

TYSON FOODS INC

Form 10-Q

May 05, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 29, 2014

or

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

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

001-14704

(Commission File Number)

TYSON FOODS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

71-0225165

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

2200 Don Tyson Parkway, Springdale, Arkansas

(Address of principal executive offices)

(479) 290-4000

(Registrant's telephone number, including area code)

72762-6999

(Zip Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of March 29, 2014.

Class

Outstanding Shares

Class A Common Stock, \$0.10 Par Value (Class A stock)

278,405,313

Class B Common Stock, \$0.10 Par Value (Class B stock)

70,010,805

TYSON FOODS, INC.

INDEX

PART I. FINANCIAL INFORMATION

|  | PAGE      |
|--|-----------|
| Item 1. <u>Financial Statements</u>  |           |
| <u>Consolidated Condensed Statements of Income for the Three and Six Months Ended March 29, 2014, and March 30, 2013</u>               | <u>2</u>  |
| <u>Consolidated Condensed Statements of Comprehensive Income for the Three and Six Months Ended March 29, 2014, and March 30, 2013</u> | <u>3</u>  |
| <u>Consolidated Condensed Balance Sheets as of March 29, 2014, and September 28, 2013</u>  | <u>4</u>  |
| <u>Consolidated Condensed Statements of Cash Flows for the Six Months Ended March 29, 2014, and March 30, 2013</u>                     | <u>5</u>  |
| <u>Notes to Consolidated Condensed Financial Statements</u>  | <u>6</u>  |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                                   | <u>30</u> |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>  | <u>42</u> |
| Item 4. <u>Controls and Procedures</u>   | <u>43</u> |
| <u>PART II. OTHER INFORMATION</u>  |           |
| Item 1. <u>Legal Proceedings</u>   | <u>43</u> |
| Item 1A. <u>Risk Factors</u>   | <u>43</u> |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>   | <u>44</u> |
| Item 3. <u>Defaults Upon Senior Securities</u>   | <u>44</u> |
| Item 4. <u>Mine Safety Disclosures</u>   | <u>44</u> |
| Item 5. <u>Other Information</u>   | <u>45</u> |
| Item 6. <u>Exhibits</u>  | <u>46</u> |
| <u>SIGNATURES</u>  | <u>47</u> |

Table of Contents

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## TYSON FOODS, INC.

## CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(In millions, except per share data)

(Unaudited)

|  | Three Months Ended |                   | Six Months Ended  |                   |
|--|--------------------|-------------------|-------------------|-------------------|
|  | March 29,<br>2014  | March 30,<br>2013 | March 29,<br>2014 | March 30,<br>2013 |
| Sales  | \$9,032            | \$8,383           | \$17,793          | \$16,749          |
| Cost of Sales  | 8,381              | 7,915             | 16,457            | 15,742            |
| Gross Profit   | 651                | 468               | 1,336             | 1,007             |
| Selling, General and Administrative                                    | 290                | 232               | 563               | 467               |
| Operating Income   | 361                | 236               | 773               | 540               |
| Other (Income) Expense:  |                    |                   |                   |                   |
| Interest income  | (3                 | ) (2              | ) (5              | ) (3              |
| Interest expense   | 25                 | 36                | 53                | 73                |
| Other, net   | (2                 | ) (19             | ) 1               | (19               |
| Total Other (Income) Expense   | 20                 | 15                | 49                | 51                |
| Income from Continuing Operations before Income Taxes                  | 341                | 221               | 724               | 489               |
| Income Tax Expense   | 131                | 53                | 262               | 149               |
| Income from Continuing Operations                                      | 210                | 168               | 462               | 340               |
| Loss from Discontinued Operation, Net of Tax                           | —                  | (62               | ) —               | (66               |
| Net Income   | 210                | 106               | 462               | 274               |
| Less: Net Income (Loss) Attributable to Noncontrolling Interests       | (3                 | ) 11              | (5                | ) 6               |
| Net Income Attributable to Tyson                                       | \$213              | \$95              | \$467             | \$268             |
| Amounts Attributable to Tyson:   |                    |                   |                   |                   |
| Net Income from Continuing Operations                                  | 213                | 157               | 467               | 334               |
| Net Loss from Discontinued Operation                                   | —                  | (62               | ) —               | (66               |
| Net Income Attributable to Tyson                                       | \$213              | \$95              | \$467             | \$268             |
| Weighted Average Shares Outstanding:                                   |                    |                   |                   |                   |
| Class A Basic  | 273                | 283               | 272               | 284               |
| Class B Basic  | 70                 | 70                | 70                | 70                |
| Diluted  | 356                | 366               | 355               | 364               |
| Net Income Per Share from Continuing Operations Attributable to Tyson: |                    |                   |                   |                   |
| Class A Basic  | \$0.64             | \$0.45            | \$1.40            | \$0.96            |
| Class B Basic  | \$0.58             | \$0.40            | \$1.26            | \$0.86            |
| Diluted  | \$0.60             | \$0.43            | \$1.32            | \$0.92            |
| Net Loss Per Share from Discontinued Operation Attributable to Tyson:  |                    |                   |                   |                   |
| Class A Basic  | \$—                | \$(0.18           | ) \$—             | \$(0.19           |
| Class B Basic  | \$—                | \$(0.15           | ) \$—             | \$(0.16           |
| Diluted  | \$—                | \$(0.17           | ) \$—             | \$(0.18           |
| Net Income Per Share Attributable to Tyson:                            |                    |                   |                   |                   |
| Class A Basic  | \$0.64             | \$0.27            | \$1.40            | \$0.77            |

Edgar Filing: TYSON FOODS INC - Form 10-Q

|                               |         |         |         |         |
|-------------------------------|---------|---------|---------|---------|
| Class B Basic                 | \$0.58  | \$0.25  | \$1.26  | \$0.70  |
| Diluted                       | \$0.60  | \$0.26  | \$1.32  | \$0.74  |
| Dividends Declared Per Share: |         |         |         |         |
| Class A                       | \$0.075 | \$0.050 | \$0.175 | \$0.210 |
| Class B                       | \$0.068 | \$0.045 | \$0.158 | \$0.189 |

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents

TYSON FOODS, INC.

## CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

|  | Three Months Ended |                | Six Months Ended |                |   |
|--|--------------------|----------------|------------------|----------------|---|
|  | March 29, 2014     | March 30, 2013 | March 29, 2014   | March 30, 2013 |   |
| Net Income   | \$210              | \$106          | \$462            | \$274          |   |
| Other Comprehensive Income (Loss), Net of Taxes:                           |                    |                |                  |                |   |
| Derivatives accounted for as cash flow hedges                              | 7                  | (5             | ) 5              | (14            | ) |
| Investments  | —                  | (1             | ) 3              | (3             | ) |
| Currency translation   | 6                  | (15            | ) (5             | ) (16          | ) |
| Postretirement benefits  | —                  | 2              | 2                | 3              |   |
| Total Other Comprehensive Income (Loss), Net of Taxes                      | 13                 | (19            | ) 5              | (30            | ) |
| Comprehensive Income   | 223                | 87             | 467              | 244            |   |
| Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interests | (3                 | ) 11           | (5               | ) 6            |   |
| Comprehensive Income Attributable to Tyson                                 | \$226              | \$76           | \$472            | \$238          |   |
| See accompanying Notes to Consolidated Condensed Financial Statements.     |                    |                |                  |                |   |

Table of Contents

TYSON FOODS, INC.  
CONSOLIDATED CONDENSED BALANCE SHEETS  
(In millions, except share and per share data)  
(Unaudited)

|  | March 29, 2014 | September 28,<br>2013 |
|--|----------------|-----------------------|
| Assets   |                |                       |
| Current Assets:  |                |                       |
| Cash and cash equivalents  | \$438          | \$1,145               |
| Accounts receivable, net   | 1,548          | 1,497                 |
| Inventories  | 2,968          | 2,817                 |
| Other current assets   | 230            | 145                   |
| Total Current Assets   | 5,184          | 5,604                 |
| Net Property, Plant and Equipment  | 4,105          | 4,053                 |
| Goodwill   | 1,925          | 1,902                 |
| Intangible Assets  | 156            | 138                   |
| Other Assets   | 516            | 480                   |
| Total Assets   | \$11,886       | \$12,177              |
| Liabilities and Shareholders' Equity   |                |                       |
| Current Liabilities:   |                |                       |
| Current debt   | \$52           | \$513                 |
| Accounts payable   | 1,429          | 1,359                 |
| Other current liabilities  | 1,024          | 1,138                 |
| Total Current Liabilities  | 2,505          | 3,010                 |
| Long-Term Debt   | 1,888          | 1,895                 |
| Deferred Income Taxes  | 444            | 479                   |
| Other Liabilities  | 585            | 560                   |
| Commitments and Contingencies (Note 15)  |                |                       |
| Shareholders' Equity:  |                |                       |
| Common stock (\$0.10 par value):   |                |                       |
| Class A-authorized 900 million shares, issued 322 million shares   | 32             | 32                    |
| Convertible Class B-authorized 900 million shares, issued 70 million shares                                | 7              | 7                     |
| Capital in excess of par value   | 2,181          | 2,292                 |
| Retained earnings  | 5,407          | 4,999                 |
| Accumulated other comprehensive loss   | (103)          | (108)                 |
| Treasury stock, at cost – 43 million shares at March 29, 2014, and 48 million shares at September 28, 2013 | (1,088)        | (1,021)               |
| Total Tyson Shareholders' Equity   | 6,436          | 6,201                 |
| Noncontrolling Interests   | 28             | 32                    |
| Total Shareholders' Equity   | 6,464          | 6,233                 |
| Total Liabilities and Shareholders' Equity   | \$11,886       | \$12,177              |
| See accompanying Notes to Consolidated Condensed Financial Statements.                                     |                |                       |

Table of Contents

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

|  | Six Months Ended |                |
|--|------------------|----------------|
|  | March 29, 2014   | March 30, 2013 |
| Cash Flows From Operating Activities:          |                  |                |
| Net income                                     | \$462            | \$274          |
| Depreciation and amortization                  | 254              | 259            |
| Deferred income taxes                          | (24)             | (24)           |
| Convertible debt discount                      | (92)             | —              |
| Other, net                                     | 32               | 57             |
| Net changes in working capital                 | (367)            | (336)          |
| Cash Provided by Operating Activities          | 265              | 230            |
| Cash Flows From Investing Activities:          |                  |                |
| Additions to property, plant and equipment     | (293)            | (290)          |
| Purchases of marketable securities             | (21)             | (79)           |
| Proceeds from sale of marketable securities    | 18               | 16             |
| Acquisitions, net of cash acquired             | (56)             | (10)           |
| Other, net                                     | 8                | 30             |
| Cash Used for Investing Activities             | (344)            | (333)          |
| Cash Flows From Financing Activities:          |                  |                |
| Payments on debt                               | (390)            | (55)           |
| Net proceeds from borrowings                   | 14               | 37             |
| Purchases of Tyson Class A common stock        | (275)            | (188)          |
| Dividends                                      | (50)             | (70)           |
| Stock options exercised                        | 49               | 69             |
| Other, net                                     | 19               | 2              |
| Cash Used for Financing Activities             | (633)            | (205)          |
| Effect of Exchange Rate Changes on Cash        | 5                | (1)            |
| Decrease in Cash and Cash Equivalents          | (707)            | (309)          |
| Cash and Cash Equivalents at Beginning of Year | 1,145            | 1,071          |
| Cash and Cash Equivalents at End of Period     | \$438            | \$762          |

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents

TYSON FOODS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1: ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated condensed financial statements have been prepared by Tyson Foods, Inc. (“Tyson,” “the Company,” “we,” “us” or “our”). Certain information and accounting policies and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. Although we believe the disclosures contained herein are adequate to make the information presented not misleading, these consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our annual report on Form 10-K for the fiscal year ended September 28, 2013. Preparation of consolidated condensed financial statements requires us to make estimates and assumptions. These estimates and assumptions affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

We believe the accompanying consolidated condensed financial statements contain all adjustments, which are of a normal recurring nature, necessary to state fairly our financial position as of March 29, 2014, and the results of operations for the three and six months ended March 29, 2014, and March 30, 2013. Results of operations and cash flows for the periods presented are not necessarily indicative of results to be expected for the full year.

CONSOLIDATION

The consolidated condensed financial statements include the accounts of all wholly-owned subsidiaries, as well as majority-owned subsidiaries over which we exercise control and, when applicable, entities for which we have a controlling financial interest or variable interest entities for which we are the primary beneficiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

VARIABLE INTEREST ENTITIES

We have an investment in a joint venture, Dynamic Fuels LLC (Dynamic Fuels), in which we have a 50 percent ownership interest. Dynamic Fuels qualifies as a variable interest entity for which we consolidate as we are the primary beneficiary. At March 29, 2014, Dynamic Fuels had \$154 million of total assets, of which \$137 million was net property, plant and equipment, and \$114 million of total liabilities, of which \$100 million was long-term debt. At September 28, 2013, Dynamic Fuels had \$166 million of total assets, of which \$142 million was net property, plant and equipment, and \$113 million of total liabilities, of which \$100 million was long-term debt.

SHARE REPURCHASES

A summary of cumulative share repurchases of our Class A stock is as follows (in millions):

|   | Three Months Ended |         |                |         | Six Months Ended |         |                |         |
|---|--------------------|---------|----------------|---------|------------------|---------|----------------|---------|
|   | March 29, 2014     |         | March 30, 2013 |         | March 29, 2014   |         | March 30, 2013 |         |
|   | Shares             | Dollars | Shares         | Dollars | Shares           | Dollars | Shares         | Dollars |
| Shares repurchased:   |                    |         |                |         |                  |         |                |         |
| Under share repurchase program                              | 2.5                | \$100   | 2.1            | \$50    | 7.1              | \$250   | 7.2            | \$150   |
| To fund certain obligations under equity compensation plans | 0.4                | 16      | 1.1            | 23      | 0.7              | 25      | 1.9            | 38      |
| Total share repurchases                                     | 2.9                | \$116   | 3.2            | \$73    | 7.8              | \$275   | 9.1            | \$188   |

On January 30, 2014, our Board of Directors approved an increase of 25 million shares authorized for repurchase under our share repurchase program. As of March 29, 2014, 32.1 million shares remained available for repurchases under this program. The share repurchase program has no fixed or scheduled termination date and the timing and extent to which we repurchase shares will depend upon, among other things, our working capital needs, markets, industry conditions, liquidity targets, limitations under our debt obligations and regulatory requirements. In addition to the share repurchase program, we purchase shares on the open market to fund certain obligations under our equity compensation plans.



**RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

In December 2011 and February 2013, the Financial Accounting Standards Board (FASB) issued guidance enhancing disclosures related to offsetting of certain assets and liabilities. This guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. We adopted this guidance in the first quarter of fiscal 2014. The adoption did not have a significant impact on our consolidated condensed financial statements.

Table of Contents**RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In April 2014, the FASB issued guidance changing the criteria for reporting discontinued operations. The guidance also modifies the related disclosure requirements. The guidance is effective on a prospective basis for annual reporting periods beginning after December 15, 2014, and interim periods within annual periods beginning on or after December 15, 2015. Early adoption is permitted. This new guidance is not expected to have a material impact on our consolidated condensed financial statements.

