurchased	(418)

Balances, December 25, 1999	44,564

	Redeemable Stock (continued) -----
Accretion of redeemable stock	2,214
Restricted stock expense	26,082
Dividends on preferred stock	352
Preferred stock redeemed	(28,512)
Redeemed in exchange for common shares	(14,877)
Transferred to Additional paid-in capital	(25,822)
Transferred to Non-current deferred compensation	(4,001)

Balances, December 30, 2000	\$ - =====

PREFERRED STOCK

The Board of Directors is authorized to issue up to 25,000,000 shares of preferred stock at such time or times, in such series, with such designations, preferences, or other special rights, as it may determine.

R. RESTATEMENTS:

DFG RESTATEMENTS:

Following the third quarter 2000, the company identified \$9.0 million in adjustments that were necessary related to inaccuracies at its DFG subsidiary, which were reflected in the company's reported results in its Quarterly Report on Form 10-Q for the period ended September 23, 2000. As a result of these inaccuracies, which were identified during the fourth quarter 2000, the company initiated a comprehensive internal review of operations, systems, processes and controls related to its DFG subsidiary. These reviews and other issues raised during the fourth quarter 2000 resulted in recording certain charges and adjustments, as discussed below, which resulted from irregularities and misstatements and impacted previously reported results for the year ended December 25, 1999 and each of the interim periods of 2000.

The accompanying financial statements for 1999 have been restated to reflect \$15.5 million of pre-tax adjustments, related principally to overstated prepaid expenses; inventory valued above net realizable value; uncollectible accounts receivable due to customer short payments, unauthorized deductions and subsequent allowances; and underaccrual of liabilities for inventory purchases, temporary labor costs, marketing, rebates and commissions at December 25, 1999. These adjustments resulted in an \$8.7 million increase in previously reported cost of products sold and a \$6.8 million increase in selling, general and administrative expenses. The related tax impact of these adjustments of \$5.9 million has also been reflected. The impact of these adjustments reduced net earnings by \$9.6 million and related basic and diluted earnings per share by \$0.10 and \$0.09, respectively, from amounts previously reported for fiscal 1999.

STOCK OPTIONS:

The company's stock option plan grants officers additional bonus options if the original options are exercised. The original officer options are generally issued at market price at the date of the grant, vest over a five-year period and have a ten-year term. The bonus options are

issued at market price at the date the bonus options are granted and are exercisable after two years, provided the shares acquired with the original options are still owned by the officer. As a result of the bonus options feature, variable plan accounting is appropriate for the options granted under these provisions. Compensation expense for the original options has been revised and is now recorded over the vesting period based on the difference between the market value and the exercise price at the end of each period. Compensation expense related to the bonus options is recorded based on the market value and the exercise prices over the vesting period from the date vesting becomes probable, to the date the bonus options are vested and exercisable. Prior to the restatement, the company followed fixed accounting for these options, treating the original grants and the bonus option grants as two separate grants. The restatement records the period and cumulative accrued compensation and related deferred tax impact, which increased (decreased) compensation expense by (\$11,991) and \$10,968 in 1999 and 1998, respectively, and adjusted income tax expense for the tax benefit associated with the expense. The change increased (decreased) net earnings by \$10,824 and (\$9,823) and net earnings per diluted share by \$0.11 and (\$0.09) in 1999 and 1998, respectively.

SEGMENTS:

Note M has been restated for 1999 and 1998 to reflect a change in the segments from those previously reported. The company previously reported two segments, Fresh Meats and Foodbrands America. As a result of reconsidering the requirements of Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information, the company has expanded the number of segments disclosed.

CASH FLOW STATEMENTS:

The statements of cash flows have also been restated for 1999 and 1998 to reflect the impact of the DFG misstatements and to reclassify the change in the company's checks in process of clearance to cash flows from operations rather than from financing activities. The restated cash flows also provide more detail of certain cash transactions that were previously reported on a combined basis.

The following tables present the impact of the above restatements related to the balance sheets, statements of earnings, and statements of cash flows:

CONSOLIDATED BALANCE SHEET December 25, 1999

	As Previously Reported	DFG	Stock Options	As Restated
<hr/>				
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 33,294	\$ (429)	\$ -	\$ 32,865
Accounts receivable	853,234	(3,555)	-	849,679
Inventories	619,977	(4,785)	-	615,192
Deferred income tax benefits	60,820	2,606	-	63,426
Prepaid expenses	21,138	(1,572)	-	19,566
TOTAL CURRENT ASSETS	1,588,463	(7,735)	-	1,580,728
TOTAL ASSETS	4,151,292	(7,735)	-	4,143,557

CONSOLIDATED BALANCE SHEET
December 25, 1999
(continued)

	As Previously Reported	DFG	Stock Options	As Restated
LIABILITIES, REDEEMABLE STOCK AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 731,066	\$ 5,176	\$ --	\$ 736,242
Federal and state income taxes	138,910	(3,290)	--	135,620
TOTAL CURRENT LIABILITIES	1,430,831	1,886	--	1,432,717
Deferred income taxes	8,762	--	(396)	8,366
Other	160,172	--	7,394	167,566
	168,934	--	6,998	175,932
STOCKHOLDERS' EQUITY:				
Retained earnings	1,375,590	(9,621)	(6,998)	1,358,971
TOTAL LIABILITIES, REDEEMABLE STOCK and STOCKHOLDERS' EQUITY	4,151,292	(7,735)	--	4,143,557

CONSOLIDATED STATEMENT OF EARNINGS
52 Weeks Ended December 25, 1999

	As Previously Reported	DFG	Stock Options	As Restated
Cost of products sold	\$14,117,961 (1)	\$ 8,658	\$ -	\$14,126,619
Selling, general and administrative expenses	445,606	6,859	(11,991)	440,474
Earnings from operations	558,122	(15,517)	11,991	554,596
Income taxes	173,642	(5,896)	1,167	168,913
Net earnings	316,664	(9,621)	10,824	317,867
Earnings per share - Basic	\$ 3.25	\$ (0.10)	\$ 0.11	\$ 3.26
Earnings per share - Diluted	2.94	(0.09)	0.11	2.96

(1) Includes reclassification of \$486,653 of freight charges that were previously classified as a reduction of net sales

CONSOLIDATED STATEMENT OF EARNINGS
52 Weeks Ended December 26, 1998

	As Previously Reported	DFG	Stock Options	As Restated
Selling, general and administrative expenses	\$ 344,596	\$ -	\$ 10,968	\$ 355,564
Earnings from operations	392,938	-	(10,968)	381,970
Income taxes	127,577	-	(1,145)	126,432
Net earnings	192,975	-	(9,823)	183,152
PER SHARE DATA:				
Earnings per share:				
Earnings before extraordinary item	\$ 2.13	\$ -	\$ (0.11)	\$ 2.02
Extraordinary loss	(0.16)	-	0.01	(0.15)
Net earnings	1.97	-	(0.10)	1.87
Earnings per share - assuming dilution:				
Earnings before extraordinary item	\$ 1.95	\$ -	\$ (0.09)	\$ 1.86
Extraordinary loss	(0.14)	-	-	(0.14)
Net earnings	1.81	-	(0.09)	1.72

CONSOLIDATED STATEMENT OF CASH FLOWS

52 Weeks Ended
December 25, 1999

	As Previously Reported	DFG	Reclass Checks in Process of Clearance	As Restated
			Inflows (outflows)	
Net cash flows provided by operating activities	\$ 297,792	\$ (429)	\$ 20,576	\$ 317,93
Net cash flows provided by (used in) financing activities	424,683	-	(20,576)	404,107
Net change in cash and cash equivalents	4,465	(429)	-	4,036
Cash at end of year	33,294	(429)	-	32,865

52 Weeks Ended December 26, 1998

Net cash flows provided by operating activities	\$ 371,433	\$ -	\$ (29,464)	\$ 341,969
Net cash flows provided by (used in) financing activities	(14,897)	-	29,464	14,567

S. REVENUE RECOGNITION:

Beginning in the first quarter 2000, the company changed its method of accounting for revenue recognition in accordance with Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements. As a result of the guidance in SAB No. 101, the company will recognize revenue upon delivery to customers. Previously, the company had recognized revenue upon shipment to customers, in accordance with its interpretation of Statement of Financial Accounting Concepts No. 5, Revenue and Recognition in Measurement in Financial Statements of Business Enterprises. The cumulative effect of the change on prior years resulted in a charge to earnings of \$2,429 (net of income taxes of \$1,489) or \$.02 per share, which is included in earnings for the year ended December 30, 2000. The effect of the change on the year ended December 30, 2000 was to decrease income before the cumulative effect of the accounting change by \$2,035 or \$0.02 per share. The pro forma amounts presented in the earnings statement were calculated assuming the accounting change was made retroactively to prior periods.