**NOTE 2: ACQUISITIONS**

During the second quarter of fiscal 2014 we acquired one value-added food business as part of our strategic expansion initiative, which is included in our Prepared Foods segment. The aggregate purchase price of the acquisition was \$56 million, which included \$12 million for property, plant and equipment, \$27 million allocated to Intangible Assets and \$18 million allocated to Goodwill.

During fiscal 2013, we acquired two value-added food businesses as part of our strategic expansion initiative, which are included in our Prepared Foods segment. The aggregate purchase price of the acquisitions were \$106 million, which included \$50 million for property, plant and equipment, \$41 million allocated to Intangible Assets and \$12 million allocated to Goodwill.

**NOTE 3: DISCONTINUED OPERATION**

After conducting an assessment during fiscal 2013 of our long-term business strategy in China, we determined our Weifang operation (Weifang), which was previously part of our Chicken segment, was no longer core to the execution of our strategy given the capital investment it required to execute our future business plan. Consequently, we conducted an impairment test and recorded a \$56 million impairment charge in the second quarter of fiscal 2013. We subsequently sold Weifang which resulted in reporting it as a discontinued operation. The sale was completed in July 2013 and did not result in a significant gain or loss as its carrying value approximated the sales proceeds at the time of sale. Weifang's prior periods results, including the impairment charge, have been reclassified and presented as a discontinued operation in our Consolidated Condensed Statements of Income. The following is a summary of the discontinued operation's results (in millions):

|  | Three Months Ended |                | Six Months Ended |                |   |
|--|--------------------|----------------|------------------|----------------|---|
|  | March 29, 2014     | March 30, 2013 | March 29, 2014   | March 30, 2013 |   |
| Sales  | \$—                | \$36           | \$—              | \$72           |   |
| Pretax loss                                  | —                  | (62            | ) —              | (66            | ) |
| Income tax expense                           | —                  | —              | —                | —              |   |
| Loss from discontinued operation, net of tax | \$—                | \$(62          | ) \$—            | \$(66          | ) |

**NOTE 4: INVENTORIES**

Processed products, livestock and supplies and other are valued at the lower of cost or market. Cost includes purchased raw materials, live purchase costs, growout costs (primarily feed, contract grower pay and catch and haul costs), labor and manufacturing and production overhead, which are related to the purchase and production of inventories. Total inventory consists of the following (in millions):

|   | March 29, 2014 | September 28, 2013 |
|---|----------------|--------------------|
| Processed products:   |                |                    |
| Weighted-average method – chicken, prepared foods and international | \$745          | \$799              |
| First-in, first-out method – beef and pork                          | 713            | 624                |
| Livestock – first-in, first-out method                              | 1,109          | 1,002              |
| Supplies and other – weighted-average method                        | 401            | 392                |
| Total inventory   | \$2,968        | \$2,817            |

Table of Contents

## NOTE 5: PROPERTY, PLANT AND EQUIPMENT

The major categories of property, plant and equipment and accumulated depreciation are as follows (in millions):

|  | March 29, 2014 | September 28,<br>2013 |
|--|----------------|-----------------------|
| Land                                       | \$ 102         | \$ 100                |
| Buildings and leasehold improvements       | 2,983          | 2,945                 |
| Machinery and equipment                    | 5,615          | 5,504                 |
| Land improvements and other                | 423            | 417                   |
| Buildings and equipment under construction | 293            | 236                   |
|  | 9,416          | 9,202                 |
| Less accumulated depreciation              | 5,311          | 5,149                 |
| Net property, plant and equipment          | \$4,105        | \$4,053               |

## NOTE 6: OTHER CURRENT LIABILITIES

Other current liabilities are as follows (in millions):

|                                      | March 29, 2014 | September 28,<br>2013 |
|--------------------------------------|----------------|-----------------------|
| Accrued salaries, wages and benefits | \$ 324         | \$ 419                |
| Self-insurance reserves              | 269            | 267                   |
| Other                                | 431            | 452                   |
| Total other current liabilities      | \$ 1,024       | \$ 1,138              |

## NOTE 7: DEBT

The major components of debt are as follows (in millions):

|  | March 29, 2014 | September 28,<br>2013 |
|--|----------------|-----------------------|
| Revolving credit facility                                      | \$—            | \$—                   |
| Senior notes:  |                |                       |
| 3.25% Convertible senior notes due October 2013 (2013 Notes)   | —              | 458                   |
| 6.60% Senior notes due April 2016 (2016 Notes)                 | 638            | 638                   |
| 7.00% Notes due May 2018                                       | 120            | 120                   |
| 4.50% Senior notes due June 2022 (2022 Notes)                  | 1,000          | 1,000                 |
| 7.00% Notes due January 2028                                   | 18             | 18                    |
| Discount on senior notes                                       | (5             | ) (6                  |
| GO Zone tax-exempt bonds due October 2033 (0.07% at 3/29/2014) | 100            | 100                   |
| Other  | 69             | 80                    |
| Total debt   | 1,940          | 2,408                 |
| Less current debt  | 52             | 513                   |
| Total long-term debt   | \$ 1,888       | \$ 1,895              |

## Revolving Credit Facility

We have a \$1.0 billion revolving credit facility that supports short-term funding needs and letters of credit. The facility will mature and the commitments thereunder will terminate in August 2017. After reducing the amount available by outstanding letters of credit issued under this facility, the amount available for borrowing at March 29, 2014, was \$955 million. At March 29, 2014, we had outstanding letters of credit issued under this facility totaling \$45 million, none of which were drawn upon. We had an additional \$145 million of bilateral letters of credit issued separately from the revolving credit facility, none of which were drawn upon. Our letters of credit are issued primarily in support of workers' compensation insurance programs, derivative activities and Dynamic Fuels' Gulf Opportunity Zone tax-exempt bonds.

## Table of Contents

The revolving credit facility is unsecured. However, if at any time (the Collateral Trigger Date) we shall fail to have (a) a corporate rating from Moody's Investors Service, Inc. (Moody's) of "Ba1" or better, (b) a corporate rating from Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (S&P), of "BB+" or better, or (c) a corporate rating from Fitch Ratings, a wholly owned subsidiary of Fimalac, S.A. (Fitch), of "BB+" or better, we, any subsidiary that has guaranteed any material indebtedness of the Company, and substantially all of our other domestic subsidiaries shall be required to secure the obligations under the credit agreement and related documents with a first-priority perfected security interest in our and such subsidiary's cash, deposit and securities accounts, accounts receivable and related assets, inventory and proceeds of any of the foregoing (the Collateral Requirement). If on any date prior to any Collateral Trigger Date we shall have (a) a corporate rating from Moody's of "Baa2" or better, (b) a corporate rating from S&P of "BBB" or better and (c) a corporate rating from Fitch of "BBB" or better, in each case with stable or better outlook, then the Collateral Requirement will no longer be effective.

This facility is fully guaranteed by Tyson Fresh Meats, Inc. (TFM Parent), our wholly owned subsidiary, until such date TFM Parent is released from all of its guarantees of other material indebtedness. If in the future any of our other subsidiaries shall guarantee any of our material indebtedness, such subsidiary shall also be required to guarantee the indebtedness, obligations and liabilities under this facility.

### 2013 Notes

In September 2008, we issued \$458 million principal amount 3.25% convertible senior unsecured notes which were due October 15, 2013. In connection with the issuance of the 2013 Notes, we entered into separate call option and warrant transactions with respect to our Class A stock to minimize the potential economic dilution upon conversion of the 2013 Notes. The call options contractually expired upon the maturity of the 2013 Notes. The 2013 Notes matured on October 15, 2013 at which time we paid the \$458 million principal value with cash on hand, and settled the conversion premium by issuing 11.7 million shares of our Class A stock from available treasury shares. Simultaneous to the settlement of the conversion premium, we received 11.7 million shares of our Class A stock from the call options.

The warrants were settled on various dates from January 2014 through April 2014, resulting in the issuance of 8.9 million shares of Class A stock through March 2014 and 2.8 million shares of Class A stock in April 2014.

### 2016 Notes

The 2016 Notes carry an interest rate at issuance of 6.60%, with an interest step up feature dependent on their credit rating. On June 7, 2012, Moody's upgraded the credit rating of the 2016 Notes from "Ba1" to "Baa3." This upgrade decreased the interest rate on the 2016 Notes from 6.85% to 6.60%, effective beginning with the six-month interest payment due October 1, 2012.

On February 11, 2013, S&P upgraded the credit rating of the 2016 Notes from "BBB-" to "BBB." This upgrade did not impact the interest rate on the 2016 Notes.

### 2022 Notes

In June 2012, we issued \$1.0 billion of senior unsecured notes, which will mature in June 2022. The 2022 Notes carry a 4.50% interest rate, with interest payments due semi-annually on June 15 and December 15. After the original issue discount of \$5 million, based on an issue price of 99.458%, we received net proceeds of \$995 million. In addition, we incurred offering expenses of \$9 million.

### GO Zone Tax-Exempt Bonds

In October 2008, Dynamic Fuels received \$100 million in proceeds from the sale of Gulf Opportunity Zone tax-exempt bonds made available by the federal government to the regions affected by Hurricanes Katrina and Rita in 2005. These floating rate bonds are due October 1, 2033. We issued a letter of credit to effectively guarantee the bond issuance. If any amounts are disbursed related to this guarantee, we would seek recovery of 50% (up to \$50 million) from Syntroleum Corporation, our joint venture partner, in accordance with our 2008 warrant agreement with Syntroleum Corporation.

### Debt Covenants

Our revolving credit facility contains affirmative and negative covenants that, among other things, may limit or restrict our ability to: create liens and encumbrances; incur debt; merge, dissolve, liquidate or consolidate; dispose of or transfer assets; change the nature of our business; engage in certain transactions with affiliates; and enter into

sale/leaseback or hedging transactions, in each case, subject to certain qualifications and exceptions. In addition, we are required to maintain minimum interest expense coverage and maximum debt-to-capitalization ratios. Our 2022 Notes also contain affirmative and negative covenants that, among other things, may limit or restrict our ability to: create liens; engage in certain sale/leaseback transactions; and engage in certain consolidations, mergers and sales of assets.

We were in compliance with all debt covenants at March 29, 2014.

Table of Contents

**NOTE 8: INCOME TAXES**

The effective tax rate for continuing operations was 38.3% and 23.9% for the second quarter of fiscal 2014 and 2013, respectively, and 36.2% and 30.4% for the first six months of fiscal 2014 and 2013, respectively. The effective tax rates for the second quarter and first six months of fiscal 2014 and fiscal 2013 were impacted by such items as the domestic production deduction, state income taxes and losses in foreign jurisdictions for which no benefit is recognized. The effective tax rates for the second quarter and first six months of fiscal 2013 were also impacted by the non-taxable currency translation adjustment gain, the retroactive extension of tax credits, and the change in tax reserves.

Unrecognized tax benefits were \$169 million and \$175 million at March 29, 2014, and September 28, 2013, respectively. The amount of unrecognized tax benefits, if recognized, that would impact our effective tax rate was \$144 million and \$149 million at March 29, 2014, and September 28, 2013, respectively.

We classify interest and penalties on unrecognized tax benefits as income tax expense. At March 29, 2014, and September 28, 2013, before tax benefits, we had \$72 million and \$63 million, respectively, of accrued interest and penalties on unrecognized tax benefits.

We are subject to income tax examinations for U.S. federal income taxes for fiscal years 2007 through 2012. We are also subject to income tax examinations by major state and foreign jurisdictions for fiscal years 2003 through 2012 and 2002 through 2012, respectively. We estimate that during the next twelve months it is reasonably possible that unrecognized tax benefits could decrease by as much as \$42 million primarily due to expiration of statutes of limitations in various jurisdictions and settlements with taxing authorities.

**NOTE 9: OTHER INCOME AND CHARGES**

During the first six months of fiscal 2014, we recorded \$4 million of equity earnings in joint ventures, \$1 million in net foreign currency exchange gains and \$6 million of other than temporary impairment related to an available-for-sale security, which were recorded in the Consolidated Condensed Statements of Income in Other, net. During the second quarter and first six months of fiscal 2013, we recorded a \$19 million currency translation adjustment gain recognized in conjunction with the receipt of proceeds constituting the final resolution of our investment in Canada, which was recorded in the Consolidated Condensed Statements of Income in Other, net.

Table of Contents

## NOTE 10: EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (in millions, except per share data):

|  | Three Months Ended |                   | Six Months Ended  |                   |
|--|--------------------|-------------------|-------------------|-------------------|
|  | March 29,<br>2014  | March 30,<br>2013 | March 29,<br>2014 | March 30,<br>2013 |
| Numerator:   |                    |                   |                   |                   |
| Income from continuing operations  | \$210              | \$168             | \$462             | \$340             |
| Less: Net income (loss) attributable to noncontrolling interests   | (3                 | ) 11              | (5                | ) 6               |
| Net income from continuing operations attributable to Tyson  | 213                | 157               | 467               | 334               |
| Less dividends declared:   |                    |                   |                   |                   |
| Class A  | 20                 | 14                | 48                | 60                |
| Class B  | 5                  | 3                 | 11                | 13                |
| Undistributed earnings   | \$188              | \$140             | \$408             | \$261             |
| Class A undistributed earnings   | \$153              | \$114             | \$332             | \$213             |
| Class B undistributed earnings   | 35                 | 26                | 76                | 48                |
| Total undistributed earnings   | \$188              | \$140             | \$408             | \$261             |
| Denominator:   |                    |                   |                   |                   |
| Denominator for basic earnings per share:  |                    |                   |                   |                   |
| Class A weighted average shares  | 273                | 283               | 272               | 284               |
| Class B weighted average shares, and shares under the if-converted method for diluted earnings per share | 70                 | 70                | 70                | 70                |
| Effect of dilutive securities:   |                    |                   |                   |                   |
| Stock options and restricted stock   | 6                  | 5                 | 5                 | 5                 |
| Convertible 2013 Notes   | —                  | 8                 | —                 | 5                 |
| Warrants   | 7                  | —                 | 8                 | —                 |
| Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversions    | 356                | 366               | 355               | 364               |
| Net Income Per Share from Continuing Operations  |                    |                   |                   |                   |
| Attributable to Tyson:   |                    |                   |                   |                   |
| Class A Basic  | \$0.64             | \$0.45            | \$1.40            | \$0.96            |
| Class B Basic  | \$0.58             | \$0.40            | \$1.26            | \$0.86            |
| Diluted  | \$0.60             | \$0.43            | \$1.32            | \$0.92            |
| Net Income Per Share Attributable to Tyson:  |                    |                   |                   |                   |
| Class A Basic  | \$0.64             | \$0.27            | \$1.40            | \$0.77            |
| Class B Basic  | \$0.58             | \$0.25            | \$1.26            | \$0.70            |
| Diluted  | \$0.60             | \$0.26            | \$1.32            | \$0.74            |

Approximately 4 million of our stock-based compensation shares were antidilutive for both the three and six months ended March 29, 2014. Approximately 4 million and 7 million shares were antidilutive for the three and six months ended March 30, 2013, respectively. These shares were not included in the dilutive earnings per share calculation. We have two classes of capital stock, Class A stock and Class B stock. Cash dividends cannot be paid to holders of Class B stock unless they are simultaneously paid to holders of Class A stock. The per share amount of cash dividends paid to holders of Class B stock cannot exceed 90% of the cash dividends paid to holders of Class A stock. We allocate undistributed earnings based upon a 1 to 0.9 ratio per share to Class A stock and Class B stock, respectively. We allocate undistributed earnings based on this ratio due to historical dividend patterns, voting control

of Class B shareholders and contractual limitations of dividends to Class B stock.

11

---



Table of Contents

## NOTE 11: DERIVATIVE FINANCIAL INSTRUMENTS

Our business operations give rise to certain market risk exposures mostly due to changes in commodity prices, foreign currency exchange rates and interest rates. We manage a portion of these risks through the use of derivative financial instruments, primarily futures and options, to reduce our exposure to commodity price risk, foreign currency risk and interest rate risk. Forward contracts on various commodities, including grains, livestock and energy, are primarily entered into to manage the price risk associated with forecasted purchases of these inputs used in our production processes. Foreign exchange forward contracts are entered into to manage the fluctuations in foreign currency exchange rates, primarily as a result of certain receivable and payable balances. We also periodically utilize interest rate swaps to manage interest rate risk associated with our variable-rate borrowings.

Our risk management programs are periodically reviewed by our Board of Directors' Audit Committee. These programs are monitored by senior management and may be revised as market conditions dictate. Our current risk management programs utilize industry-standard models that take into account the implicit cost of hedging. Risks associated with our market risks and those created by derivative instruments and the fair values are strictly monitored, using Value-at-Risk and stress tests. Credit risks associated with our derivative contracts are not significant as we minimize counterparty concentrations, utilize margin accounts or letters of credit, and deal with credit-worthy counterparties. Additionally, our derivative contracts are mostly short-term in duration and we generally do not make use of credit-risk-related contingent features. No significant concentrations of credit risk existed at March 29, 2014. We recognize all derivative instruments as either assets or liabilities at fair value in the Consolidated Condensed Balance Sheets, with the exception of normal purchases and normal sales expected to result in physical delivery. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, we designate the hedging instrument based upon the exposure being hedged (i.e., cash flow hedge or fair value hedge). We qualify, or designate, a derivative financial instrument as a hedge when contract terms closely mirror those of the hedged item, providing a high degree of risk reduction and correlation. If a derivative instrument is accounted for as a hedge, depending on the nature of the hedge, changes in the fair value of the instrument either will be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or be recognized in other comprehensive income (loss) (OCI) until the hedged item is recognized in earnings. The ineffective portion of an instrument's change in fair value is recognized in earnings immediately. We designate certain forward contracts as follows:

- Cash Flow Hedges - include certain commodity forward and option contracts of forecasted purchases (i.e., grains) and certain foreign exchange forward contracts.

- Fair Value Hedges - include certain commodity forward contracts of firm commitments (i.e., livestock).

## Cash flow hedges

Derivative instruments, such as futures and options, are designated as hedges against changes in the amount of future cash flows related to procurement of certain commodities utilized in our production processes. We do not purchase forward and option commodity contracts in excess of our physical consumption requirements and generally do not hedge forecasted transactions beyond 18 months. The objective of these hedges is to reduce the variability of cash flows associated with the forecasted purchase of those commodities. For the derivative instruments we designate and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses representing hedge ineffectiveness are recognized in earnings in the current period. Ineffectiveness related to our cash flow hedges was not significant for the three and six months ended March 29, 2014, and March 30, 2013.

We had the following aggregated notional values of outstanding forward and option contracts accounted for as cash flow hedges (in millions, except soy meal tons):

|            | Metric  | March 29, 2014 | September 28, 2013 |
|------------|---------|----------------|--------------------|
| Commodity: |         |                |                    |
| Corn       | Bushels | 4              | 5                  |

Edgar Filing: TYSON FOODS INC - Form 10-Q

|                  |                      |        |        |
|------------------|----------------------|--------|--------|
| Soy meal         | Tons                 | 70,300 | 96,800 |
| Foreign Currency | United States dollar | \$31   | \$60   |

12

---

Table of Contents

As of March 29, 2014, the net amounts expected to be reclassified into earnings within the next 12 months are pretax gains of \$2 million related to grains. During the three and six months ended March 29, 2014, and March 30, 2013, we did not reclassify significant pretax gains/losses into earnings as a result of the discontinuance of cash flow hedges due to the probability the original forecasted transaction would not occur by the end of the originally specified time period or within the additional period of time allowed by generally accepted accounting principles.

The following table sets forth the pretax impact of cash flow hedge derivative instruments on the Consolidated Condensed Statements of Income (in millions):

|  | Gain/(Loss)<br>Recognized in OCI<br>On Derivatives<br>Three Months Ended |                   | Consolidated Condensed<br>Statements of Income<br>Classification | Gain/(Loss)<br>Reclassified from<br>OCI to Earnings<br>Three Months Ended |                   |
|--|--|-------------------|--|---|-------------------|
|  | March 29,<br>2014  | March 30,<br>2013 |  | March 29,<br>2014   | March 30,<br>2013 |
| Cash Flow Hedge – Derivatives<br>designated as hedging<br>instruments: |  |                   |  |   |                   |
| Commodity contracts  | \$8  | \$(10)            | ) Cost of Sales  | \$(3)   | \$(7)             |
| Foreign exchange contracts   | —  | (5)               | ) Other Income/Expense   | —   | —                 |
| Total  | \$8  | \$(15)            | )  | \$(3)   | \$(7)             |

|  | Gain/(Loss)<br>Recognized in OCI<br>On Derivatives<br>Six Months Ended |                   | Consolidated Condensed<br>Statements of Income<br>Classification | Gain/(Loss)<br>Reclassified from<br>OCI to Earnings<br>Six Months Ended |                   |
|--|--|-------------------|--|---|-------------------|
|  | March 29,<br>2014  | March 30,<br>2013 |  | March 29,<br>2014   | March 30,<br>2013 |
| Cash Flow Hedge – Derivatives<br>designated as hedging<br>instruments: |  |                   |  |   |                   |
| Commodity contracts  | \$6  | \$(23)            | ) Cost of Sales  | \$(3)   | \$(3)             |
| Foreign exchange contracts   | (1)  | (5)               | ) Other Income/Expense   | —   | (2)               |
| Total  | \$5  | \$(28)            | )  | \$(3)   | \$(5)             |

## Fair value hedges

We designate certain futures contracts as fair value hedges of firm commitments to purchase livestock for slaughter. Our objective of these hedges is to minimize the risk of changes in fair value created by fluctuations in commodity prices associated with fixed price livestock firm commitments. We had the following aggregated notional values of outstanding forward contracts entered into to hedge firm commitments which are accounted for as a fair value hedge (in millions):

|             | Metric | March 29, 2014 | September 28, 2013 |
|-------------|--------|----------------|--------------------|
| Commodity:  |        |                |                    |
| Live Cattle | Pounds | 358            | 209                |
| Lean Hogs   | Pounds | 470            | 384                |

For these derivative instruments we designate and qualify as a fair value hedge, the gain or loss on the derivative, as well as the offsetting gain or loss on the hedged item attributable to the hedged risk, are recognized in earnings in the same period. We include the gain or loss on the hedged items (i.e., livestock purchase firm commitments) in the same line item, Cost of Sales, as the offsetting gain or loss on the related livestock forward position.

in millions

Consolidated Condensed Three Months Ended Six Months Ended

Edgar Filing: TYSON FOODS INC - Form 10-Q

|                                  | Statements of Income<br>Classification | March 29,<br>2014 | March 30,<br>2013 | March 29,<br>2014 | March 30,<br>2013 |
|----------------------------------|--|-------------------|-------------------|-------------------|-------------------|
| Gain/(Loss) on forwards          | Cost of Sales                          | \$(34 )           | \$11              | \$(40 )           | \$15              |
| Gain/(Loss) on purchase contract | Cost of Sales                          | 34                | (11 )             | 40                | (15 )             |

Ineffectiveness related to our fair value hedges was not significant for the three and six months ended March 29, 2014, and March 30, 2013.

Table of Contents

## Undesignated positions

In addition to our designated positions, we also hold forward and option contracts for which we do not apply hedge accounting. These include certain derivative instruments related to commodities price risk, including grains, livestock, energy and foreign currency risk. We mark these positions to fair value through earnings at each reporting date. We generally do not enter into undesignated positions beyond 18 months.

The objective of our undesignated grains, livestock and energy commodity positions is to reduce the variability of cash flows associated with the forecasted purchase of certain grains, energy and livestock inputs to our production processes. We also enter into certain forward sales of boxed beef and boxed pork and forward purchases of cattle and hogs at fixed prices. The fixed price sales contracts lock in the proceeds from a future sale and the fixed cattle and hog purchases lock in the cost. However, the cost of the livestock and the related boxed beef and boxed pork market prices at the time of the sale or purchase could vary from this fixed price. As we enter into fixed forward sales of boxed beef and boxed pork and forward purchases of cattle and hogs, we also enter into the appropriate number of livestock options and futures positions to mitigate a portion of this risk. Changes in market value of the open livestock options and futures positions are marked to market and reported in earnings at each reporting date, even though the economic impact of our fixed prices being above or below the market price is only realized at the time of sale or purchase. These positions generally do not qualify for hedge treatment due to location basis differences between the commodity exchanges and the actual locations when we purchase the commodities.

We have a foreign currency cash flow hedging program to hedge portions of forecasted transactions denominated in foreign currencies, primarily with forward and option contracts, to protect against the reduction in value of forecasted foreign currency cash flows. Our undesignated foreign currency positions generally would qualify for cash flow hedge accounting. However, to reduce earnings volatility, we normally will not elect hedge accounting treatment when the position provides an offset to the underlying related transaction that impacts current earnings.

We had the following aggregate outstanding notional values related to our undesignated positions (in millions, except soy meal tons):

|                  | Metric                | March 29, 2014 | September 28, 2013 |
|------------------|-----------------------|----------------|--------------------|
| Commodity:       |                       |                |                    |
| Corn             | Bushels               | 35             | 69                 |
| Soy Meal         | Tons                  | 274,400        | 204,600            |
| Soy Oil          | Pounds                | 35             | 11                 |
| Live Cattle      | Pounds                | 137            | 60                 |
| Lean Hogs        | Pounds                | 153            | 159                |
| Foreign Currency | United States dollars | \$100          | \$95               |

The following table sets forth the pretax impact of the undesignated derivative instruments on the Consolidated Condensed Statements of Income (in millions):

|  | Consolidated Condensed Statements of Income Classification | Gain/(Loss) Recognized in Earnings Three Months Ended |                | Gain/(Loss) Recognized in Earnings Six Months Ended |                |
|--|--|---|----------------|---|----------------|
|  |  | March 29, 2014  | March 30, 2013 | March 29, 2014                                      | March 30, 2013 |
| Derivatives not designated as hedging instruments: |  |   |                |   |                |
| Commodity contracts                                | Sales  | \$30  | \$(23)         | \$32  | \$(12)         |
| Commodity contracts                                | Cost of Sales  | (40)  | —              | (42)  | (7)            |
| Foreign exchange contracts                         | Other Income/Expense                                       | 2   | 1              | 1   | 2              |
| Total  |  | \$(8)   | \$(22)         | \$(9)   | \$(17)         |

Table of Contents

The following table sets forth the fair value of all derivative instruments outstanding in the Consolidated Condensed Balance Sheets (in millions):

|  | Fair Value     |                    |
|--|----------------|--------------------|
|  | March 29, 2014 | September 28, 2013 |
| Derivative Assets:                                 |                |                    |
| Derivatives designated as hedging instruments:     |                |                    |
| Commodity contracts                                | \$5            | \$4                |
| Foreign exchange contracts                         | —              | 1                  |
| Total derivative assets – designated               | 5              | 5                  |
| Derivatives not designated as hedging instruments: |                |                    |
| Commodity contracts                                | 45             | 25                 |
| Foreign exchange contracts                         | 1              | 2                  |
| Total derivative assets – not designated           | 46             | 27                 |
| Total derivative assets                            | \$51           | \$32               |
| Derivative Liabilities:                            |                |                    |
| Derivatives designated as hedging instruments:     |                |                    |
| Commodity contracts                                | \$119          | \$29               |
| Foreign exchange contracts                         | —              | —                  |
| Total derivative liabilities – designated          | 119            | 29                 |
| Derivatives not designated as hedging instruments: |                |                    |
| Commodity contracts                                | 66             | 72                 |
| Foreign exchange contracts                         | 1              | 1                  |
| Total derivative liabilities – not designated      | 67             | 73                 |
| Total derivative liabilities                       | \$186          | \$102              |

Our derivative assets and liabilities are presented in our Consolidated Condensed Balance Sheets on a net basis. We net derivative assets and liabilities, including cash collateral when a legally enforceable master netting arrangement exists between the counterparty to a derivative contract and us. See Note 12: Fair Value Measurements for a reconciliation to amounts reported in the Consolidated Condensed Balance Sheets in Other current assets and Other current liabilities.

**NOTE 12: FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy contains three levels as follows:

Level 1 — Unadjusted quoted prices available in active markets for the identical assets or liabilities at the measurement date.

Level 2 — Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets in non-active markets;

Inputs other than quoted prices that are observable for the asset or liability; and

Inputs derived principally from or corroborated by other observable market data.

Level 3 — Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The fair value hierarchy requires the use of observable market data when available. In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input significant to the fair value measurement in its entirety. Our assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

Table of Contents

The following tables set forth by level within the fair value hierarchy our financial assets and liabilities accounted for at fair value on a recurring basis according to the valuation techniques we used to determine their fair values (in millions):

| March 29, 2014                     | Level 1 | Level 2 | Level 3 | Netting (a) | Total |
|------------------------------------|---------|---------|---------|-------------|-------|
| Assets:                            |         |         |         |             |       |
| Commodity Derivatives              | \$—     | \$50    | \$—     | \$(35)      | \$15  |
| Foreign Exchange Forward Contracts | —       | 1       | —       | —           | 1     |
| Available-for-Sale Securities:     |         |         |         |             |       |
| Current                            | —       | 2       | —       | —           | 2     |
| Non-current                        | 3       | 24      | 67      | —           | 94    |
| Deferred Compensation Assets       | 12      | 214     | —       | —           | 226   |
| Total Assets                       | \$15    | \$291   | \$67    | \$(35)      | \$338 |
| Liabilities:                       |         |         |         |             |       |
| Commodity Derivatives              | \$—     | \$185   | \$—     | \$(183)     | \$2   |
| Foreign Exchange Forward Contracts | —       | 1       | —       | —           | 1     |
| Total Liabilities                  | \$—     | \$186   | \$—     | \$(183)     | \$3   |
| September 28, 2013                 | Level 1 | Level 2 | Level 3 | Netting (a) | Total |
| Assets:                            |         |         |         |             |       |
| Commodity Derivatives              | \$—     | \$29    | \$—     | \$(21)      | \$8   |
| Foreign Exchange Forward Contracts | —       | 3       | —       | (1)         | 2     |
| Available-for-Sale Securities:     |         |         |         |             |       |
| Current                            | —       | 1       | —       | —           | 1     |
| Non-current                        | 4       | 24      | 65      | —           | 93    |
| Deferred Compensation Assets       | 23      | 191     | —       | —           | 214   |
| Total Assets                       | \$27    | \$248   | \$65    | \$(22)      | \$318 |
| Liabilities:                       |         |         |         |             |       |
| Commodity Derivatives              | \$—     | \$101   | \$—     | \$(101)     | \$—   |
| Foreign Exchange Forward Contracts | —       | 1       | —       | —           | 1     |
| Total Liabilities                  | \$—     | \$102   | \$—     | \$(101)     | \$1   |

Our derivative assets and liabilities are presented in our Consolidated Condensed Balance Sheets on a net basis. We net derivative assets and liabilities, including cash collateral, when a legally enforceable master netting (a) arrangement exists between the counterparty to a derivative contract and us. At March 29, 2014, and September 28, 2013, we had posted with various counterparties \$148 million and \$79 million, respectively, of cash collateral related to our commodity derivatives and held no cash collateral.