For the 53 weeks ended December 30, 2000, the company recognized \$63,311 in revenue that was included in the cumulative effect adjustment in the first quarter. The effect of that revenue in the twelve months ended December 30, 2000 was to increase net earnings by \$2,429 (after reduction for income taxes of \$1,489) during that period.

T. ASSET IMPAIRMENTS:

During the fourth quarter of 2000, the company recorded an additional pre-tax impairment charge to SG&A expense of \$60,352 in the Foodbrands segment to reduce intangibles from \$80,431 to \$20,079 and thus, the carrying value of the investment in DFG Foods LLC. ("DFG"). Previously, the company recorded a pre-tax impairment charge of \$5,763 in the second quarter of 2000 related to an earn-out payment to the previous owners that was made on the basis of what the company later concluded were misstated financial results.

DFG represents the fully integrated operations of two separate acquisitions; one in October 1998 and one in June 1999 that produce prepared hors d'oeuvres, kosher foods, and food for airlines. Although DFG experienced increasing sales since acquisition through September 2000, the operating results reflect significant losses and negative cash flow (as restated) that are substantially attributable to irregularities, as well as mismanagement, at the DFG level. During the fourth quarter of 2000, DFG experienced an unexpected and precipitous decline in sales relative to both the prior year period and budget. These declines resulted from a decrease in orders from major customers combined with a substantial increase in sales and promotional discounts and demand for new product lines not materializing, which management does not believe is temporary. In addition, as part of the integration process, manufacturing operations were further automated to increase product safety, to generate economies of scale and to support substantially greater sales levels. Due to the sales shortfalls, these upgrades have contributed to an uncompetitive cost structure. As a result of declining demand and reduced market pricing for its products, combined with the current cost structure, operating losses and negative cash flow, management initiated an impairment review of the carrying value of the investment in DFG. Since these acquired entities have been integrated into one operational, managerial, sales and marketing and accounting platform, it is not possible to separately identify cash

flows of each of the acquired operations. Therefore, for impairment test purposes, DFG as a whole is considered the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets.

The company intends to evaluate DFG's prospective operating performance over a two-year period. Unless the projected return on investment generated by DFG during this period can be improved beyond current projections, it is likely that DFG would be a divestiture candidate. Accordingly, management prepared an analysis of its best estimate of expected undiscounted cash flows. The estimated cash flows were based on management's evaluation of DFG's operations as well as the market niche it competes in for a two-year period with a termination value at the end of the second year. These estimated undiscounted cash flows were determined not to be adequate to support the carrying value of the investment; therefore, an impairment charge was warranted. The impairment charge was based on a third-party appraisal of the current fair value of the DFG business as an ongoing, stand-alone entity.

The company is working diligently to turn around the DFG operation. New management has been recruited to operate DFG and appropriate infrastructure is being put in place to support the business. Senior management and DFG management are reviewing the operations to determine how to lower costs and develop a profitable sales volume and mix. However, if this operation does not show significant improvement, IBP will exit from this business.

During 1999, the company wrote down \$30 million of impaired long-lived assets, including \$15 million in the fourth quarter 1999. These write-downs, which were classified in cost of products sold, were primarily attributable to the company's decision to exit its cow boning business.

U. SUBSEQUENT EVENT:

On January 1, 2001, the IBP board of directors authorized IBP to terminate the merger agreement with Rawhide Holdings Corporation ("Rawhide") and Rawhide Acquisition Corporation and enter into an Agreement and Plan of Merger, dated as of January 1, 2001 (the "Tyson Agreement") with Tyson Foods, Inc. ("Tyson"). On March 29, 2001, Tyson announced that it was "discontinuing" the Tyson Agreement. Tyson alleges they were inappropriately induced to enter the Tyson Agreement, due to the alleged failure to disclose comments received from the Securities and Exchange Commission ("SEC") contained in a December 29, 2000 letter from the SEC. This SEC letter, they claim, resulted in restatements of IBP's financials and filings. They further claim that based upon these facts, Tyson has a right to rescind the Tyson Agreement and seek compensation from IBP. In the event they are unable to rescind the Tyson Agreement, Tyson claims a right to terminate the Tyson Agreement pursuant to sections 11.01(f) and 12.01 of the Tyson Agreement. Tyson has filed a lawsuit against IBP with allegations consistent with the foregoing, seeking reimbursement of amounts advanced under the Tyson Agreement and other merger related expenses.

Under the terms of the Agreement and Plan of Merger, dated as of October 1, 2000 (the "Rawhide Agreement"), by and among IBP, Rawhide and Rawhide Acquisition Corporation, IBP agreed to pay Rawhide a \$59 million termination fee and reimburse Rawhide for up to \$7.5 million of its documented out-of-pocket fees and expenses if the Rawhide Agreement were terminated under certain circumstances. IBP became obligated to pay such amounts to Rawhide when the IBP board of directors authorized IBP to

terminate the Rawhide Agreement and enter into a merger agreement with Tyson.

Pursuant to a letter from Tyson to IBP dated January 1, 2001, Tyson agreed to make the \$66.5 million payment to Rawhide on IBP's behalf on January 2, 2001. Under the Tyson Agreement, by and among IBP, Tyson and Lasso Acquisition Corporation, IBP is obligated to reimburse Tyson for its \$66.5 million payment (as well as pay Tyson a \$15 million termination fee and reimburse it for \$7.5 million of fees and expenses) only if one of the following occurs: (1) Tyson terminates the Tyson Agreement because (a) IBP's board of directors withdraws its recommendation of the merger with Tyson or recommends an alternative transaction or (b) IBP fails to call a shareholder meeting or mail a proxy statement to its shareholders within 20 days after the SEC declares effective the prospectus associated with the transaction; (2) IBP terminates the Tyson Agreement because the IBP board of directors authorized IBP to enter into a binding written agreement with another party concerning a transaction that is superior to the transaction with Tyson; or (3) the Tyson Agreement is terminated, i) by (a) Tyson, because of a material breach of the Tyson Agreement by IBP or (b) either Tyson or IBP, because either the merger is not consummated by May 31, 2001 or the IBP stockholders do not approve the Tyson Agreement at a duly held stockholders meeting, and ii) at the time of such termination with respect to either 3(i)(a) or (b), there is outstanding an offer by another party to enter into a transaction with IBP in which IBP shareholders would receive value in excess of \$30.00 per share, and, iii) within six months of the termination of the Tyson Agreement described in 3(i)(a) or (b), IBP enters into an agreement for an alternative transaction.

Management believes that Tyson does not have a valid basis to discontinue or terminate the Tyson Agreement between the two companies. However, management and its outside counsel have not had the opportunity to review and study in detail the allegations in this lawsuit. Therefore, it is not possible to predict the ultimate outcome of this dispute at this time.

EXHIBIT 99.2

IBP, inc. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	June 30, 2001	December 30, 2000
	-----	-----
ASSETS	(unaudited)	
CURRENT ASSETS:		
Cash and cash equivalents	\$ 19,262	\$ 29,970
Accounts receivable, less allowance for doubtful accounts of \$13,579 and \$19,898	705,488	673,485
Inventories	982,954	873,544
Deferred income tax benefits and prepaid expenses	93,834	88,595
	-----	-----
TOTAL CURRENT ASSETS	1,801,538	1,665,594
Property, plant and equipment less accumulated depreciation of \$1,155,614 and \$1,089,775	1,731,900	1,630,774
Goodwill, net of accumulated amortization of \$235,827 and \$221,160	946,660	961,340
Deferred income tax benefits and other assets	172,255	168,548
	-----	-----
	\$4,652,353	\$4,426,256
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable to banks	1,023,000	775,000
Accounts payable	432,079	516,030
Deferred income taxes and other current liabilities	392,182	373,019
Current portion of long-term debt	5,780	55,351
	-----	-----
TOTAL CURRENT LIABILITIES	1,853,041	1,719,400
	-----	-----
Long-term debt and capital lease obligations	687,652	658,719
	-----	-----
Deferred income taxes and other liabilities	199,774	198,626
	-----	-----
STOCKHOLDERS' EQUITY:		
Common stock at par value	5,450	5,450
Additional paid-in capital	442,527	443,388
Retained earnings	1,537,265	1,481,004
Accumulated other comprehensive income	(12,726)	(11,261)
Treasury stock	(60,630)	(69,070)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	1,911,886	1,849,511
	-----	-----
	\$4,652,353	\$4,426,256
	=====	=====

See accompanying notes to condensed consolidated financial statements.