Table of Contents

The following table provides a reconciliation between the beginning and ending balance of debt securities measured at fair value on a recurring basis in the table above that used significant unobservable inputs (Level 3) (in millions):

|   | Six Months Ended |                |
|---|------------------|----------------|
|   | March 29, 2014   | March 30, 2013 |
| Balance at beginning of year  | \$65             | \$86           |
| Total realized and unrealized gains (losses):   |                  |                |
| Included in earnings  | —                | 1              |
| Included in other comprehensive income (loss)   | —                | —              |
| Purchases   | 15               | 9              |
| Issuances   | —                | —              |
| Settlements   | (13              | ) (31          |
| Balance at end of period  | \$67             | \$65           |
| Total gains (losses) for the six-month period included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at end of period | \$—              | \$—            |

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

**Derivative Assets and Liabilities:** Our commodities and foreign exchange forward contracts primarily include exchange-traded and over-the-counter contracts which are further described in Note 11: Derivative Financial Instruments. We record our commodity derivatives at fair value using quoted market prices adjusted for credit and non-performance risk and internal models that use as their basis readily observable market inputs including current and forward commodity market prices. Our foreign exchange forward contracts are recorded at fair value based on quoted prices and spot and forward currency prices adjusted for credit and non-performance risk. We classify these instruments in Level 2 when quoted market prices can be corroborated utilizing observable current and forward commodity market prices on active exchanges or observable market transactions of spot currency rates and forward currency prices.

**Available-for-Sale Securities:** Our investments in marketable debt securities are classified as available-for-sale and are reported at fair value based on pricing models and quoted market prices adjusted for credit and non-performance risk. Short-term investments with maturities of less than 12 months are included in Other current assets in the Consolidated Condensed Balance Sheets and primarily include certificates of deposit and commercial paper. All other marketable debt securities are included in Other Assets in the Consolidated Condensed Balance Sheets and have maturities ranging up to 35 years. We classify our investments in U.S. government, U.S. agency, certificates of deposit and commercial paper debt securities as Level 2 as fair value is generally estimated using discounted cash flow models that are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other readily available relevant economic measures. We classify certain corporate, asset-backed and other debt securities as Level 3 as there is limited activity or less observable inputs into valuation models, including current interest rates and estimated prepayment, default and recovery rates on the underlying portfolio or structured investment vehicle. Significant changes to assumptions or unobservable inputs in the valuation of our Level 3 instruments would not have a significant impact to our consolidated condensed financial statements.

Additionally, we have 0.8 million shares of Syntroleum Corporation common stock and 0.4 million warrants, which expire in June 2015, to purchase an equivalent amount of Syntroleum Corporation common stock at an average price of \$28.70. We record the shares and warrants in Other Assets in the Consolidated Condensed Balance Sheets at fair value based on quoted market prices. We classify the shares as Level 1 as the fair value is based on unadjusted quoted prices available in active markets. We classify the warrants as Level 2 as fair value can be corroborated based on observable market data.

Table of Contents

The following table sets forth our available-for-sale securities' amortized cost basis, fair value and unrealized gain (loss) by significant investment category (in millions):

|                                | March 29, 2014       |            |                        | September 28, 2013   |            |                        |
|--------------------------------|----------------------|------------|------------------------|----------------------|------------|------------------------|
|                                | Amortized Cost Basis | Fair Value | Unrealized Gain/(Loss) | Amortized Cost Basis | Fair Value | Unrealized Gain/(Loss) |
| Available-for-Sale Securities: |                      |            |                        |                      |            |                        |
| Debt Securities:               |                      |            |                        |                      |            |                        |
| U.S. Treasury and Agency       | \$26                 | \$26       | \$—                    | \$25                 | \$25       | \$—                    |
| Corporate and Asset-Backed     | 66                   | 67         | 1                      | 64                   | 65         | 1                      |
| Equity Securities:             |                      |            |                        |                      |            |                        |
| Common Stock and Warrants (a)  | 3                    | 3          | —                      | 9                    | 4          | (5 )                   |

(a) At March 29, 2014, the amortized cost basis for Equity Securities had been reduced by accumulated other than temporary impairment of approximately \$6 million.

Unrealized holding gains (losses), net of tax, are excluded from earnings and reported in OCI until the security is settled or sold. On a quarterly basis, we evaluate whether losses related to our available-for-sale securities are temporary in nature. Losses on equity securities are recognized in earnings if the decline in value is judged to be other than temporary. If losses related to our debt securities are determined to be other than temporary, the loss would be recognized in earnings if we intend, or more likely than not will be required, to sell the security prior to recovery. For debt securities in which we have the intent and ability to hold until maturity, losses determined to be other than temporary would remain in OCI, other than expected credit losses which are recognized in earnings. We consider many factors in determining whether a loss is temporary, including the length of time and extent to which the fair value has been below cost, the financial condition and near-term prospects of the issuer and our ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. We recognized \$6 million of other than temporary impairment for the six months ended March 29, 2014, which is recorded in the Consolidated Condensed Statements of Income in Other, net. No other than temporary losses were deferred in OCI as of March 29, 2014, and September 28, 2013.

Deferred Compensation Assets: We maintain non-qualified deferred compensation plans for certain executives and other highly compensated employees. Investments are maintained within a trust and include money market funds, mutual funds and life insurance policies. The cash surrender value of the life insurance policies is invested primarily in mutual funds. The investments are recorded at fair value based on quoted market prices and are included in Other Assets in the Consolidated Condensed Balance Sheets. We classify the investments which have observable market prices in active markets in Level 1 as these are generally publicly-traded mutual funds. The remaining deferred compensation assets are classified in Level 2, as fair value can be corroborated based on observable market data. Realized and unrealized gains (losses) on deferred compensation are included in earnings.

#### Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

In addition to assets and liabilities that are recorded at fair value on a recurring basis, we record assets and liabilities at fair value on a nonrecurring basis. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges. We did not have any significant measurements of assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition during the three and six months ended March 29, 2014 and March 30, 2013.

#### Other Financial Instruments

Fair value of our debt is principally estimated using Level 2 inputs based on quoted prices for those or similar instruments. Fair value and carrying value for our debt are as follows (in millions):

|            | March 29, 2014 |                | September 28, 2013 |                |
|------------|----------------|----------------|--------------------|----------------|
|            | Fair Value     | Carrying Value | Fair Value         | Carrying Value |
| Total Debt | \$2,073        | \$1,940        | \$2,541            | \$2,408        |



Table of Contents

## NOTE 13: OTHER COMPREHENSIVE INCOME (LOSS)

The before and after tax changes in the components of other comprehensive income (loss) are as follows (in millions):

|   | Three Months Ended |       |           |                |       |           | Six Months Ended |       |           |                |       |           |
|---|--------------------|-------|-----------|----------------|-------|-----------|------------------|-------|-----------|----------------|-------|-----------|
|   | March 29, 2014     |       |           | March 30, 2013 |       |           | March 29, 2014   |       |           | March 30, 2013 |       |           |
|   | Before Tax         | Tax   | After Tax | Before Tax     | Tax   | After Tax | Before Tax       | Tax   | After Tax | Before Tax     | Tax   | After Tax |
| Derivatives accounted for as cash flow hedges:        |                    |       |           |                |       |           |                  |       |           |                |       |           |
| (Gain) loss reclassified to Cost of Sales             | \$3                | \$(1) | \$2       | \$7            | \$(3) | \$4       | \$3              | \$(1) | \$2       | \$3            | \$(1) | \$2       |
| (Gain) loss reclassified to Other Income/Expense      | —                  | —     | —         | —              | —     | —         | —                | —     | —         | 2              | (1)   | 1         |
| Unrealized gain (loss)                                | 8                  | (3)   | 5         | (15)           | 6     | (9)       | 5                | (2)   | 3         | (28)           | 11    | (17)      |
| Investments:  |                    |       |           |                |       |           |                  |       |           |                |       |           |
| (Gain) loss reclassified to Other Income/Expense      | —                  | —     | —         | (1)            | —     | (1)       | 6                | (2)   | 4         | (1)            | —     | (1)       |
| Unrealized gain (loss)                                | —                  | —     | —         | 1              | (1)   | —         | (1)              | —     | (1)       | (3)            | 1     | (2)       |
| Currency translation:                                 |                    |       |           |                |       |           |                  |       |           |                |       |           |
| Translation gain reclassified to Other Income/Expense | —                  | —     | —         | (19)           | (1)   | (20)      | —                | —     | —         | (19)           | (1)   | (20)      |
| Translation adjustment                                | 6                  | —     | 6         | 5              | —     | 5         | (5)              | —     | (5)       | 4              | —     | 4         |
| Postretirement benefits                               | 1                  | (1)   | —         | 2              | —     | 2         | 2                | —     | 2         | 3              | —     | 3         |
| Total Other Comprehensive Income (Loss)               | \$18               | \$(5) | \$13      | \$(20)         | \$1   | \$(19)    | \$10             | \$(5) | \$5       | \$(39)         | \$9   | \$(30)    |

## NOTE 14: SEGMENT REPORTING

We operate in five segments: Chicken, Beef, Pork, Prepared Foods and International. We measure segment profit as operating income (loss).

During the second quarter of fiscal 2014, we began reporting our International operation as a separate segment, which was previously included in our Chicken segment. Our International segment became a separate reportable segment as a result of changes to our internal financial reporting to align with previously announced executive leadership changes. All periods presented have been reclassified to reflect this change. Beef, Pork, Prepared Foods and Other results were not impacted by this change.

**Chicken:** Chicken includes our domestic operations related to raising and processing live chickens into fresh, frozen and value-added chicken products, as well as sales from allied products. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators, hotel chains and noncommercial foodservice establishments such as schools, healthcare facilities, the military and other food processors, as well as to international export markets. This segment also includes logistics operations to move products through our domestic supply chain and the global operations of our chicken breeding stock subsidiary.

**Beef:** Beef includes our operations related to processing live fed cattle and fabricating dressed beef carcasses into primal and sub-primal meat cuts and case-ready products. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators, hotel chains and noncommercial foodservice establishments such as schools, healthcare facilities, the military and other food processors, as well as to international export markets. This segment also includes sales from allied products such as hides and variety meats, as well as logistics operations to move products through the supply chain.

Pork: Pork includes our operations related to processing live market hogs and fabricating pork carcasses into primal and sub-primal cuts and case-ready products. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators, hotel chains and noncommercial foodservice establishments such as schools, healthcare facilities, the military and other food processors, as well as to international export markets. This segment also includes our live swine group, related allied product processing activities and logistics operations to move products through the supply chain.

Table of Contents

**Prepared Foods:** Prepared Foods includes our operations related to manufacturing and marketing frozen and refrigerated food products and logistics operations to move products through the supply chain. Products primarily include pepperoni, bacon, sausage, beef and pork pizza toppings, pizza crusts, flour and corn tortilla products, appetizers, prepared meals, ethnic foods, soups, sauces, side dishes, meat dishes, breadsticks and processed meats. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators, hotel chains and noncommercial foodservice establishments such as schools, healthcare facilities, the military and other food processors, as well as to international export markets.

**International:** International includes our foreign operations primarily related to raising and processing live chickens into fresh, frozen and value-added chicken products in Brazil, China, India and Mexico. Products are marketed in each respective country to food retailers, foodservice distributors, restaurant operators, hotel chains, noncommercial foodservice establishments and live markets, as well as to other international export markets.

The results from Dynamic Fuels are included in Other.

Information on segments and a reconciliation to income from continuing operations before income taxes are as follows (in millions):

|  | Three Months Ended |                   | Six Months Ended  |                   |
|--|--------------------|-------------------|-------------------|-------------------|
|  | March 29,<br>2014  | March 30,<br>2013 | March 29,<br>2014 | March 30,<br>2013 |
| <b>Sales:</b>  |                    |                   |                   |                   |
| Chicken  | \$2,842            | \$2,733           | \$5,498           | \$5,328           |
| Beef   | 3,825              | 3,447             | 7,559             | 6,932             |
| Pork   | 1,487              | 1,311             | 2,911             | 2,674             |
| Prepared Foods   | 861                | 803               | 1,768             | 1,644             |
| International  | 328                | 331               | 655               | 658               |
| Other  | —                  | 27                | —                 | 47                |
| Intersegment Sales   | (311 )             | (269 )            | (598 )            | (534 )            |
| <b>Total Sales</b>   | <b>\$9,032</b>     | <b>\$8,383</b>    | <b>\$17,793</b>   | <b>\$16,749</b>   |
| <b>Operating Income (Loss):</b>                              |                    |                   |                   |                   |
| Chicken  | \$234              | \$143             | \$487             | \$256             |
| Beef   | 35                 | (26 )             | 93                | 20                |
| Pork   | 107                | 72                | 228               | 197               |
| Prepared Foods   | 21                 | 28                | 37                | 61                |
| International  | (30 )              | (3 )              | (58 )             | (5 )              |
| Other  | (6 )               | 22                | (14 )             | 11                |
| <b>Total Operating Income</b>                                | <b>361</b>         | <b>236</b>        | <b>773</b>        | <b>540</b>        |
| <b>Total Other (Income) Expense</b>                          | <b>20</b>          | <b>15</b>         | <b>(a) 49</b>     | <b>51</b>         |
| <b>Income from Continuing Operations before Income Taxes</b> | <b>\$341</b>       | <b>\$221</b>      | <b>\$724</b>      | <b>\$489</b>      |

(a) Includes \$19 million related to the recognized currency translation adjustment gain

The Chicken segment had sales of \$2 million and \$6 million in the second quarter of fiscal 2014 and 2013, respectively, and sales of \$4 million and \$8 million in the first six months of fiscal 2014 and 2013, respectively, from transactions with other operating segments of the Company. The Beef segment had sales of \$67 million and \$54 million in the second quarter of fiscal 2014 and 2013, respectively, and sales of \$130 million and \$97 million in the first six months of fiscal 2014 and 2013, respectively, from transactions with other operating segments of the Company. The Pork segment had sales of \$242 million and \$209 million in the second quarter of fiscal 2014 and 2013, respectively, and sales of \$464 million and \$429 million in the first six months of fiscal 2014 and 2013, respectively, from transactions with other operating segments of the Company. The aforementioned sales from

intersegment transactions, which were at market prices, were included in the segment sales in the above table.

20

---

Table of Contents

NOTE 15: COMMITMENTS AND CONTINGENCIES

Commitments

We guarantee obligations of certain outside third parties, which consist primarily of leases and grower loans, which are substantially collateralized by the underlying assets. Terms of the underlying debt cover periods up to ten years, and the maximum potential amount of future payments as of March 29, 2014, was \$53 million. We also maintain operating leases for various types of equipment, some of which contain residual value guarantees for the market value of the underlying leased assets at the end of the term of the lease. The remaining terms of the lease maturities cover periods over the next 14 years. The maximum potential amount of the residual value guarantees is \$50 million, of which \$44 million could be recoverable through various recourse provisions and an additional undeterminable recoverable amount based on the fair value of the underlying leased assets. The likelihood of material payments under these guarantees is not considered probable. At March 29, 2014, and September 28, 2013, no material liabilities for guarantees were recorded.

We have cash flow assistance programs in which certain livestock suppliers participate. Under these programs, we pay an amount for livestock equivalent to a standard cost to grow such livestock during periods of low market sales prices. The amounts of such payments that are in excess of the market sales price are recorded as receivables and accrue interest. Participating suppliers are obligated to repay these receivables balances when market sales prices exceed this standard cost, or upon termination of the agreement. Our maximum obligation associated with these programs is limited to the fair value of each participating livestock supplier's net tangible assets. The potential maximum obligation as of March 29, 2014, was approximately \$310 million. The total receivables under these programs were \$32 million and \$44 million at March 29, 2014, and September 28, 2013, respectively, and are included, net of allowance for uncollectible amounts, in Accounts Receivable in our Consolidated Condensed Balance Sheets. Even though these programs are limited to the net tangible assets of the participating livestock suppliers, we also manage a portion of our credit risk associated with these programs by obtaining security interests in livestock suppliers' assets. After analyzing residual credit risks and general market conditions, we have recorded an allowance for these programs' estimated uncollectible receivables of \$10 million and \$15 million at March 29, 2014, and September 28, 2013, respectively.

Contingencies

We are involved in various claims and legal proceedings. We routinely assess the likelihood of adverse judgments or outcomes to those matters, as well as ranges of probable losses, to the extent losses are reasonably estimable. We record accruals for such matters to the extent that we conclude a loss is probable and the financial impact, should an adverse outcome occur, is reasonably estimable. Such accruals are reflected in the Company's consolidated condensed financial statements. In our opinion, we have made appropriate and adequate accruals for these matters and believe the probability of a material loss beyond the amounts accrued to be remote; however, the ultimate liability for these matters is uncertain, and if accruals are not adequate, an adverse outcome could have a material effect on the consolidated financial condition or results of operations. Listed below are certain claims made against the Company and/or our subsidiaries for which the potential exposure is considered material to the Company's consolidated condensed financial statements. We believe we have substantial defenses to the claims made and intend to vigorously defend these matters.



Table of Contents

There are eleven lawsuits against our beef and pork subsidiary, Tyson Fresh Meats Inc., in which certain present and past employees allege that we failed to compensate them for the time it takes to engage in pre- and post-shift activities, such as changing into and out of protective and sanitary clothing and walking to and from the changing area, work areas and break areas in violation of the Fair Labor Standards Act (FLSA) and various state laws. These lawsuits involve employees from our plants in Garden City, Kansas (Garcia, et al. v. Tyson Foods, Inc., Tyson Fresh Meats, Inc., D. Kansas, May 15, 2006); Storm Lake, Iowa (Bouaphakeo (f/k/a Sharp), et al. v. Tyson Foods, Inc., N.D. Iowa, February 6, 2007); Columbus Junction, Iowa (Guyton (f/k/a Robinson), et al. v. Tyson Foods, Inc., d.b.a Tyson Fresh Meats, Inc., S.D. Iowa, September 12, 2007); Madison, Nebraska (Acosta, et al. v Tyson Foods, Inc. d.b.a Tyson Fresh Meats, Inc., D. Nebraska, February 29, 2008); Dakota City, Nebraska (Gomez, et al. v. Tyson Foods, Inc., D. Nebraska, January 16, 2008); Perry and Waterloo, Iowa (Edwards, et al. v. Tyson Foods, Inc. d.b.a Tyson Fresh Meats, Inc., S.D. Iowa, March 20, 2008); Logansport, Indiana (Carter, et al. v. Tyson Foods, Inc. and Tyson Fresh Meats, Inc., N.D. Indiana, April 29, 2008); Goodlettsville, Tennessee (Abadeer v. Tyson Foods, Inc., and Tyson Fresh Meats, Inc., M.D. Tennessee, February 6, 2009); Emporia, Kansas (Abdiaziz, et al. v. Tyson Foods, Inc., Tyson Fresh Meats, Inc., D. Kansas, September 30, 2011); and Joslin, Illinois (Murray, et al. v. Tyson Foods, Inc., C.D. Illinois, January 2, 2008; and DeVoss v. Tyson Foods, Inc. d.b.a. Tyson Fresh Meats, C.D. Illinois, March 2, 2011). The actions allege we failed to pay employees for all hours worked, including overtime compensation for the time it takes to change into protective work uniforms, safety equipment and other sanitary and protective clothing worn by employees, and for walking to and from the changing area, work areas and break areas in violation of the FLSA and analogous state laws. The plaintiffs seek back wages, liquidated damages, pre- and post-judgment interest, attorneys' fees and costs. Each case is proceeding in its jurisdiction.

After a trial in the Garcia case, which involves our Garden City, Kansas beef plant, a jury verdict in favor of the plaintiffs was entered on March 17, 2011. Exclusive of pre- and post-judgment interest, attorneys' fees and costs, the jury found violations of federal and state laws for pre- and post-shift work activities and awarded damages in the amount of \$503,011. Plaintiffs' counsel filed an application for attorneys' fees and expenses which we contested. On December 7, 2012, the court granted plaintiffs' counsel's application and awarded a total of \$3,609,723. We appealed the jury's verdict and trial court's award to the Tenth Circuit Court of Appeals, and oral arguments were held on November 18, 2013.

A jury trial was held in the Bouaphakeo case, which involves our Storm Lake, Iowa pork plant, which resulted in a jury verdict in favor of the plaintiffs for violations of federal and state laws for pre- and post-shift work activities. The trial court also awarded the plaintiffs liquidated damages, resulting in total damages awarded in the amount of \$5,784,758. The plaintiffs' counsel has also filed an application for attorneys' fees and expenses in the amount of \$2,692,145. We have appealed the jury's verdict and trial court's award to the Eighth Circuit Court of Appeals. Oral arguments were held on February 11, 2014.

A jury trial was held in the Guyton case, which involves our Columbus Junction, Iowa pork plant, which resulted in a jury verdict in favor of Tyson on April 25, 2012. The plaintiffs have appealed to the Eighth Circuit Court of Appeals. Oral arguments were held on February 11, 2014.

A bench trial was held in the Acosta case, which involves our Madison, Nebraska pork plant, in January 2013. In May 2013 the trial court awarded the plaintiffs \$5,733,943 for unpaid overtime wages. Subsequently, the court ordered the class of plaintiffs expanded, and the plaintiffs submitted an updated calculation of \$6,258,330 for unpaid overtime wages as reflected by payroll data through May 2013. On January 30, 2014, the trial court entered judgment in favor of the plaintiffs in the amount of \$18,774,989. The court denied our post-trial motions, and we appealed to the Eighth Circuit Court of Appeals.

A jury trial in the Gomez case, which involves our Dakota City, Nebraska beef plant, was held, and the jury found in favor of the plaintiffs on April 3, 2013. On October 2, 2013, the trial court denied the parties' post-trial motions and entered judgment awarding unpaid overtime wages, liquidated damages, and penalties totaling \$4,960,787. We appealed the jury's verdict and trial court's award to the Eighth Circuit Court of Appeals.

The trial court in the Edwards case, which involves our Perry and Waterloo, Iowa pork plants, decertified the state law class and granted other pre-trial motions that resulted in judgment in our favor with respect to the plaintiffs' claims. The plaintiffs have filed a motion to modify this judgment.

The parties in the Carter case, which involves our Logansport, Indiana pork plant, agreed to settle all claims for \$950,000. The parties' joint motion for approval of the settlement is currently pending.

The trial court in the Abadeer case, which involves our Goodlettsville, Tennessee case-ready beef and pork plant, granted the plaintiffs' motion for summary judgment in part, finding that certain pre- and post-shift activities were compensable and our non-payment for those activities was willful and not in good faith. The trial for the remaining issues, including damages, originally scheduled in April 2014, is now scheduled to begin in August 2014.

Table of Contents

We have pending one wage and hour action involving our Tyson Prepared Foods plant located in Jefferson, Wisconsin (Weissman, et al. v. Tyson Prepared Foods, Inc., Jefferson County (Wisconsin) Circuit Court, October 20, 2010). The plaintiffs allege that employees should be paid for the time it takes to engage in pre- and post-shift activities such as changing into and out of protective and sanitary clothing and the associated time it takes to walk to and from their workstations post-donning and pre-doffing of protective and sanitary clothing, and that they are entitled to back wages, liquidated damages, pre- and post-judgment interest, and attorneys' fees and costs. The trial court granted our motion for summary judgment seeking dismissal of the claims, but the state appellate court reversed and remanded the case to the trial court. The parties subsequently agreed to settle all claims for \$500,000.

On June 19, 2005, the Attorney General and the Secretary of the Environment of the State of Oklahoma filed a complaint in the U.S. District Court for the Northern District of Oklahoma against us, three of our subsidiaries and six other poultry integrators. The complaint, which was subsequently amended, asserts a number of state and federal causes of action including, but not limited to, counts under Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), Resource Conservation and Recovery Act (RCRA), and state-law public nuisance theories. The amended complaint asserts that defendants and certain contract growers who are not named in the amended complaint polluted the surface waters, groundwater and associated drinking water supplies of the Illinois River Watershed (IRW) through the land application of poultry litter. Oklahoma asserts that this alleged pollution has also caused extensive injury to the environment (including soils and sediments) of the IRW and that the defendants have been unjustly enriched. Oklahoma's claims cover the entire IRW, which encompasses more than one million acres of land and the natural resources (including lakes and waterways) contained therein. Oklahoma seeks wide-ranging relief, including injunctive relief, compensatory damages in excess of \$800 million, an unspecified amount in punitive damages and attorneys' fees. We and the other defendants have denied liability, asserted various defenses, and filed a third-party complaint that asserts claims against other persons and entities whose activities may have contributed to the pollution alleged in the amended complaint. The district court has stayed proceedings on the third party complaint pending resolution of Oklahoma's claims against the defendants. On October 31, 2008, the defendants filed a motion to dismiss for failure to join the Cherokee Nation as a required party or, in the alternative, for judgment as a matter of law based on the plaintiffs' lack of standing. This motion was granted in part and denied in part on July 22, 2009. In its ruling, the district court dismissed Oklahoma's claims for cost recovery and for natural resources damages under CERCLA and for unjust enrichment under Oklahoma common law. This ruling also narrowed the scope of Oklahoma's remaining claims by dismissing all damage claims under its causes of action for Oklahoma common law nuisance, federal common law nuisance, and Oklahoma common law trespass, leaving only its claims for injunctive relief for trial. On August 18, 2009, the Court granted partial summary judgment in favor of the defendants on Oklahoma's claims for violations of the Oklahoma Registered Poultry Feeding Operations Act. Oklahoma later voluntarily dismissed the remainder of this claim. On September 2, 2009, the Cherokee Nation filed a motion to intervene in the lawsuit. Its motion to intervene was denied on September 15, 2009, and the Cherokee Nation filed a notice of appeal of that ruling in the Tenth Circuit Court of Appeals on September 17, 2009. A non-jury trial of the case began on September 24, 2009. At the close of Oklahoma's case-in-chief, the Court granted the defendants' motions to dismiss claims based on RCRA, nuisance per se, and health risks related to bacteria. The defense rested its case on January 13, 2010, and closing arguments were held on February 11, 2010. On September 21, 2010, the Court of Appeals affirmed the district court's denial of the Cherokee Nation's motion to intervene. On October 6, 2010, the Cherokee Nation and the State of Oklahoma filed a petition for rehearing or en banc review seeking reconsideration of this ruling. The Court of Appeals denied this petition. The district court has not yet rendered its decision from the trial, which ended in February 2010.

Table of Contents

## NOTE 16: CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

TFM Parent, our wholly-owned subsidiary, has fully and unconditionally guaranteed the 2016 Notes. Additionally, TFM Parent has fully and unconditionally guaranteed the 2022 Notes until such date TFM Parent has been released of its guarantee of both (i) Tyson's \$1.0 billion revolving credit facility and (ii) the 2016 Notes, at which time TFM Parent's guarantee of the 2022 Notes is permanently released. The following financial information presents condensed consolidating financial statements, which include Tyson Foods, Inc. (TFI Parent); TFM Parent; the Non-Guarantors Subsidiaries (Non-Guarantors) on a combined basis; the elimination entries necessary to consolidate TFI Parent, TFM Parent and the Non-Guarantors; and Tyson Foods, Inc. on a consolidated basis, and is provided as an alternative to providing separate financial statements for the guarantor.

Condensed Consolidating Statement of Income and Comprehensive Income for the three months ended March 29, 2014 in millions

|   | TFI<br>Parent | TFM<br>Parent | Non-<br>Guarantors | Eliminations | Total    |
|---|---------------|---------------|--------------------|--------------|----------|
| Sales   | \$ 148        | \$ 5,168      | \$ 4,159           | \$ (443 )    | \$ 9,032 |
| Cost of Sales   | 4             | 4,953         | 3,867              | (443 )       | 8,381    |
| Gross Profit  | 144           | 215           | 292                | —            | 651      |
| Selling, General and Administrative                                       | 28            | 57            | 205                | —            | 290      |
| Operating Income  | 116           | 158           | 87                 | —            | 361      |
| Other (Income) Expense:   |               |               |                    |              |          |
| Interest expense, net   | (15 )         | 34            | 3                  | —            | 22       |
| Other, net  | 1             | —             | (3 )               | —            | (2 )     |
| Equity in net earnings of subsidiaries                                    | (128 )        | (6 )          | —                  | 134          | —        |
| Total Other (Income) Expense  | (142 )        | 28            | —                  | 134          | 20       |
| Income from Continuing Operations before Income Taxes                     | 258           | 130           | 87                 | (134 )       | 341      |
| Income Tax Expense  | 45            | 44            | 42                 | —            | 131      |
| Income from Continuing Operations   | 213           | 86            | 45                 | (134 )       | 210      |
| Loss from Discontinued Operation, Net of Tax                              | —             | —             | —                  | —            | —        |
| Net Income  | 213           | 86            | 45                 | (134 )       | 210      |
| Less: Net Income (Loss) Attributable to Noncontrolling Interest           | —             | —             | (3 )               | —            | (3 )     |
| Net Income Attributable to Tyson  | \$ 213        | \$ 86         | \$ 48              | \$ (134 )    | \$ 213   |
| Comprehensive Income (Loss)   | 224           | 91            | 51                 | (143 )       | 223      |
| Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interest | —             | —             | (3 )               | —            | (3 )     |
| Comprehensive Income (Loss) Attributable to Tyson                         | \$ 224        | \$ 91         | \$ 54              | \$ (143 )    | \$ 226   |