IBP, inc. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share data)

	13 Weeks Ended		26 Weeks Ended	
	June 30, 2001	Restated June 24, 2000	June 30, 2001	Restated June 24, 2000
Net sales	\$ 4,359,304	\$ 4,268,866	\$ 8,485,941	\$ 8,224,257
Cost of products sold	4,114,367	4,020,762	8,065,286	7,740,841
Gross profit	244,937	248,104	420,655	483,416
Selling, general and administrative expense	150,968	151,069	275,310	280,565
(Gain) on sale of production facility	--	--	(6,897)	--
Nonrecurring merger-related expense	--	--	--	31,299
EARNINGS FROM OPERATIONS	93,969	97,035	152,242	171,552
Interest expense, net	24,020	21,635	50,026	42,950
Earnings before income taxes, accounting change and extraordinary item	69,949	75,400	102,216	128,602
Income tax expense	27,630	28,958	39,900	48,424
Earnings before accounting change and extraordinary item	42,319	46,442	62,316	80,178
Cumulative effect of change in accounting principle	--	--	(115)	(2,429)
Extraordinary loss on early extinguishment of debt, less applicable taxes	--	--	(633)	(15,037)
NET EARNINGS	\$ 42,319	\$ 46,442	\$ 61,568	\$ 62,712
Earnings per common share:				
Earnings before cumulative effect of accounting change and extraordinary item	\$.40	\$.44	\$.59	\$.73
Cumulative effect of change in accounting principle	--	--	--	(.02)
Extraordinary item	--	--	(.01)	(.14)
Net earnings	\$.40	\$.44	\$.58	\$.57
Earnings per common share - assuming dilution:				
Earnings before cumulative effect of accounting change and extraordinary item	\$.40	\$.43	\$.58	\$.72
Cumulative effect of change in accounting principle	--	--	--	(.02)
Extraordinary item	--	--	(.01)	(.14)
Net earnings	\$.40	\$.43	\$.57	\$.56
Dividends per share	\$.025	\$.025	\$.05	\$.05

See accompanying notes to condensed consolidated financial statements.

**IBP, inc. AND SUBSIDIARIES
CONDENSED CONSOLIDATED**

STATEMENTS OF CASH FLOWS

(In thousands)

	26 Weeks Ended	
	June 30, 2001	Restated June 24, 2000
	Inflows (outflows)	
NET CASH FLOWS (USED) PROVIDED BY OPERATING ACTIVITIES	\$ (21,984)	\$ 108,649
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(196,410)	(181,501)
Proceeds from sale of PP&E	21,074	977
Investment in life insurance contracts	(10,627)	-
Investments in equity ventures	(1,096)	(10,268)
Purchases of marketable securities	-	(25,000)
Proceeds from disposals of marketable securities	-	15,000
Increase in noncurrent receivables	-	(7,763)
Other investing cash inflows	1,261	-
Other investing cash outflows	(898)	(58)
Net cash flows used by investing activities	(186,696)	(208,613)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in short-term debt	248,000	333,796
Principal payments on long-term obligations	(52,263)	(483,644)
Exercise of stock options	9,565	885
Dividends paid	(5,291)	(4,978)
Proceeds from issuance of long-term debt	2,000	295,482
Purchase of treasury stock	(1,987)	(13,580)
Redemption of preferred stock	-	(28,512)
Other financing cash outflows	(1,986)	-
Net cash flows provided by financing activities	198,038	99,449
Effect of exchange rate on cash and cash equivalents	(66)	65
Net change in cash and cash equivalents	(10,708)	(450)
Cash and cash equivalents at beginning of period	29,970	32,865
Cash and cash equivalents at end of period	\$ 19,262	\$ 32,415
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the periods for:		
Interest, net of amounts capitalized	\$ 46,712	\$ 36,653
Income taxes, net of refunds received	11,221	40,042
Depreciation and amortization expense	85,963	69,288
Amortization of intangible assets	16,046	17,421

See accompanying notes to condensed consolidated financial statements.

IBP, inc. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Columnar amounts in thousands, except per share amounts

A. GENERAL

The accompanying financial statements for the periods ended June 24, 2000 were restated to reflect adjustments for irregularities and misstatements at one of the company's subsidiaries, for the cumulative and current period effect on revenue recognition of adoption of Staff Accounting Bulletin Rule 101, for the application of variable plan accounting for certain stock options, for reclassifications in the statement of cash flows, and for expanded disclosures related to segment information. The company's reports on Form 10-Q/A for the twenty-six weeks ended June 24, 2000 and Form 10-K for the year ended December 30, 2000 provide detailed descriptions of the restatements.

Freight charges previously netted against sales have been reclassified to cost of goods sold in the prior year to conform to the current year presentation.

The condensed consolidated balance sheet of IBP, inc. and subsidiaries ("IBP" or "the company") at December 30, 2000 has been taken from audited financial statements at that date and condensed. All other condensed consolidated financial statements contained herein have been prepared by IBP and are unaudited. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in IBP's Annual Report on Form 10-K for the year ended December 30, 2000.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of IBP at June 30, 2001 and the results of its operations and its cash flows for the periods presented herein.

B. TYSON MERGER AGREEMENT

In late June, the company executed a Stipulation with Tyson Foods, Inc. ("Tyson") that requires Tyson to specifically perform the Merger Agreement between IBP and Tyson (the "Merger Agreement") as modified by the Stipulation. Pursuant to the Merger Agreement, as modified by the Stipulation, Tyson agreed to proceed with a cash tender at \$30 per share for 50.1% of the shares, followed by a merger in which IBP will merge into Lasso Acquisition Corporation, a wholly owned subsidiary of Tyson. Each IBP shareholder at the time of the merger shall receive a number of shares of Tyson Class A common stock having a value of \$30.00 if, during the fifteen trading day period ending on the fifth trading day immediately preceding the effective time of the merger, the average per share price of Tyson Class A common stock is at least \$12.60 and no more than \$15.40. If the average per

share price of Tyson Class A common stock is less than \$12.60, then each IBP share outstanding immediately prior to the effective time of the merger will be exchanged for 2.381 shares of Tyson Class A common stock. If the average per share price of Tyson Class A common stock is more than \$15.40, then each IBP share outstanding immediately prior to the effective time of the merger will be exchanged for 1.948 shares of Tyson Class A common stock. Tyson closed the cash tender on August 3, 2001, with expected completion by mid-August, and expects the merger to be consummated in early October 2001.

Upon confirmation of payment for shares purchased by Tyson in the Cash Tender, Martin A. Massengale, Wendy L. Gramm, John Jacobsen, Jr. and Eugene D. Leman will resign, effective August 6, 2001 from the IBP Board, and effective August 6, 2001, John Tyson, Tyson's Chairman, President and Chief Executive Officer, Don Tyson, Tyson's Senior Chairman, Greg Lee, Les R. Baledge and Steve Hankins will be appointed to and join the IBP Board.

If the merger is consummated but fails to be treated as a "reorganization" for federal income tax purposes, the merger will be a taxable transaction. The merger would fail to be treated as a "reorganization" if, for example, the aggregate fair market value of the Tyson Class A stock delivered as consideration for the IBP shares in the merger failed to exceed a minimum percentage, approximately 40 percent under one United States Supreme Court case, of the aggregate fair market value of the cash and Tyson Class A common stock delivered as consideration for all IBP shares in the tender offer and merger. In the event that the merger is consummated but fails to be treated as a "reorganization," each holder of IBP shares that exchanges IBP shares for Tyson Class A common stock in the merger will generally recognize gain or loss measured by the difference between the fair market value of Tyson Class A common stock received in the merger (together with any cash received in lieu of fractional shares) and such stockholder's adjusted tax basis in the IBP shares exchanged in the merger. In addition, if the merger is consummated as currently described in the merger agreement - as a merger of IBP into Purchaser with the Purchaser as the surviving corporation - the merger may be taxable to IBP, as well as IBP shareholders, resulting in a corporate level tax on IBP's gain, measured by the difference between the fair market value of IBP's assets and IBP's basis in such assets. Tyson and IBP may elect, however, pursuant to Section 12.03(c) of the merger agreement to amend the merger agreement and require Purchaser to merge into IBP with IBP the surviving corporation in the merger. If that election is made, the corporate level tax would not apply, but the merger would be taxable to shareholders.

C. OTHER

IBP's interim operating results of its Beef Carcass, Beef Processing and Pork segments may be subject to substantial fluctuations that do not necessarily occur or recur on a seasonal

basis. Such fluctuations are normally caused by competitive and other conditions in the cattle and hog markets over which IBP has little or no control. Therefore, the results of operations for the interim periods presented are not necessarily indicative of the results to be attained for the full fiscal year.

D. INVENTORIES

Inventories, valued at the lower of first-in, first-out cost or market, are comprised of the following:

	June 30, 2001	December 30, 2000
	-----	-----
Product inventories:		
Raw materials	\$ 79,239	\$ 78,004
Work in process	107,002	101,973
Finished goods	501,652	412,211
	-----	-----
	687,893	592,188
Livestock	196,572	185,413
Supplies	98,489	95,943
	-----	-----
	\$982,954	\$873,544
	=====	=====

E. EARNINGS PER SHARE

	13 Weeks Ended	
	June 30, 2001	Restated June 24, 2000
	-----	-----
Numerator:		
Net earnings	\$ 42,319	\$ 46,442
	=====	=====
Denominator:		
Weighted average common shares outstanding	106,047	106,019
Dilutive effect of employee stock plans	640	1,159
Diluted average common shares outstanding	----- 106,687	----- 107,178
	=====	=====
Basic earnings per common share	\$.40	\$.44
	=====	=====
Diluted earnings per common share	\$.40	\$.43
	=====	=====

	26 Weeks Ended	
	June 30, 2001	Restated June 24, 2000
	-----	-----
Numerator:		
Earnings before accounting change and extraordinary item	\$ 62,316	\$ 80,178
Preferred stock dividends		
and accretion	-	(2,566)
	-----	-----
Earnings available for common shares	\$ 62,316	\$ 77,612
	=====	=====
Denominator:		
Weighted average common shares		

outstanding	106,001	106,030
Dilutive effect of employee stock plans	931	1,304
Diluted average common shares outstanding	----- 106,932 =====	----- 107,334 =====
Basic earnings before accounting change and extraordinary item per common share	\$.59 =====	\$.73 =====
Diluted earnings before accounting change and extraordinary item per common share	\$.58 =====	\$.72 =====

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The summary below lists stock options outstanding at the end of the fiscal quarters which were not included in the computations of diluted EPS because the options' exercise price was greater than the average market price of the common shares. These options had varying expiration dates.

	2001	2000
	-----	-----
Stock options excluded from diluted EPS computation	2,027	3,287
Average option price per share	\$22.95	\$21.19

F. COMPREHENSIVE INCOME

Comprehensive income consists of net earnings and foreign currency translation adjustments. Management considers its foreign investments to be permanent in nature and does not provide for taxes on currency translation adjustments arising from converting the investment in a foreign currency to U.S. dollars. Comprehensive income for the 26 weeks ended June 30, 2001 and June 24, 2000 was as follows:

	26 Weeks Ended	
	-----	-----
	June 30, 2001	Restated June 24, 2000
	-----	-----
NET EARNINGS	\$61,568	\$62,712
Other comprehensive income:		
Foreign currency translation adjustments	(1,465)	(1,056)
	-----	-----
COMPREHENSIVE INCOME	\$60,103	\$61,656
	=====	=====

G. ACQUISITION AND DISPOSITION

On February 7, 2000, the company acquired the outstanding common stock of Corporate Brand Foods America, Inc. ("CBFA"), a privately held processor and marketer of meat and poultry products for the retail and foodservice markets. In the transaction, which was accounted for as a pooling of interests, IBP issued approximately 14.4 million common shares for all of the outstanding common stock of CBFA. The company also assumed \$344 million of CBFA's debt and preferred stock obligations. At the acquisition

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date, all of the debt obligations were refinanced (see Note H) and the preferred stock was redeemed. The companies incurred \$31 million of nonrecurring merger-related expenses, related primarily to an increase in the valuation of CBFA's restricted redeemable stock, a non-cash charge of \$21 million, and \$10 million in professional fees and other expenses.

In January 2001, the company sold a 70% interest in its Platte County, Nebraska, ground meats facility to Carneco Holdings, LLC, a wholly owned subsidiary of Lopez Foods, Inc., a smaller meat processor headquartered in Oklahoma City, Oklahoma. The company received cash proceeds of \$20.5 million and recognized a gain of \$7 million related to the percentage sold. The Platte County facility had net sales of \$146 million and earnings from operations of \$2 million in fiscal 2000. The gain on sale of the Platte County facility and past operations were included in the Foodbrands America segment although IBP's subsequent 30% equity in earnings of this facility is in the All Other segment.

H. LONG-TERM OBLIGATIONS:

On January 16, 2001, the company repaid its \$50 million of 6.0% Securities due 2001. The company chose not to exercise an option to extend the term of the securities and, in so doing, paid \$2 million to terminate the option. The \$2 million payment plus unamortized deferred financing costs less unamortized option premium totaled \$1,017, before applicable income tax benefit of \$384, and was accounted for as an extraordinary loss in the condensed consolidated statement of earnings.

In early January 2001, the company terminated interest rate swaps on notional amounts of \$350 million and received \$31 million cash proceeds. Under FAS 133, the offsetting adjustment previously recorded to the hedged debt will be amortized as a credit to interest expense over the life of the debt through 2010.

On February 7, 2000, the company completed its merger with CBFA and, at the same time, refinanced all of CBFA's various existing debt obligations, using available IBP credit facilities that were at more favorable terms. Prepayment premiums, accelerated amortization of unamortized deferred financing costs, and transaction expenses totaled \$22 million, before applicable income tax benefit of \$7 million, and was accounted for as an extraordinary loss in the condensed consolidated statement of earnings.

I. CONTINGENCIES:

IBP is involved in numerous disputes incident to the ordinary course of its business. While the outcome of any litigation is not predictable with certainty, or subject to the company's control, management believes that any liability for which provision has not been made relative to the various lawsuits,

claims and administrative proceedings pending against IBP, including those described below, will not have a material adverse effect on its future consolidated results, financial position or liquidity.

Cattle Producer Litigation. In July 1996, a lawsuit was filed against IBP by certain cattle producers in the U.S. District Court, Middle District of Alabama, seeking certification of a class of all cattle producers. The complaint alleges that IBP has used its market power and alleged "captive supply" agreements to reduce the prices paid to producers for cattle. Plaintiffs have disclosed that, in addition to declaratory relief, they seek actual and punitive damages. The original motion for class certification was denied by the District Court; plaintiffs then amended their motion, defining a narrower class consisting of only those cattle producers who sold cattle directly to IBP from 1994 through the date of certification. The District Court approved this narrower class in April 1999. The 11th Circuit Court of Appeals reversed the District Court decision to certify a class, on the basis that there were inherent conflicts amongst class members preventing the named plaintiffs from providing adequate representation to the class. The plaintiffs then filed pleadings seeking to certify an amended class. The Court denied the plaintiffs' motion on October 17, 2000. Plaintiffs' motion for reconsideration of the judge's decision was denied, and plaintiffs now seek to certify a class of cattle producers who have sold exclusively to IBP on a cash market basis. This motion, as well as the company's motions for summary judgment on both liability and damages, is now pending. Management continues to believe that the company has acted properly and lawfully in its dealings with cattle producers.

Environmental Litigation. On January 15, 1997, the Illinois EPA brought suit against IBP at its Joslin, Illinois facility alleging that IBP's operations at its Joslin, Illinois facility are violating the "odor nuisance" regulations enacted in the State of Illinois. IBP has already completed additional improvements at its Joslin facility to further reduce odors from this operation, but denies Illinois EPA's contention that its operations at any time amounted to a "nuisance". IBP is in the midst of discussions aimed at a complete resolution of these issues, and reports this issue solely because of a recent determination that the penalties have the potential to exceed \$100,000.

On January 12, 2000, The United States Department of Justice ("DOJ"), on behalf of the Environmental Protection Agency ("EPA"), filed a lawsuit against IBP in U.S. District Court for the District of Nebraska, alleging violations of various environmental laws at IBP's Dakota City facility. This action alleges, among other things, violations of: (1) the Clean Air Act; (2) the Clean Water Act; (3) the Resource, Conservation and Recovery Act; (4) the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA"); and (5) the Emergency Planning and Community Right to Know Act ("EPCRA"). This action seeks

injunctive relief to remedy alleged violations and damages of \$25,000 per violation per day for alleged violations which occurred prior to January 30, 1997, and \$27,500 per violation per day for alleged violations after that date. The Complaint alleges that some violations began to occur as early as 1989, although the great majority of the violations are alleged to have occurred much later, and continue into the present. The company determined to reserve \$3.5 million during 1999 for the claims raised in this lawsuit based upon the evaluation of a confidential settlement demand received from the DOJ, and review and evaluation of the resolution of comparable claims, in light of the company's assessment of the facts as known to the company and the legal theories advanced by the DOJ. On the same basis, the company believes, based upon a confidential settlement demand received from the DOJ and a review and assessment of the facts known to the company and the legal theories advanced by the DOJ that the range of exposure is between \$4.4 million and \$15.9 million, although the company is unable to predict with accuracy the ultimate resolution in this matter due to risks and uncertainties that make such an evaluation difficult at this time. The company believes it has meritorious defenses on each of these allegations and intends to aggressively defend these claims.