Edgar Filing: TYSON FOODS INC - Form 10-Q

Table of Contents

Condensed Consolidating Statement of Income and Comprehensive Income for the three months ended March 30, 2013 in millions

|   | TFI<br>Parent | TFM<br>Parent | Non-<br>Guarantors | Eliminations | Total    |
|---|---------------|---------------|--------------------|--------------|----------|
| Sales   | \$ 101        | \$ 4,552      | \$ 4,008           | \$ (278 )    | \$ 8,383 |
| Cost of Sales   | 11            | 4,479         | 3,703              | (278 )       | 7,915    |
| Gross Profit  | 90            | 73            | 305                | —            | 468      |
| Selling, General and Administrative                                       | 12            | 45            | 175                | —            | 232      |
| Operating Income  | 78            | 28            | 130                | —            | 236      |
| Other (Income) Expense:   |               |               |                    |              |          |
| Interest expense, net   | 9             | 15            | 10                 | —            | 34       |
| Other, net  | 4             | —             | (23 )              | —            | (19 )    |
| Equity in net earnings of subsidiaries                                    | (51 )         | 10            | —                  | 41           | —        |
| Total Other (Income) Expense  | (38 )         | 25            | (13 )              | 41           | 15       |
| Income from Continuing Operations before Income Taxes                     | 116           | 3             | 143                | (41 )        | 221      |
| Income Tax Expense  | 21            | 2             | 30                 | —            | 53       |
| Income from Continuing Operations   | 95            | 1             | 113                | (41 )        | 168      |
| Loss from Discontinued Operation, Net of Tax                              | —             | —             | (62 )              | —            | (62 )    |
| Net Income  | 95            | 1             | 51                 | (41 )        | 106      |
| Less: Net Income (Loss) Attributable to Noncontrolling Interest           | —             | —             | 11                 | —            | 11       |
| Net Income Attributable to Tyson  | \$ 95         | \$ 1          | \$ 40              | \$ (41 )     | \$ 95    |
| Comprehensive Income (Loss)   | 87            | (22 )         | (19 )              | 41           | 87       |
| Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interest | —             | —             | 11                 | —            | 11       |
| Comprehensive Income (Loss) Attributable to Tyson                         | \$ 87         | \$ (22 )      | \$ (30 )           | \$ 41        | \$ 76    |

Condensed Consolidating Statement of Income and Comprehensive Income for the six months ended March 29, 2014 in millions

|   | TFI<br>Parent | TFM<br>Parent | Non-<br>Guarantors | Eliminations | Total     |
|---|---------------|---------------|--------------------|--------------|-----------|
| Sales   | \$ 315        | \$ 10,216     | \$ 8,146           | \$ (884 )    | \$ 17,793 |
| Cost of Sales   | 21            | 9,779         | 7,541              | (884 )       | 16,457    |
| Gross Profit  | 294           | 437           | 605                | —            | 1,336     |
| Selling, General and Administrative                   | 51            | 112           | 400                | —            | 563       |
| Operating Income                                      | 243           | 325           | 205                | —            | 773       |
| Other (Income) Expense:                               |               |               |                    |              |           |
| Interest expense, net                                 | (10 )         | 49            | 9                  | —            | 48        |
| Other, net  | 7             | (1 )          | (5 )               | —            | 1         |
| Equity in net earnings of subsidiaries                | (303 )        | (12 )         | —                  | 315          | —         |
| Total Other (Income) Expense                          | (306 )        | 36            | 4                  | 315          | 49        |
| Income from Continuing Operations before Income Taxes | 549           | 289           | 201                | (315 )       | 724       |
| Income Tax Expense                                    | 82            | 96            | 84                 | —            | 262       |
| Income from Continuing Operations                     | 467           | 193           | 117                | (315 )       | 462       |

Edgar Filing: TYSON FOODS INC - Form 10-Q

|   |       |       |       |        |         |   |
|---|-------|-------|-------|--------|---------|---|
| Loss from Discontinued Operation, Net of Tax                              | —     | —     | —     | —      | —       |   |
| Net Income  | 467   | 193   | 117   | (315   | ) 462   |   |
| Less: Net Income (Loss) Attributable to Noncontrolling Interest           | —     | —     | (5    | ) —    | (5      | ) |
| Net Income Attributable to Tyson  | \$467 | \$193 | \$122 | \$(315 | ) \$467 |   |
| Comprehensive Income (Loss)   | 467   | 192   | 114   | (306   | ) 467   |   |
| Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interest | —     | —     | (5    | ) —    | (5      | ) |
| Comprehensive Income (Loss) Attributable to Tyson                         | \$467 | \$192 | \$119 | \$(306 | ) \$472 |   |

25

---

Table of Contents

Condensed Consolidating Statement of Income and Comprehensive Income for the six months ended March 30, 2013 in millions

|   | TFI<br>Parent | TFM<br>Parent | Non-<br>Guarantors | Eliminations | Total    |
|---|---------------|---------------|--------------------|--------------|----------|
| Sales   | \$176         | \$9,302       | \$7,876            | \$ (605 )    | \$16,749 |
| Cost of Sales   | 27            | 9,017         | 7,303              | (605 )       | 15,742   |
| Gross Profit  | 149           | 285           | 573                | —            | 1,007    |
| Selling, General and Administrative                                       | 32            | 97            | 338                | —            | 467      |
| Operating Income  | 117           | 188           | 235                | —            | 540      |
| Other (Income) Expense:   |               |               |                    |              |          |
| Interest expense, net   | 17            | 31            | 22                 | —            | 70       |
| Other, net  | 4             | —             | (23 )              | —            | (19 )    |
| Equity in net earnings of subsidiaries                                    | (200 )        | (14 )         | —                  | 214          | —        |
| Total Other (Income) Expense  | (179 )        | 17            | (1 )               | 214          | 51       |
| Income from Continuing Operations before Income Taxes                     | 296           | 171           | 236                | (214 )       | 489      |
| Income Tax Expense  | 28            | 53            | 68                 | —            | 149      |
| Income from Continuing Operations   | 268           | 118           | 168                | (214 )       | 340      |
| Loss from Discontinued Operation, Net of Tax                              | —             | —             | (66 )              | —            | (66 )    |
| Net Income  | 268           | 118           | 102                | (214 )       | 274      |
| Less: Net Income (Loss) Attributable to Noncontrolling Interest           | —             | —             | 6                  | —            | 6        |
| Net Income Attributable to Tyson  | \$268         | \$118         | \$96               | \$ (214 )    | \$268    |
| Comprehensive Income (Loss)   | 244           | 99            | 31                 | (130 )       | 244      |
| Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interest | —             | —             | 6                  | —            | 6        |
| Comprehensive Income (Loss) Attributable to Tyson                         | \$244         | \$99          | \$25               | \$ (130 )    | \$238    |

Table of ContentsCondensed Consolidating Balance Sheet as of March 29, 2014 in millions

|   | TFI<br>Parent   | TFM<br>Parent  | Non-<br>Guarantors | Eliminations       | Total           |
|---|-----------------|----------------|--------------------|--------------------|-----------------|
| <b>Assets</b>                                     |                 |                |                    |                    |                 |
| <b>Current Assets:</b>                            |                 |                |                    |                    |                 |
| Cash and cash equivalents                         | \$—             | \$20           | \$418              | \$—                | \$438           |
| Accounts receivable, net                          | 1               | 636            | 911                | —                  | 1,548           |
| Inventories                                       | —               | 1,245          | 1,723              | —                  | 2,968           |
| Other current assets                              | 137             | 46             | 222                | (175 )             | 230             |
| <b>Total Current Assets</b>                       | <b>138</b>      | <b>1,947</b>   | <b>3,274</b>       | <b>(175 )</b>      | <b>5,184</b>    |
| Net Property, Plant and Equipment                 | 31              | 906            | 3,168              | —                  | 4,105           |
| Goodwill  | —               | 881            | 1,044              | —                  | 1,925           |
| Intangible Assets                                 | —               | 18             | 138                | —                  | 156             |
| Other Assets                                      | 165             | 145            | 265                | (59 )              | 516             |
| Investment in Subsidiaries                        | 12,230          | 2,046          | —                  | (14,276 )          | —               |
| <b>Total Assets</b>                               | <b>\$12,564</b> | <b>\$5,943</b> | <b>\$7,889</b>     | <b>\$(14,510 )</b> | <b>\$11,886</b> |
| <b>Liabilities and Shareholders' Equity</b>       |                 |                |                    |                    |                 |
| <b>Current Liabilities:</b>                       |                 |                |                    |                    |                 |
| Current debt                                      | \$—             | \$—            | \$52               | \$—                | \$52            |
| Accounts payable                                  | 36              | 650            | 743                | —                  | 1,429           |
| Other current liabilities                         | 4,157           | 286            | 822                | (4,241 )           | 1,024           |
| <b>Total Current Liabilities</b>                  | <b>4,193</b>    | <b>936</b>     | <b>1,617</b>       | <b>(4,241 )</b>    | <b>2,505</b>    |
| Long-Term Debt                                    | 1,771           | 1              | 175                | (59 )              | 1,888           |
| Deferred Income Taxes                             | 26              | 73             | 345                | —                  | 444             |
| Other Liabilities                                 | 138             | 156            | 291                | —                  | 585             |
| <b>Total Tyson Shareholders' Equity</b>           | <b>6,436</b>    | <b>4,777</b>   | <b>5,433</b>       | <b>(10,210 )</b>   | <b>6,436</b>    |
| Noncontrolling Interest                           | —               | —              | 28                 | —                  | 28              |
| <b>Total Shareholders' Equity</b>                 | <b>6,436</b>    | <b>4,777</b>   | <b>5,461</b>       | <b>(10,210 )</b>   | <b>6,464</b>    |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>\$12,564</b> | <b>\$5,943</b> | <b>\$7,889</b>     | <b>\$(14,510 )</b> | <b>\$11,886</b> |



Table of Contents

| Condensed Consolidating Balance Sheet as of September 28, 2013 |               |               |                    |              | in millions |
|--|---------------|---------------|--------------------|--------------|-------------|
|  | TFI<br>Parent | TFM<br>Parent | Non-<br>Guarantors | Eliminations | Total       |
| Assets   |               |               |                    |              |             |
| Current Assets:  |               |               |                    |              |             |
| Cash and cash equivalents                                      | \$—           | \$21          | \$1,124            | \$—          | \$1,145     |
| Accounts receivable, net                                       | —             | 571           | 926                | —            | 1,497       |
| Inventories  | —             | 1,039         | 1,778              | —            | 2,817       |
| Other current assets   | 351           | 88            | 117                | (411 )       | 145         |
| Total Current Assets   | 351           | 1,719         | 3,945              | (411 )       | 5,604       |
| Net Property, Plant and Equipment                              | 32            | 891           | 3,130              | —            | 4,053       |
| Goodwill   | —             | 881           | 1,021              | —            | 1,902       |
| Intangible Assets  | —             | 21            | 117                | —            | 138         |
| Other Assets   | 895           | 162           | 244                | (821 )       | 480         |
| Investment in Subsidiaries                                     | 11,975        | 2,035         | —                  | (14,010 )    | —           |
| Total Assets   | \$13,253      | \$5,709       | \$8,457            | \$(15,242 )  | \$12,177    |
| Liabilities and Shareholders' Equity                           |               |               |                    |              |             |
| Current Liabilities:   |               |               |                    |              |             |
| Current debt   | \$457         | \$132         | \$251              | \$(327 )     | \$513       |
| Accounts payable   | 27            | 575           | 757                | —            | 1,359       |
| Other current liabilities                                      | 4,625         | 200           | 901                | (4,588 )     | 1,138       |
| Total Current Liabilities                                      | 5,109         | 907           | 1,909              | (4,915 )     | 3,010       |
| Long-Term Debt   | 1,770         | 679           | 241                | (795 )       | 1,895       |
| Deferred Income Taxes  | 24            | 93            | 362                | —            | 479         |
| Other Liabilities  | 149           | 155           | 282                | (26 )        | 560         |
| Total Tyson Shareholders' Equity                               | 6,201         | 3,875         | 5,631              | (9,506 )     | 6,201       |
| Noncontrolling Interest  | —             | —             | 32                 | —            | 32          |
| Total Shareholders' Equity                                     | 6,201         | 3,875         | 5,663              | (9,506 )     | 6,233       |
| Total Liabilities and Shareholders' Equity                     | \$13,253      | \$5,709       | \$8,457            | \$(15,242 )  | \$12,177    |

Table of Contents

| Condensed Consolidating Statement of Cash Flows for the six months ended March 29, 2014            |               |               |                    |              | in millions |
|--|---------------|---------------|--------------------|--------------|-------------|
|  | TFI<br>Parent | TFM<br>Parent | Non-<br>Guarantors | Eliminations | Total       |
| Cash Provided by (Used for) Operating Activities   | \$ 10         | \$ 129        | \$ 171             | \$(45 )      | \$ 265      |
| Cash Flows from Investing Activities:  |               |               |                    |              |             |
| Additions to property, plant and equipment (Purchases of)/Proceeds from marketable securities, net | (1 )          | (67 )         | (225 )             | —            | (293 )      |
| Acquisitions, net of cash acquired   | —             | —             | (56 )              | —            | (56 )       |
| Other, net   | —             | 1             | 7                  | —            | 8           |
| Cash Provided by (Used for) Investing Activities   | (1 )          | (66 )         | (277 )             | —            | (344 )      |
| Cash Flows from Financing Activities:  |               |               |                    |              |             |
| Net change in debt   | (370 )        | —             | (6 )               | —            | (376 )      |
| Purchases of Tyson Class A common stock  | (275 )        | —             | —                  | —            | (275 )      |
| Dividends  | (50 )         | —             | (45 )              | 45           | (50 )       |
| Stock options exercised  | 49            | —             | —                  | —            | 49          |
| Other, net   | 19            | —             | —                  | —            | 19          |
| Net change in intercompany balances  | 618           | (64 )         | (554 )             | —            | —           |
| Cash Provided by (Used for) Financing Activities   | (9 )          | (64 )         | (605 )             | 45           | (633 )      |
| Effect of Exchange Rate Change on Cash Increase (Decrease) in Cash and Cash Equivalents            | —             | (1 )          | (706 )             | —            | (707 )      |
| Cash and Cash Equivalents at Beginning of Year   | —             | 21            | 1,124              | —            | 1,145       |
| Cash and Cash Equivalents at End of Period   | \$—           | \$ 20         | \$ 418             | \$—          | \$ 438      |
| Condensed Consolidating Statement of Cash Flows for the six months ended March 30, 2013            |               |               |                    |              | in millions |
|  | TFI<br>Parent | TFM<br>Parent | Non-<br>Guarantors | Eliminations | Total       |
| Cash Provided by (Used for) Operating Activities   | \$ 89         | \$ 76         | \$ 78              | \$(13 )      | \$ 230      |
| Cash Flows from Investing Activities:  |               |               |                    |              |             |
| Additions to property, plant and equipment (Purchases of)/Proceeds from marketable securities, net | (2 )          | (54 )         | (234 )             | —            | (290 )      |
| Acquisitions, net of cash acquired   | —             | (13 )         | (50 )              | —            | (63 )       |
| Other, net   | (3 )          | —             | 33                 | —            | 30          |
| Cash Provided by (Used for) Investing Activities   | (5 )          | (67 )         | (261 )             | —            | (333 )      |
| Cash Flows from Financing Activities:  |               |               |                    |              |             |
| Net change in debt   | (1 )          | —             | (17 )              | —            | (18 )       |
| Purchases of Tyson Class A common stock  | (188 )        | —             | —                  | —            | (188 )      |
| Dividends  | (70 )         | —             | (13 )              | 13           | (70 )       |
| Stock options exercised  | 69            | —             | —                  | —            | 69          |
| Other, net   | 2             | —             | —                  | —            | 2           |
| Net change in intercompany balances  | 103           | 4             | (107 )             | —            | —           |
|  | (85 )         | 4             | (137 )             | 13           | (205 )      |

Edgar Filing: TYSON FOODS INC - Form 10-Q

Cash Provided by (Used for) Financing  
Activities

|   |     |      |       |     |       |   |
|---|-----|------|-------|-----|-------|---|
| Effect of Exchange Rate Change on Cash              | —   | —    | (1    | ) — | (1    | ) |
| Increase (Decrease) in Cash and Cash<br>Equivalents | (1  | ) 13 | (321  | ) — | (309  | ) |
| Cash and Cash Equivalents at Beginning of<br>Year   | 1   | 9    | 1,061 | —   | 1,071 |   |
| Cash and Cash Equivalents at End of Period          | \$— | \$22 | \$740 | \$— | \$762 |   |

29

---

Table of Contents

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

RESULTS OF OPERATIONS

Description of the Company

We are one of the world's largest meat protein companies and the second-largest food production company in the Fortune 500 with one of the most recognized brand names in the food industry. We produce, distribute and market chicken, beef, pork, prepared foods and related allied products. Some of the key factors influencing our business are customer demand for our products; the ability to maintain and grow relationships with customers and introduce new and innovative products to the marketplace; accessibility of international markets; market prices for our products; the cost and availability of live cattle and hogs, raw materials, feed ingredients; and operating efficiencies of our facilities. Our operations are conducted in five segments: Chicken, Beef, Pork, Prepared Foods and International. During the second quarter of fiscal 2014, we began reporting our International operation as a separate segment, which was previously included in our Chicken segment. Our International segment became a separate reportable segment as a result of changes to our internal financial reporting to align with previously announced executive leadership changes. The International segment includes our foreign operations primarily related to raising and processing live chickens into fresh, frozen and value-added chicken products in Brazil, China, India and Mexico. All periods presented have been reclassified to reflect this change. Beef, Pork, Prepared Foods and Other results were not impacted by this change.