On May 19, 2000, IBP signed a Partial Consent Decree with the EPA which makes environmental improvements that were already underway at IBP's Dakota City, Nebraska facility federally enforceable. Although this Partial Consent Decree does not purport to resolve all of the allegations in the Complaint, if EPA were to prevail in court on certain of its claims, these improvements may nonetheless satisfy part of the injunctive relief sought by EPA under the Complaint, a fact that EPA has acknowledged.

Securities Litigation re: Environmental Liabilities. In February 2000, several lawsuits were filed against IBP by certain shareholders in the United States District Court for the District of Nebraska seeking to certify a class of all persons who purchased IBP stock between March 25, 1999 and January 12, 2000. The complaints, seeking unspecified damages, allege that IBP violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder, and claims IBP issued materially false statements about the company's compliance with environmental laws in order to inflate the company's stock price. The lawsuits have been consolidated and the Court has appointed three lead plaintiffs and has appointed lead and liaison counsel. An amended consolidated complaint with respect to all the actions was filed, and the company prepared and filed a motion to dismiss this complaint. On February 14, 2001, lead plaintiffs filed a motion for leave to amend the amended consolidated complaint to add additional claims on behalf of all persons who purchased IBP stock between March 25, 1999 to January 25, 2001. The proposed new claims are substantially similar to those alleged in the South Dakota and New York actions described below under the heading Securities Litigation re: Earnings Restatement, alleging that IBP

violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and rule 10b-5 thereunder. On May 21, 2001, the Magistrate Judge issued two opinions recommending 1) the denial of plaintiffs request to amend the amended consolidated complaint, and 2) dismissal of the complaint in its entirety for failure to state a claim. Plaintiffs have appealed to the District Court judge, and a final decision is pending.

Litigation re: Rawhide and Tyson Transactions. Between October 2 and November 1, 2000, fourteen class actions were filed in the Delaware Court of Chancery against IBP and members of the Board of Directors of IBP (the "Delaware Shareholder Litigation") relating to IBP's entry into the Rawhide Merger Agreement on October 1, 2000 (the "Rawhide Merger Agreement"), and IBP's termination of the Rawhide Merger Agreement in favor of the Tyson Merger Agreement on January 1, 2001 (the "Tyson Merger Agreement").

On March 29, 2001, Tyson announced that it was "discontinuing" the Tyson Merger Agreement, and Tyson filed a lawsuit against IBP in the Chancery Court of Washington County, Arkansas alleging that IBP had fraudulently induced it to enter into the Tyson Merger Agreement. Tyson later amended its complaint to add claims for breach of representations and warranties contained in the Tyson Merger Agreement.

On March 30, 2001, IBP filed a cross-claim against Tyson in the Delaware Shareholder Litigation seeking to compel specific performance of the Tyson Merger Agreement and to obtain a declaratory judgment that Tyson had no right to rescind or terminate the Tyson Merger Agreement. Tyson counterclaimed in the Delaware Shareholder Litigation claiming that the Tyson Merger Agreement was voidable on grounds of fraudulent inducement, negligent misrepresentation and mistake, that IBP had breached representations and warranties in the Tyson Agreement, that Tyson was entitled to restitution of the \$66.5 million payment made by it to Rawhide on IBP's behalf, and that Tyson was entitled to a declaratory judgment that it had validly terminated the Tyson Merger Agreement.

Following an expedited trial, the Delaware Court of Chancery issued an opinion on June 15, 2001 (revised on June 18, 2001) holding that 1) the Tyson Merger Agreement was valid and enforceable against Tyson and not induced by fraud, negligent misrepresentation, material misrepresentation or mistake; 2) Tyson breached its obligations to IBP by terminating the Tyson Merger Agreement; 3) Tyson did not breach any obligations to the plaintiff shareholders by failing to consummate the cash tender offer; and 4) IBP was entitled to specific performance of the Tyson Merger Agreement.

On June 27, 2001, the Delaware Court of Chancery issued an Order, Judgment and Decree in accordance with its opinion. The Court also signed a Stipulation and Order (the "IBP/Tyson

Stipulation") negotiated by IBP and Tyson, which required Tyson to consummate the transactions contemplated by the Tyson Merger Agreement as modified by the IBP/Tyson Stipulation.

On June 27, 2001, IBP, Tyson and the shareholders in the Delaware Shareholder Litigation, entered into a Stipulation of Settlement pursuant to which Tyson agreed to proceed with the performance of its obligations under the Tyson Merger Agreement, as modified by the IBP/Tyson Stipulation. On August 3, 2001, the Delaware Court of Chancery issued an Order and Final Judgment approving the Stipulation of Settlement. The Order and Final Judgment provides for the settlement and release of all claims that have been or could have been asserted in the Delaware Court of Chancery, or any other forum, by any member of the Class of all IBP shareholders from October 2, 2000 through the closing of the contemplated merger with Tyson, whether directly, representatively or derivatively, that have arisen or could have arisen from any of the acts that could have been asserted in the Delaware Shareholder Litigation, or in any other court, including any claim for violation of federal or state law, relating to the Tyson Merger Agreement or the Rawhide Merger Agreement. The release carves out the claims described below under the heading Securities Litigation re: Earnings Restatement. The Order and Final Judgment awarded counsel for the shareholder plaintiffs fees and expenses in the amount of \$338,000.

Two separate suits, containing the same general allegations as those contained in the Delaware Shareholder Litigation, were filed in the District Court for South Dakota. The first action against IBP and its directors, Teamsters Local Nos. 175 and 505 Pension Trust Fund v. IBP, inc., challenged the Rawhide Merger Agreement. The plaintiff in this action voluntarily dismissed its claim on April 5, 2001. In the second action, a shareholder derivative action entitled Reier v. Bond, IBP's motion to dismiss or stay remains pending. The South Dakota federal district court has scheduled an oral argument on the motion for August 17th. IBP has advised the district court and the plaintiff's counsel that the Order and Final Judgment entered by the Delaware Court of Chancery bars plaintiff's claim.

Securities Litigation re: Earnings Restatement. Between January and March 2001, a number of lawsuits were filed by certain shareholders in the United States District Court for the District of South Dakota and one suit filed in the United States District Court for the Southern District of New York seeking to certify a class of all persons who purchased IBP stock between February 7, 2000 and January 25, 2001. The plaintiff in the New York action has voluntarily dismissed and refiled its complaint in South Dakota. The complaints, seeking unspecified damages, allege that IBP and certain members of management violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder, and claims IBP issued materially false statements about the company's financial results in order to inflate the company's stock price. More specifically, these allegations

relate primarily to the charges that IBP has taken relating to operations at its DFG Foods subsidiary, the restatement of earnings announced by IBP for certain periods in 1999 and 2000, IBP's announced adoption of a different method for accounting for certain components of its stock option plans, and certain issues raised by the SEC that have since been resolved. The South Dakota court has consolidated the actions and selected a lead plaintiff. Plaintiffs are expected to file a consolidated amended complaint. IBP intends to vigorously contest these claims.

Preference Litigation. In late July 2001, the company resolved a claim from a trustee of a former customer now in bankruptcy of an alleged preference, for a sum within the \$0- \$3 million range previously disclosed in the company's Form 10-Q for the thirteen weeks ended March 31, 2001.

J. BUSINESS SEGMENTS

Segment information has been prepared in accordance with FASB Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information." Performance of the segments is evaluated on earnings from operations.

The Beef Carcass segment is involved in the slaughter of live fed cattle, reducing them to dressed carcasses and allied products for sales to further processors. Over 87% of Beef Carcass sales are to other IBP segments, chiefly to Beef Processing. The Beef Carcass segment also markets its allied products to manufacturers of pharmaceuticals and poultry feeds.

The Beef Processing segment is primarily involved in fabrication of dressed beef carcasses into primal and sub- primal meat cuts.

The Pork segment is involved in hog slaughter and fabrication and related allied product processing activities.

The Beef Processing and Pork segments market their products to food retailers, distributors, wholesalers, restaurants and hotel chains and other food processors in domestic and international markets. The Pork segment also sells allied products to pharmaceutical and poultry feeds manufacturers.

The Foodbrands America segment consists of several IBP subsidiaries, principally Foodbrands America, Inc., IBP Branded Foods, Inc. (formerly CBFA), The Bruss Company and The IBP Foods Co. The Foodbrands America group produces, markets and distributes a variety of frozen and refrigerated products to the "away from home" food preparation market, including pizza toppings and crusts, value-added pork-based products, ethnic specialty foods, appetizers, soups, sauces and side dishes as well as deli meats and processed beef, pork and poultry products. The Foodbrands America segment also produces portion-controlled premium beef and pork products for sale to restaurants and foodservice customers in domestic and international markets.

The All Other segment includes several businesses that do not constitute reportable business segments. These businesses primarily include the company's logistics operations, its Lakeside Farm Industries, Ltd. subsidiary (Canadian beef slaughter and fabrication operation and cattle feedlot), its fresh meat case ready operations and its hide curing and tanning operations.

Corporate includes various unallocated corporate items not attributable to the company's operating segments. The principal items in this caption are unallocated goodwill amortization and variable stock option expense (credits).

Intersegment sales have been recorded at amounts approximating market. Earnings from operations are comprised of net sales less all identifiable operating expenses, allocated corporate selling, general and administrative expenses, and goodwill amortization. Allocable corporate costs are allocated generally based on sales. Net interest expense and income taxes have been excluded from segment operations.

	13 Weeks Ended		26 Weeks Ended	
	June 30, 2001	Restated June 24, 2000	June 30, 2001	Restated June 24, 2000
NET SALES				
Sales to unaffiliated customers:				
Beef Carcass	\$ 252,667	\$ 274,776	\$ 505,217	\$ 556,864
Beef Processing	2,084,321	2,081,096	4,052,833	4,030,358
Pork	586,582	617,888	1,145,390	1,191,272
Foodbrands America	767,329	806,782	1,538,249	1,515,253
All Other	668,405	488,324	1,244,252	930,510
	-----	-----	-----	-----
	\$4,359,304	\$4,268,866	\$8,485,941	\$8,224,257
	=====	=====	=====	=====
Intersegment sales:				
Beef Carcass	\$2,133,812	\$1,983,223	\$4,119,495	\$3,928,399
Beef Processing	140,647	81,365	241,066	155,083
Pork	143,242	87,115	268,491	168,933
Foodbrands America	299	-	299	-
All Other	61,345	19,367	106,376	77,200
Intersegment elimination	(2,479,345)	(2,171,070)	(4,735,727)	(4,329,615)
	-----	-----	-----	-----
	-	-	-	-
	=====	=====	=====	=====
Net sales:				
Beef Carcass	\$2,386,479	\$2,257,999	\$4,624,712	\$4,485,263
Beef Processing	2,224,968	2,162,461	4,293,899	4,185,441
Pork	729,824	705,003	1,413,881	1,360,205
Foodbrands America	767,628	806,782	1,538,548	1,515,253
All Other	729,750	507,691	1,350,628	1,007,710
Intersegment elimination	(2,479,345)	(2,171,070)	(4,735,727)	(4,329,615)
	-----	-----	-----	-----
	\$4,359,304	\$4,268,866	\$8,485,941	\$8,224,257
	=====	=====	=====	=====
EARNINGS FROM OPERATIONS				
Beef Carcass	\$ 59,164	\$ 22,609	\$ 72,742	\$ 64,662
Beef Processing	4,962	45,080	(7,726)	58,399
Pork	20,722	3,674	43,757	29,872
Foodbrands America	(4,992)	2,111	(2,971)	(27,008)
All Other	28,723	26,946	52,025	49,455
	-----	-----	-----	-----
Earnings from Segments Corporate	108,579	100,420	157,827	175,380
	(14,610)	(3,385)	(5,585)	(3,828)
	-----	-----	-----	-----
Total Earnings from Operations	93,969	97,035	152,242	171,552
Net interest expense	(24,020)	(21,635)	(50,026)	(42,950)
	-----	-----	-----	-----
Pre-tax earnings	\$ 69,949	\$ 75,400	\$ 102,216	\$ 128,602
	=====	=====	=====	=====
NET SALES BY LOCATION OF CUSTOMERS				
United States	\$3,700,200	\$3,627,799	\$7,216,185	\$6,950,047
Japan	257,032	257,447	483,045	514,444
Canada	161,918	149,921	299,949	286,885
Mexico	69,329	63,003	139,135	120,483
Korea	56,529	72,157	110,860	151,901
Other foreign countries	114,296	98,539	236,767	200,497
	-----	-----	-----	-----
	\$4,359,304	\$4,268,866	\$8,485,941	\$8,224,257
	=====	=====	=====	=====

K. ADOPTION OF FAS 133

The company adopted Statement of Financial Accounting Standards No. 133 (FAS 133), "Accounting for Derivative Instruments and Hedging Activities", on December 31, 2000. In accordance with the transition provisions of FAS 133, the company recorded a net-of-tax cumulative-effect-type adjustment of \$13,106 (gain) in earnings to recognize at fair value all derivatives that are designated as fair-value hedging instruments. The company also recorded a net-of-tax cumulative-effect-type adjustment of \$13,143 (loss) in earnings to recognize the difference (attributable to the hedged risks) between the carrying values and fair values of related hedged assets and liabilities. Additionally, the company recorded \$78 net-of-tax loss in earnings to reflect the fair value of derivatives that did not qualify as hedges under FAS 133.

All derivatives are recognized on the balance sheet at their fair value. On the date the derivative contract is entered into, the company designates the derivative as (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value" hedge) or (2) a foreign-currency fair-value ("foreign currency" hedge). Changes in the fair value of a derivative that is highly effective as - and that is designated and qualifies as - a fair-value hedge, along with the loss or gain on the hedged asset or liability that is attributable to the hedged risk (including losses or gains on firm commitments), are recorded in current-period earnings. Changes in the fair value of derivatives that are highly effective as - and that are designated and qualify as - foreign-currency hedges are recorded in current-period earnings.

The company occasionally purchases a financial instrument that contains a derivative instrument that is "embedded" in the financial instrument. Upon purchasing the instrument, the company assesses whether the economic characteristics of the embedded derivative are clearly and closely related to the economic characteristics of the remaining component of the financial instrument (i.e., the host contract) and whether a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument. If it is determined that (1) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract, and (2) a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative would be separated from the host contract, carried at fair value, and designated as a fair-value, cash-flow, or foreign-currency hedge, or as a trading derivative instrument. However, in cases where (1) the host contract is measured at fair value, with changes in fair value reported in current earnings or (2) the company is unable to reliably identify and measure an embedded derivative for separation from its host contract, the entire contract is carried

on the balance sheet at fair value and is not designated as a hedging instrument.

The company formally documents all relationships between hedging instruments and hedged items, as well as its risk- management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair-value or foreign- currency hedges to specific assets and liabilities on the balance sheet or to specific firm commitments. The company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the company discontinues hedge accounting prospectively, as discussed below.

The company discontinues hedge accounting prospectively when (1) it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including firm commitments); (2) the derivative expires or is sold, terminated, or exercised; (3) a hedged firm commitment no longer meets the definition of a firm commitment; or (4) management determines that designation of the derivative as a hedge instrument is no longer appropriate.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective fair-value hedge, the derivative will continue to be carried on the balance sheet at its fair value, and the hedged asset or liability will no longer be adjusted for changes in fair value. When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, the derivative will continue to be carried on the balance sheet at its fair value, and any asset or liability that was recorded pursuant to recognition of the firm commitment will be removed from the balance sheet and recognized as a gain or loss in current-period earnings. In all other situations in which hedge accounting is discontinued, the derivative will be carried at its fair value on the balance sheet, with changes in its fair value recognized in current-period earnings.

At June 30, 2001 and December 30, 2000, the company had the following derivative activity, qualifying as fair value hedges:

Interest and Currency Rate Derivatives:

The company's policy is to manage interest cost using a mix of fixed and variable rate debt. To manage this mix in a cost-effective manner, the company may enter into interest rate swaps in which the company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These

interest rate swaps effectively convert a portion of the company's fixed- rate debt to variable-rate debt, or vice versa.