Overview

General – Operating income grew 53% in the second quarter of fiscal 2014 over the same period in fiscal 2013 and was led by strong earnings in our Chicken and Pork segments.

We continued to execute our strategy of accelerating growth in domestic value-added chicken sales, prepared food sales and international chicken production, innovating products, services and customer insights and cultivating our talent development to support Tyson's growth for the future.

We also maintained focus on maximizing our margins through margin management and operational efficiency improvements. Margin management improvements occurred in the areas of mix, export sales, price optimization and value-added product initiatives. The operational efficiencies occurred in areas of yields, cost reduction and labor management.

Market environment – Our Chicken segment delivered strong results in the second quarter of fiscal 2014 driven by favorable domestic market conditions associated with strong demand for our chicken products. Our Beef segment experienced record high fed cattle costs and reduced availability of fed cattle supplies but increased operating margins by maximizing our revenues relative to the rising live cattle markets. Our Pork segment results remained strong in the second quarter of fiscal 2014 due to mix changes and favorable market conditions associated with lower total pork supplies. Our Prepared Foods segment was challenged by volatile raw material prices in addition to costs incurred as we continue to invest in our lunchmeat business and growth platforms. Our International segment experienced losses due to challenging market conditions in China and Brazil.

Discontinued Operation – In the third quarter of fiscal 2013, we reported our Weifang operation in China, which was previously part of our Chicken segment, as a discontinued operation. Accordingly, Weifang's results are reported as a discontinued operation for all periods presented.

Margins – Our total operating margin was 4.0% in the second quarter of fiscal 2014. Operating margins by segment were as follows:

Chicken – 8.2%

Beef – 0.9%

Pork – 7.2%

Prepared Foods – 2.4%

International – (9.1)%

Debt and Liquidity – During the second quarter of fiscal 2014 we used \$96 million of cash to fund operations.

Additionally, we repurchased, as part of our share repurchase program, 2.5 million shares of our Class A stock for \$100 million. At March 29, 2014, we had approximately \$1.4 billion of liquidity, which includes availability under

our credit facility and \$438 million of cash and cash equivalents.

30

---

Table of Contents

| in millions, except per share data  | Three Months Ended |                | Six Months Ended |                |
|---|--------------------|----------------|------------------|----------------|
|   | March 29, 2014     | March 30, 2013 | March 29, 2014   | March 30, 2013 |
| Net income from continuing operations attributable to Tyson                     | \$213              | \$157          | \$467            | \$334          |
| Net income from continuing operations attributable to Tyson – per diluted share | 0.60               | 0.43           | 1.32             | 0.92           |
| Net loss from discontinued operation attributable to Tyson                      | —                  | (62)           | —                | (66)           |
| Net loss from discontinued operation attributable to Tyson – per diluted share  | —                  | (0.17)         | —                | (0.18)         |
| Net income attributable to Tyson  | 213                | 95             | 467              | 268            |
| Net income attributable to Tyson – per diluted share                            | 0.60               | 0.26           | 1.32             | 0.74           |

Second quarter and six months - Fiscal 2013 - Net income included the following item:

\$19 million, or \$0.05 per diluted share, related to a recognized currency translation adjustment.

## Summary of Results

## Sales

| in millions                   | Three Months Ended |                | Six Months Ended |                |
|-------------------------------|--------------------|----------------|------------------|----------------|
|                               | March 29, 2014     | March 30, 2013 | March 29, 2014   | March 30, 2013 |
| Sales                         | \$9,032            | \$8,383        | \$17,793         | \$16,749       |
| Change in sales volume        | 2.8                | %              | 2.6              | %              |
| Change in average sales price | 5.2                | %              | 3.8              | %              |
| Sales growth                  | 7.7                | %              | 6.2              | %              |

## Second quarter – Fiscal 2014 vs Fiscal 2013

**Sales Volume** – Sales were positively impacted by higher sales volume, which accounted for an increase of \$141 million. All segments, with the exception of the Beef segment, had an increase in sales volume.

**Average Sales Price** – Sales were positively impacted by higher average sales prices, which accounted for an increase of \$508 million. The Beef and Pork segments had an increase in average sales price largely due to increased pricing associated with rising cattle and hog costs. These increases were partially offset by a decrease in average sales price in the Chicken, Prepared Foods and International segments which was driven by lower feed ingredient costs and volatile markets in our International segment.

## Six months – Fiscal 2014 vs Fiscal 2013

**Sales Volume** – Sales were positively impacted by higher sales volume, which accounted for an increase of \$362 million. All segments, with the exception of the Pork segment, had an increase in sales volume.

**Average Sales Price** – Sales were positively impacted by higher average sales prices, which accounted for an increase of \$682 million. All segments, with the exception of the Chicken and International segments, had an increase in average sales price largely due to continued tight domestic availability of protein, increased pricing associated with rising live and raw material costs, and improved mix. These increases were partially offset by a decrease in average sales price in the Chicken and International segments driven by lower feed ingredient costs and volatile markets in our International segment.

Table of Contents

## Cost of Sales

| in millions                            | Three Months Ended |                | Six Months Ended |                |   |
|--|--------------------|----------------|------------------|----------------|---|
|  | March 29, 2014     | March 30, 2013 | March 29, 2014   | March 30, 2013 |   |
| Cost of sales                          | \$8,381            | \$7,915        | \$16,457         | \$15,742       |   |
| Gross profit                           | \$651              | \$468          | \$1,336          | \$1,007        |   |
| Cost of sales as a percentage of sales | 92.8               | % 94.4         | % 92.5           | % 94.0         | % |

## Second quarter – Fiscal 2014 vs Fiscal 2013

• Cost of sales increased \$466 million. Higher input cost per pound increased cost of sales \$314 million and higher sales volume increased cost of sales \$152 million.

• The \$314 million impact of higher input cost per pound was primarily driven by:

• Increases in live cattle and live hog costs of approximately \$355 million and \$90 million, respectively.

• Increase in raw material and other input costs in our Prepared Foods segment of approximately \$25 million.

• Decreases in feed costs of approximately \$175 million in our Chicken segment and \$13 million in our International segment.

• The \$152 million impact of higher sales volume was driven by increases in sales volume in all of our segments other than our Beef segment.

## Six months – Fiscal 2014 vs Fiscal 2013

• Cost of sales increased \$715 million. Higher input cost per pound increased cost of sales \$357 million and higher sales volume increased cost of sales \$358 million.

• The \$357 million impact of higher input cost per pound was primarily driven by:

• Increases in live cattle and live hog costs of approximately \$450 million and \$140 million, respectively.

• Increase in raw material and other input costs in our Prepared Foods segment of approximately \$65 million.

• Decrease in feed costs of approximately \$340 million in our Chicken segment and \$18 million in our International segment.

• The \$358 million impact of higher sales volume was driven by increases in sales volume in all of our segments other than our Pork segment.

## Selling, General and Administrative

| in millions                                 | Three Months Ended |                | Six Months Ended |                |   |
|---|--------------------|----------------|------------------|----------------|---|
|   | March 29, 2014     | March 30, 2013 | March 29, 2014   | March 30, 2013 |   |
| Selling, general and administrative expense | \$290              | \$232          | \$563            | \$467          |   |
| As a percentage of sales                    | 3.2                | % 2.8          | % 3.2            | % 2.8          | % |

## Second quarter – Fiscal 2014 vs Fiscal 2013

• Increase of \$24 million related to employee costs including payroll and stock-based and incentive-based compensation.

• Increase of \$18 million related to advertising, sales promotions and commissions.

• Increase of \$12 million related to professional fees and charitable contributions.

## Six months – Fiscal 2014 vs Fiscal 2013

• Increase of \$37 million related to employee costs including payroll and stock-based and incentive-based compensation.

• Increase of \$35 million related to advertising, sales promotions and commissions.

• Increase of \$20 million related to professional fees and charitable contributions.

Table of Contents

## Interest Expense

in millions

|                           | Three Months Ended |                   | Six Months Ended  |                   |
|---------------------------|--------------------|-------------------|-------------------|-------------------|
|                           | March 29,<br>2014  | March 30,<br>2013 | March 29,<br>2014 | March 30,<br>2013 |
| Cash interest expense     | \$24               | \$29              | \$49              | \$59              |
| Non-cash interest expense | 1                  | 7                 | 4                 | 14                |
| Total Interest Expense    | \$25               | \$36              | \$53              | \$73              |

## Second quarter and six months – Fiscal 2014 vs Fiscal 2013

Cash interest expense includes interest expense related to the coupon rates for senior notes and commitment/letter of credit fees incurred on our revolving credit facilities. The decrease is due to a lower average debt balance compared to the same period in fiscal 2013 as our 2013 Notes were paid off and retired on October 15, 2013.

Non-cash interest expense primarily includes interest related to the amortization of debt issuance costs and discounts/premiums on note issuances. The decrease is due to lower amortization of debt issuance costs and discounts compared to the same period in fiscal 2013 as our 2013 Notes were paid off and retired on October 15, 2013.

## Other (Income) Expense, net

in millions

|  | Three Months Ended |                   | Six Months Ended  |                   |
|--|--------------------|-------------------|-------------------|-------------------|
|  | March 29,<br>2014  | March 30,<br>2013 | March 29,<br>2014 | March 30,<br>2013 |
|  | \$(2               | ) \$(19           | ) \$1             | \$(19             |

## Six months – Fiscal 2014

Included an expense of \$6 million related to the impairment of an equity security investment, which was partially offset by income of \$5 million of equity earnings in joint ventures and foreign currency exchange gains.

## Second quarter and six months - Fiscal 2013

Included \$19 million related to a currency translation adjustment gain recognized in conjunction with the receipt of proceeds constituting the final resolution of our investment in Canada.

## Effective Tax Rate

|  | Three Months Ended |                | Six Months Ended |                |
|--|--------------------|----------------|------------------|----------------|
|  | March 29, 2014     | March 30, 2013 | March 29, 2014   | March 30, 2013 |
|  | 38.3               | % 23.9         | % 36.2           | % 30.4         |

## Second quarter and six months - Fiscal 2014 – The effective tax rate for continuing operations was impacted by:

state income taxes;

the domestic production deduction; and

losses in foreign jurisdictions for which no benefit is recognized.

## Second quarter and six months - Fiscal 2013 – The effective tax rate for continuing operations was impacted by:

the non-taxable currency translation adjustment gain;

the retroactive extension of tax credits;

change in tax reserves;

state income taxes;

the domestic production deduction; and

losses in foreign jurisdictions for which no benefit is recognized.



Table of Contents

## Segment Results

We operate in five segments: Chicken, Beef, Pork, Prepared Foods and International. The following table is a summary of sales and operating income (loss), which is how we measure segment income.

| in millions        | Sales                   |                   |                   |                   |
|--------------------|-------------------------|-------------------|-------------------|-------------------|
|                    | Three Months Ended      |                   | Six Months Ended  |                   |
|                    | March 29,<br>2014       | March 30,<br>2013 | March 29,<br>2014 | March 30,<br>2013 |
| Chicken            | \$2,842                 | \$2,733           | \$5,498           | \$5,328           |
| Beef               | 3,825                   | 3,447             | 7,559             | 6,932             |
| Pork               | 1,487                   | 1,311             | 2,911             | 2,674             |
| Prepared Foods     | 861                     | 803               | 1,768             | 1,644             |
| International      | 328                     | 331               | 655               | 658               |
| Other              | —                       | 27                | —                 | 47                |
| Intersegment Sales | (311                    | ) (269            | ) (598            | ) (534            |
| Total              | \$9,032                 | \$8,383           | \$17,793          | \$16,749          |
| in millions        | Operating Income (Loss) |                   |                   |                   |
|                    | Three Months Ended      |                   | Six Months Ended  |                   |
|                    | March 29,<br>2014       | March 30,<br>2013 | March 29,<br>2014 | March 30,<br>2013 |
| Chicken            | \$234                   | \$143             | \$487             | \$256             |
| Beef               | 35                      | (26               | ) 93              | 20                |
| Pork               | 107                     | 72                | 228               | 197               |
| Prepared Foods     | 21                      | 28                | 37                | 61                |
| International      | (30                     | ) (3              | ) (58             | ) (5              |
| Other              | (6                      | ) 22              | (14               | ) 11              |
| Total              | \$361                   | \$236             | \$773             | \$540             |

## Chicken Segment Results

| in millions                | Three Months Ended |                   |        | Six Months Ended  |                   |        |
|----------------------------|--------------------|-------------------|--------|-------------------|-------------------|--------|
|                            | March 29,<br>2014  | March 30,<br>2013 | Change | March 29,<br>2014 | March 30,<br>2013 | Change |
| Sales                      | \$2,842            | \$2,733           | \$109  | \$5,498           | \$5,328           | \$170  |
| Sales Volume Change        |                    |                   | 4.3    | %                 |                   | 3.4    |
| Average Sales Price Change |                    |                   | (0.3   | )%                |                   | (0.2   |
| Operating Income           | \$234              | \$143             | \$91   | \$487             | \$256             | \$231  |
| Operating Margin           | 8.2                | % 5.2             | %      | 8.9               | % 4.8             | %      |

## Second quarter and six months – Fiscal 2014 vs Fiscal 2013

**Sales Volume** – Sales volumes grew due to stronger demand for chicken products and mix of rendered product sales.

**Average Sales Price** – The slight decrease in average sales price was primarily due to lower feed ingredient costs, partially offset by mix changes.

**Operating Income** – Operating income was positively impacted by increased sales volume, operational improvements and lower feed ingredient costs, partially offset by decreased average sales price. Feed costs decreased \$175 million and \$340 million for the second quarter and first six months of fiscal 2014, respectively.