The notional amounts of these swap agreements were \$350 million at year-end 2000. The notional amounts of these and other derivative instruments do not represent assets or liabilities of the company but, rather, are the basis for the settlements under the contract terms. The swaps were completely liquidated in early January 2001 for cash proceeds of \$31 million, which has been included in cash flows from operating activities. The offsetting loss related to the debt will be amortized as a credit to interest expense over the debt lives through 2010.

The company's Canadian subsidiary enters into currency futures contracts to hedge its exposures on receivables, live cattle and purchase commitments in foreign currencies. At June 30, 2001, the company had outstanding qualifying hedge contracts to buy Canadian dollars totaling CDN\$50 million at various dates through 2001. Comparable outstanding contracts at year-end 2000 totaled CDN\$56 million. The company also had outstanding contracts at June 30, 2001 and December 30, 2000 to sell \$27 million and 20 million U.S. dollars, respectively at various dates, to hedge its receivables denominated in U.S. dollars.

Commodity Derivatives:

The company uses commodity futures contracts to hedge its forward livestock purchases. At June 30, 2001 and December 30, 2000, the company had outstanding approximately -0- and 800 qualifying hedge contracts, respectively to buy fed cattle and hogs and 8,300 and 6,500 contracts, respectively to sell fed cattle and hogs.

There were no significant net gains or losses recognized in earnings during the reporting period representing the amount of the hedges' ineffectiveness.

EXHIBIT 99.3

UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS REFLECTING ACQUISITION FOR CASH OF 50.1% OF IBP, INC.

The following Unaudited Pro Forma Combined Condensed Balance Sheet at June 30, 2001 and the Unaudited Pro Forma Combined Condensed Statement of Income for the fiscal year ended September 30, 2000 and the Unaudited Pro Forma Combined Condensed Statement of Income for the nine months ended June 30, 2001 and, together with the Pro Forma Balance Sheet, the "Tender Offer Pro Forma Financial Statements" are presented using the purchase method of accounting to give effect to the purchase by Tyson of 50.1% of the outstanding common stock of IBP for cash. The Tender Offer Pro Forma Financial Statements do not reflect the anticipated acquisition by Tyson of the remaining 49.9% interest in IBP in the merger contemplated by Tyson.

The Tender Offer Pro Forma Balance Sheet is derived from the unaudited financial statements of Tyson contained in Tyson's Quarterly Report on Form 10-Q for the nine months ended June 30, 2001 (the "Tyson 10-Q") and the unaudited financial statements of IBP contained in IBP's Quarterly Report on Form 10-Q for the twenty-six weeks ended June 30, 2001 (the "IBP 10-Q") and is presented as if the cash tender offer had been completed on June 30, 2001. The Tender Offer Unaudited Pro Forma Combined Condensed Income Statement for the fiscal year ended September 30, 2000 has been derived from the audited financial statements of Tyson contained in Tyson's Annual Report on Form 10-K for the fiscal year ended September 30, 2001 and the unaudited financial statements of IBP contained in IBP's restated historical financial statements contained in IBP's Annual Report on Form 8-K, dated November 3, 2000, as amended, and IBP's restated historical unaudited financial statements contained in IBP's Quarterly Reports on Form 10-Q (the "IBP Restated 10-Qs"), and is presented as if the cash tender offer had been completed on October 3, 1999. The Tender Offer Unaudited Pro Forma Combined Condensed Income Statement for the nine months ended June 30, 2001 has been derived from the unaudited financial statements of Tyson contained in the Tyson 10-Q and the financial statements and information of IBP contained in IBP's Annual Report on Form 10-K for the fiscal year ended December 30, 2000, the IBP 10-Q and the IBP Restated 10-Qs.

The pro forma adjustments reflected in the Tender Offer Pro Forma Financial Statements represent estimated values and amounts based on available information regarding IBP's assets and liabilities. The actual adjustments that will result from the cash tender offer will be based on further evaluations and may differ substantially from the adjustments presented herein. The Tender Offer Pro Forma Financial Statements are presented for illustrative purposes only and are not necessarily indicative of the financial position or operating results that would have been achieved had the cash tender offer been consummated as of the dates indicated or of the results that may be obtained in the future.

The Tender Offer Pro Forma Financial Statements should be read in conjunction with the accompanying notes and the historical financial statements of the corporations incorporated by reference or referred to in this Form 8-K.

TYSON FOODS, INC.

UNAUDITED TENDER OFFER PRO FORMA COMBINED CONDENSED BALANCE SHEET

REFLECTING ACQUISITION FOR CASH OF 50.1% OF IBP, INC.

JUNE 30, 2001

(IN MILLIONS OF DOLLARS)

	(A)	(B)	(C)	(A)+(B)+(C)
	TYSON FOODS,		PRO FORMA	
	INC.	IBP, INC.	ADJUSTMENTS	COMBINED
	-----	-----	-----	-----
ASSETS				
Current Assets:				
Cash and cash equivalents.....	\$ 71.2	\$ 19.3	\$ --	\$ 90.5
Accounts receivable.....	527.8	705.5	--	1,233.3
Inventories.....	972.4	982.9	--	1,955.3
Other current assets.....	48.9	93.8	--	142.7
	-----	-----	-----	-----
Total current assets.....	1,620.3	1,801.5	--	3,421.8
	-----	-----	-----	-----
Net property, plant and equipment.....	2,127.7	1,731.9	--	3,859.6
Excess of investments over net assets acquired.....	930.2	--	(930.2) (6)	--
Goodwill.....	--	946.7	830.5 (1)	2,707.4
			930.2 (6)	
Other assets.....	311.2	172.3	(12.9) (4)	403.6
			(67.0) (5)	
	-----	-----	-----	-----
Total assets.....	\$4,989.4	\$4,652.4	\$ 750.6	\$10,392.4
	-----	-----	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities:				
Notes payable.....	\$ 29.5	\$1,023.0	\$ --	\$ 1,052.5
Current portion of long-term debt.....	16.4	5.8	--	22.2
Trade accounts payable.....	331.4	432.1	--	763.5
Other accrued liabilities.....	407.2	392.1	--	799.3
	-----	-----	-----	-----
Total current liabilities.....	784.5	1,853.0	--	2,637.5
	-----	-----	-----	-----
Long-term debt.....	1,614.0	687.6	1,708.4 (2)	4,010.0
Deferred income taxes.....	367.8	199.8	--	567.6
Other liabilities.....	78.6	--	--	78.6
Minority interest.....	--	--	954.2 (7)	954.2
Shareholders' Equity:				
Class A common stock.....	13.8	5.5	(5.5) (3)	13.8
Class B common stock.....	10.3	--	--	10.3
Capital in excess of par value.....	734.8	442.5	(442.5) (3)	734.8
Retained earnings.....	1,730.5	1,537.3	(1,537.3) (3)	1,730.5
Accumulated other comprehensive income.....	(8.2)	(12.7)	12.7 (3)	(8.2)
	-----	-----	-----	-----
Treasury stock.....	2,481.2	1,972.6	(1,972.6)	2,481.2
	330.3	60.6	(60.6) (3)	330.3
Unamortized deferred compensation.....	6.4	--	--	6.4
	-----	-----	-----	-----
Total shareholders' equity.....	2,144.5	1,912.0	(1,912.0)	2,144.5
	-----	-----	-----	-----
Total liabilities and shareholders' equity.....	\$4,989.4	\$4,652.4	\$ 750.6	\$10,392.4
	=====	=====	=====	=====

See accompanying notes.

TYSON FOODS, INC.

**UNAUDITED TENDER OFFER PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME
REFLECTING ACQUISITION FOR CASH OF 50.1% OF IBP, INC.**

**FISCAL YEAR ENDED SEPTEMBER 30, 2000
(IN MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)**

	(A)	(B)	(C)	(A)+(B)+(C)
	TYSON FOODS, INC.	IBP, INC.	ADJUSTMENTS	PRO FORMA COMBINED
Sales.....	\$7,157.8	\$16,674.5	\$ --	\$23,832.3
Cost of Sales.....	6,043.4	15,630.5	--	21,673.9
	-----	-----	-----	-----
	1,114.4	1,044.0	--	2,158.4
Expenses:				
Selling, general administrative.....	765.9	552.0	--	1,317.9
Other.....	--	31.3	--	31.3
	-----	-----	-----	-----
Operating income.....	348.5	460.7	--	809.2
Other expenses:				
Interest.....	115.0	83.2	119.6 (1)	317.8
Other.....	(1.2)	--	--	(1.2)
	-----	-----	-----	-----
Income before taxes on income, accounting change and extraordinary loss.....	234.7	377.5	(119.6)	492.6
Provision for income taxes.....	83.5	142.1	(45.4) (2)	180.2
Minority interest.....	--	--	155.9 (3)	155.9
	-----	-----	-----	-----
Net income before accounting change and extraordinary loss	\$ 151.2	\$ 235.4	\$ (230.1)	\$ 156.5
	=====	=====	=====	=====
Weighted average shares outstanding:				
Basic.....	225.0	103.6		225.0
Diluted.....	226.0	107.1		226.0
Earnings per share before accounting change and extraordinary loss				
Basic.....	\$ 0.67	\$ 2.24		\$ 0.70
Diluted.....	\$ 0.67	\$ 2.17		\$ 0.69

See accompanying notes.

TYSON FOODS, INC.

**UNAUDITED TENDER OFFER PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME
REFLECTING ACQUISITION FOR CASH OF 50.1% OF IBP, INC.**

**NINE MONTHS ENDED JUNE 30, 2001
(IN MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)**

	(A)	(B)	(C)	(A)+(B)+(C)
	TYSON		PRO FORMA	
	FOODS, INC.	IBP, INC.	ADJUSTMENTS	COMBINED
Sales.....	\$5,464.8	\$12,897.0	\$ --	\$18,361.8
Cost of sales.....	4,708.1	12,214.1	--	16,922.2
	756.7	682.9	--	1,439.6
Expenses:				
Selling, general and administrative.....	608.2	511.1		1,119.3
Other.....	--	(6.9)	--	(6.9)
Operating income.....	148.5	178.7	--	327.2
Other expenses:				
Interest.....	81.1	74.1	89.7 (1)	244.9
Other.....	3.7	--	--	3.7
Income before taxes on income, accounting change and extraordinary loss.....	63.7	104.6	(89.7)	78.6
Provision for income taxes.....	22.3	48.4	(34.1) (2)	36.6
Minority interest.....	1.1	--	21.0 (3)	22.1
Net income before accounting change and extraordinary loss.....	\$ 40.3	\$ 56.2	\$(76.6)	\$ 19.9
Weighted average shares outstanding:				
Basic.....	221.7	105.9		221.7
Diluted.....	222.3	106.9		222.3
Earnings per share before accounting change and extraordinary item:				
Basic.....	\$ 0.18	\$ 0.53		\$ 0.09
Diluted.....	\$ 0.18	\$ 0.53		\$ 0.09

See accompanying notes.

**NOTES TO UNAUDITED TENDER OFFER PRO FORMA COMBINED CONDENSED
BALANCE SHEET
REFLECTING ACQUISITION FOR CASH OF 50.1% OF IBP, INC.**

The following adjustments are based upon Tyson's preliminary purchase price allocation as further described below.

(1) To record the excess of purchase price over net assets acquired as follows (in millions):

Purchase consideration:	
Cash paid for 50.1% of outstanding IBP shares (53,612,688 shares at \$30).....	\$1,608.4
Estimated acquisition expenses.....	167.0
IBP stock currently owned by Tyson.....	12.9

Total acquisition consideration.....	\$1,788.3
	=====
Total purchase price.....	\$1,788.3
Less:	
Estimated fair value of the assets of the company acquired less liabilities assumed (a) and (b).....	(957.8)

Goodwill.....	\$ 830.5
	=====

(a) Based upon currently available information Tyson has assumed for purposes of these Acquisition Unaudited Pro Forma Financial Statements that 50.1% at the book value of IBP's tangible assets and liabilities approximate their fair value. Tyson is in the process of performing a detailed analysis and outside appraisal of the fair values of the assets of IBP acquired and liabilities assumed. Based upon this detailed analysis, which has not yet been completed, the allocation of the excess purchase price over the book value of IBP may be further refined. This may result in a portion of the purchase price being further allocated to property, plant and equipment and other identifiable intangible assets with the remainder, representing goodwill. Tyson anticipates completing this detailed analysis and finalizing the purchase price allocation in fiscal 2002.

On June 29, 2001, the Financial Accounting Standards Board, or the FASB, approved the final standards resulting from its deliberations on the business combinations project. The FASB issued Financial Accounting Standards No. 141 BUSINESS COMBINATIONS, and No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS, in late July.

Statement 141 includes the criteria for the recognition of intangible assets separately from goodwill, is effective for any business combination accounted for by the purchase method that is completed after June 30, 2001. Statement 142, which includes the requirements to test goodwill and indefinite lived intangible assets for impairment rather than amortize them, will be effective for fiscal years beginning after December 15, 2001 with early adoption permitted for companies with fiscal years beginning after March 15, 2001, provided they have not yet issued their first quarter financial statements. In all cases, Statement 142 must be adopted as of the beginning of a fiscal year. The pro forma adjustments do not include any goodwill amortization.

(b) Tyson will perform a detailed analysis and measurement of the fair value of assets and liabilities assumed. Tyson anticipates completing this analysis in fiscal 2002. This may result in goodwill.

(2) To reflect incremental additional debt required to finance the acquisition. The amounts reflect the additional borrowings that will be required to purchase IBP shares for cash of \$1,708 million plus estimated remaining unfunded acquisition costs of \$100 million. A portion of IBP's debt may be retired and replaced with new debt.

(3) To eliminate IBP's stockholders' equity balances.

(4) To reclassify shares of IBP's stock currently owned by Tyson.

(5) To reclassify termination and other fees paid.

(6) To reclassify amount previously reported as excess of investments over net assets acquired to goodwill.

(7) To record minority interest.

**NOTES TO UNAUDITED TENDER OFFER PRO FORMA COMBINED CONDENSED
STATEMENTS OF INCOME
REFLECTING ACQUISITION FOR CASH OF 50.1% OF IBP, INC.**

The following adjustments are based upon Tyson's preliminary purchase price allocation as further described below.

(1) To reflect increased interest expense resulting from the acquisition debt of \$1,708 million based on an assumed interest rate of 7% representing Tyson's expected incremental interest rate for debt related to the acquisition. The effect of a 1/8% change in the interest rate is equal to approximately \$2.2 million in additional interest expense.

(2) To reflect the net tax benefit resulting from the additional interest expense at Tyson's statutory tax rates of 38%.

(3) The following schedule conforms IBP's most recent fiscal year to Tyson's fiscal year ended September 30, 2000 (in millions):

	(A)	(B)	(C)	(A) - (B) + (C)
	RESTATED	RESTATED	RESTATED	UNAUDITED
	52 WEEKS	39 WEEKS	39 WEEKS	52 WEEKS
	ENDED	ENDED	ENDED	ENDED
	12/25/99	9/25/1999	9/23/2000	9/30/00
Sales.....	\$15,121.7	\$10,985.8	\$12,538.6	\$16,674.5
Cost of sales.....	14,126.6	10,260.6	11,764.5	15,630.5
	995.1	725.2	774.1	1,044.0
Expenses:				
Selling, general and administrative.....	440.5	310.9	422.4	552.0
Other expense.....	--	--	31.3	31.3
Operating income.....	554.6	414.3	320.4	460.7
Interest expense.....	67.8	48.7	64.1	83.2
Income before taxes on income, accounting change and extraordinary loss.....	486.8	365.6	256.3	377.5
Provision for income taxes.....	168.9	124.3	97.5	142.1
Earnings before accounting change and extraordinary loss.....	\$ 317.9	\$ 241.3	\$ 158.8	\$ 235.4

(4)The following schedule conforms IBP's most recent interim period to Tyson's thirty-nine weeks ended June 30, 2001 (in millions):

	(A) 53 WEEKS ENDED 12/30/2000	(B)		(A) - (B) + (C) UNAUDITED 9 MONTHS ENDED 6/30/2001
		RESTATED UNAUDITED 39 WEEKS ENDED 9/23/2000	UNAUDITED 26 WEEKS ENDED 6/30/2001	
Sales.....	\$16,949.7	\$12,538.6	\$8,485.9	\$12,897.0
Cost of sales.....	15,913.3	11,764.5	8,065.3	12,214.1
	1,036.4	774.1	420.6	682.9
Expenses:				
Selling, general and administrative.....	658.2	422.4	275.3	511.1
Other expense (income).....	31.3	31.3	(6.9)	(6.9)
Operating income.....	346.9	320.4	152.2	178.7
Interest expense.....	88.2	64.1	50.0	74.1
Income before taxes on income, accounting change and extraordinary loss.....	258.7	256.3	102.2	104.6
Provision for income taxes.....	106.0	97.5	39.9	48.4
Earnings before accounting change and extraordinary loss.....	\$ 152.7	\$ 158.8	\$ 62.3	\$ 56.2

End of Filing