Table of Contents

## Beef Segment Results

| in millions                | Three Months Ended |                |         | Six Months Ended  |                   |        |
|----------------------------|--------------------|----------------|---------|-------------------|-------------------|--------|
|                            | March 29,<br>2014  | March 30, 2013 | Change  | March 29,<br>2014 | March 30,<br>2013 | Change |
| Sales                      | \$3,825            | \$3,447        | \$378   | \$7,559           | \$6,932           | \$627  |
| Sales Volume Change        |                    |                | (1.8 )% |                   |                   | 1.1 %  |
| Average Sales Price Change |                    |                | 13.0 %  |                   |                   | 7.9 %  |
| Operating Income           | \$35               | \$(26 )        | \$61    | \$93              | \$20              | \$73   |
| Operating Margin           | 0.9                | % (0.8 )%      |         | 1.2               | % 0.3             | %      |

## Second quarter and six months – Fiscal 2014 vs Fiscal 2013

Sales Volume – Sales volumes decreased for the second quarter of fiscal 2014 due to a reduction in live cattle processed as a result of reduced export sales. However, sales volumes increased for the first six months of fiscal 2014 due to better demand for our beef products.

Average Sales Price – Average sales price increased due to lower domestic availability of fed cattle supplies, which drove up livestock costs.

Operating Income – Operating income increased due to improved operational execution and maximizing our revenues relative to the rising live cattle markets, partially offset by increased operating costs.

## Pork Segment Results

| in millions                | Three Months Ended |                   |        | Six Months Ended  |                   |         |
|----------------------------|--------------------|-------------------|--------|-------------------|-------------------|---------|
|                            | March 29,<br>2014  | March 30,<br>2013 | Change | March 29,<br>2014 | March 30,<br>2013 | Change  |
| Sales                      | \$1,487            | \$1,311           | \$176  | \$2,911           | \$2,674           | \$237   |
| Sales Volume Change        |                    |                   | 0.7 %  |                   |                   | (0.7 )% |
| Average Sales Price Change |                    |                   | 12.5 % |                   |                   | 9.6 %   |
| Operating Income           | \$107              | \$72              | \$35   | \$228             | \$197             | \$31    |
| Operating Margin           | 7.2                | % 5.5 %           |        | 7.8               | % 7.4             | %       |

## Second quarter and six months – Fiscal 2014 vs Fiscal 2013

Sales Volume – Sales volumes increased for the second quarter of fiscal 2014 as a result of better domestic demand for our pork products. However, sales volumes decreased for the first six months of fiscal 2014 as a result of reduced export sales during our first quarter of fiscal 2014.

Average Sales Price – Average sales price increased primarily due to mix changes and lower total hog supplies, which resulted in higher input costs.

Operating Income – Operating income increased due to maximizing our revenues relative to live hog markets, partially attributable to operational and mix performance.

Table of Contents

## Prepared Foods Segment Results

| in millions                | Three Months Ended |                   |        | Six Months Ended  |                   |        |   |
|----------------------------|--------------------|-------------------|--------|-------------------|-------------------|--------|---|
|                            | March 29,<br>2014  | March 30,<br>2013 | Change | March 29,<br>2014 | March 30,<br>2013 | Change |   |
| Sales                      | \$861              | \$803             | \$58   | \$1,768           | \$1,644           | \$124  |   |
| Sales Volume Change        |                    |                   | 8.1    | %                 |                   | 5.7    | % |
| Average Sales Price Change |                    |                   | (0.9)  | %                 |                   | 1.7    | % |
| Operating Income           | \$21               | \$28              | \$(7)  | \$37              | \$61              | \$(24) |   |
| Operating Margin           | 2.4                | % 3.5             | %      | 2.1               | % 3.7             | %      |   |

## Second quarter and six months – Fiscal 2014 vs Fiscal 2013

- Sales Volume – Sales volumes increased as a result of improved demand for our prepared foods products and incremental volumes from the purchase of three businesses.

Average Sales Price – Average sales price decreased slightly for the second quarter of fiscal 2014 due to mix changes. However, average sales price increased for the first six months of fiscal 2014 due to better product mix and price increases associated with higher input costs.

Operating Income – Operating income decreased, despite increases in sales volumes, as a result of higher raw material and other input costs of approximately \$25 million and \$65 million for the second quarter and first six months of fiscal 2014, respectively, and additional costs incurred as we invested in our growth platforms. Because many of our sales contracts are formula based or shorter-term in nature, we are typically able to offset rising input costs through pricing. However, there is a lag time for price increases to take effect.

## International Segment Results

| in millions                | Three Months Ended |                   |        | Six Months Ended  |                   |        |   |
|----------------------------|--------------------|-------------------|--------|-------------------|-------------------|--------|---|
|                            | March 29,<br>2014  | March 30,<br>2013 | Change | March 29,<br>2014 | March 30,<br>2013 | Change |   |
| Sales                      | \$328              | \$331             | \$(3)  | \$655             | \$658             | \$(3)  |   |
| Sales Volume Change        |                    |                   | 13.8   | %                 |                   | 12.4   | % |
| Average Sales Price Change |                    |                   | (12.9) | %                 |                   | (11.4) | % |
| Operating Income           | \$(30)             | \$(3)             | \$(27) | \$(58)            | \$(5)             | \$(53) |   |
| Operating Margin           | (9.1)              | % (0.9)           | %      | (8.9)             | % (0.8)           | %      |   |

## Second quarter and six months – Fiscal 2014 vs Fiscal 2013

- Sales Volume – Sales volumes increased as we continue to grow our businesses in Brazil and China.

Average Sales Price – Average sales price decreased due to poor export market conditions in Brazil, supply imbalances associated with weak demand in China and a less favorable pricing environment in Mexico.

Operating Income – Operating income decreased due to poor operational execution in Brazil, challenging market conditions in Brazil and China and additional costs incurred as we continue to grow our International operation.

Table of Contents

Outlook

In fiscal 2014, we expect overall domestic protein production (chicken, beef, pork and turkey) to decrease approximately 1% from fiscal 2013 levels, mainly due to further reductions in forecasted hog supplies. Grain supplies are expected to increase in fiscal 2014, which should result in lower input costs. The following is a summary of the fiscal 2014 outlook for each of our segments, as well as an outlook on sales, capital expenditures, net interest expense, debt and liquidity and share repurchases:

Chicken – We expect domestic chicken production to increase around 2-3% in fiscal 2014 compared to fiscal 2013. Based on current futures prices, we expect lower feed costs in fiscal 2014 compared to fiscal 2013 of approximately \$500 million. Many of our sales contracts are formula based or shorter-term in nature, but there may be a lag time for price changes to take effect. Due to the relative value of chicken compared to other proteins, we believe demand will remain strong in fiscal 2014. We believe our Chicken segment should be above its normalized range of 5.0%-7.0% for fiscal 2014.

Beef – We expect to see a reduction of industry fed cattle supplies of 3-4% in fiscal 2014 as compared to fiscal 2013. Although we generally expect adequate supplies in regions we operate our plants, there may be periods of imbalance of fed cattle supply and demand. For fiscal 2014, we believe our Beef segment's profitability will be similar to fiscal 2013, which was below its normalized range of 2.5%-4.5%.

Pork – We expect industry hog supplies to decrease around 4-5% in fiscal 2014 compared to fiscal 2013, partially offset by increased average live weights. For fiscal 2014, we believe our Pork segment will be in its normalized range of 6.0%-8.0%.

Prepared Foods – We expect operational improvements and pricing to offset increased raw material costs. Because many of our sales contracts are formula based or shorter-term in nature, we are typically able to offset rising input costs through increased pricing. As we continue to invest heavily in our growth platforms, we expect our Prepared Foods segment to be below its normalized range of 4.0%-6.0% for fiscal 2014.

International – We expect our International chicken production to increase around 15% in fiscal 2014 compared to fiscal 2013. Based on current futures prices, we expect lower feed costs in fiscal 2014 compared to fiscal 2013 of approximately \$40 million. Unless market conditions improve, we will incur losses for the remainder of the year; however the losses in the third and fourth quarters of fiscal 2014 should be lower than the losses sustained in the first two quarters of fiscal 2014.

Sales – We expect fiscal 2014 sales to approximate \$37 billion as we continue to execute our strategy of accelerating growth in domestic value-added chicken sales, prepared food sales and international chicken production, as well as price increases associated with rising cattle and hog costs.

Capital Expenditures – We expect fiscal 2014 capital expenditures to be approximately \$650 to \$700 million.

Net Interest Expense – We expect net interest expense will approximate \$95 million for fiscal 2014.

Debt and Liquidity – We expect total liquidity, which was \$1.4 billion at March 29, 2014, to be above our goal to maintain liquidity in excess of \$1.2 billion.

Share Repurchases – We expect to continue repurchasing shares under our share repurchase program. As of March 29, 2014, 32.1 million shares remained authorized for repurchases under this program. The timing and extent to which we repurchase shares will depend upon, among other things, our working capital needs, market conditions, liquidity targets, our debt obligations and regulatory requirements.

Table of Contents

## LIQUIDITY AND CAPITAL RESOURCES

Our cash needs for working capital, capital expenditures, growth opportunities, the repurchases of senior notes and share repurchases are expected to be met with current cash on hand, cash flows provided by operating activities, or short-term borrowings. Based on our current expectations, we believe our liquidity and capital resources will be sufficient to operate our business. However, we may take advantage of opportunities to generate additional liquidity or refinance existing debt through capital market transactions. The amount, nature and timing of any capital market transactions will depend on our operating performance and other circumstances; our then-current commitments and obligations; the amount, nature and timing of our capital requirements; any limitations imposed by our current credit arrangements; and overall market conditions.

## Cash Flows from Operating Activities

| in millions                               | Six Months Ended |                |
|---|------------------|----------------|
|   | March 29, 2014   | March 30, 2013 |
| Net income                                | \$462            | \$274          |
| Non-cash items in net income:             |                  |                |
| Depreciation and amortization             | 254              | 259            |
| Deferred income taxes                     | (24              | ) (24          |
| Other, net                                | 32               | 57             |
| Convertible debt discount                 | (92              | ) —            |
| Changes in working capital                | (367             | ) (336         |
| Net cash provided by operating activities | \$265            | \$230          |

Operating cash outflow associated with the Convertible debt discount relate to the initial debt discount of \$92 million on our 2013 Notes, which matured and were retired in the first quarter of fiscal 2014.

Cash flows associated with changes in working capital for the six months ended:

March 29, 2014 – Decreased primarily due to higher inventory and accounts receivable balances and decreases in taxes payable and accrued salaries, wages and benefits balances, partially offset by an increase in accounts payable. The increase in inventory and accounts receivable balances is largely due to increased raw material costs and timing of sales.

March 30, 2013 – Decreased primarily due to higher inventory and accounts receivable balances and decreases in accounts payable and accrued salaries, wages and benefits balances. The increase in inventory and accounts receivable balances is largely due to increased raw material costs and timing of sales.

## Cash Flows from Investing Activities

| in millions   | Six Months Ended |                |
|---|------------------|----------------|
|   | March 29, 2014   | March 30, 2013 |
| Additions to property, plant and equipment              | \$(293           | ) \$(290       |
| (Purchases of)/Proceeds from marketable securities, net | (3               | ) (63          |
| Acquisitions, net of cash acquired                      | (56              | ) (10          |
| Other, net  | 8                | 30             |
| Net cash used for investing activities                  | \$(344           | ) \$(333       |

Additions to property, plant and equipment include acquiring new equipment and upgrading our facilities to maintain competitive standing and position us for future opportunities as well as ongoing development of our International segment.

Capital spending for fiscal 2014 is expected to be approximately \$650 to \$700 million, and will include spending on our operations for production and labor efficiencies, yield improvements and sales channel flexibility, as well as expansion of our International segment.

Acquisitions - During the first six months of fiscal 2014, we acquired a value-added food business as part of our strategic expansion initiative. The purchase price of the acquisition was \$56 million, which included \$12 million for property, plant and equipment, \$27 million allocated to Intangible Assets and \$18 million allocated to Goodwill.



Table of Contents

## Cash Flows from Financing Activities

in millions

|   | Six Months Ended |                |
|---|------------------|----------------|
|   | March 29, 2014   | March 30, 2013 |
| Payments on debt                        | \$(390)          | \$(55)         |
| Net proceeds from borrowings            | 14               | 37             |
| Purchases of Tyson Class A common stock | (275)            | (188)          |
| Dividends                               | (50)             | (70)           |
| Stock options exercised                 | 49               | 69             |
| Other, net                              | 19               | 2              |
| Net cash used for financing activities  | \$(633)          | \$(205)        |

Our 2013 Notes matured on October 15, 2013 at which time we paid the \$458 million principal value with cash on hand, and settled the conversion premium by issuing 11.7 million shares of our Class A stock from available treasury shares. The 2013 Notes were initially recorded at a \$92 million discount, which equaled the fair value of an equity conversion premium instrument. The portion of the payment of the Notes related to the initial \$92 million discount was recorded in cash flows from operating activities. Simultaneous to the settlement of the conversion premium, we received 11.7 million shares of our Class A stock from the call options.

During the first six months of fiscal 2014, we received proceeds of \$11 million and paid \$21 million related to borrowings at our foreign subsidiaries. Total debt related to our foreign subsidiaries was \$50 million at March 29, 2014 (\$37 million current, \$13 million long-term).

Purchases of Tyson Class A stock included:

- \$250 million and \$150 million for shares repurchased pursuant to our share repurchase program during the six months ended March 29, 2014 and March 30, 2013, respectively; and
- \$25 million and \$38 million for shares repurchased to fund certain obligations under our equity compensation plans during the during the six months ended March 29, 2014 and March 30, 2013, respectively.

Dividends during the first six months of fiscal 2014 included a 50% increase to our quarterly dividend rate. Dividends during the first six months of fiscal 2013 include a special dividend of \$0.10 and \$0.09 to holders of our Class A stock and Class B stock, respectively.

## Liquidity

in millions

|                           | Commitments<br>Expiration Date | Facility<br>Amount | Outstanding<br>Letters of<br>Credit<br>(no draw<br>downs) | Amount<br>Borrowed | Amount<br>Available |
|---------------------------|--------------------------------|--------------------|---|--------------------|---------------------|
| Cash and cash equivalents |                                |                    |   |                    | \$438               |
| Short-term investments    |                                |                    |   |                    | \$2                 |
| Revolving credit facility | August 2017                    | \$1,000            | \$45  | \$—                | \$955               |
| Total liquidity           |                                |                    |   |                    | \$1,395             |

The revolving credit facility supports our short-term funding needs and letters of credit. The letters of credit issued under this facility are primarily in support of workers' compensation insurance programs and derivative activities. In October 2013 our 2013 Notes matured at which time we paid the \$458 million principal value with cash on hand. At March 29, 2014, approximately 71% of our cash was held in the international accounts of our foreign subsidiaries. Generally, we do not rely on the foreign cash as a source of funds to support our ongoing domestic liquidity needs. Rather, we manage our worldwide cash requirements by reviewing available funds among our foreign subsidiaries and the cost effectiveness with which those funds can be accessed. The repatriation of cash balances from certain of our subsidiaries could have adverse tax consequences or be subject to regulatory capital requirements; however, those balances are generally available without legal restrictions to fund ordinary business operations. Our U.S. income taxes, net of applicable foreign tax credits, have not been provided on undistributed earnings of foreign subsidiaries. Our intention is to reinvest these earnings permanently or to repatriate the earnings only when it is tax effective to do

so.

Our current ratio was 2.07 to 1 and 1.86 to 1 at March 29, 2014, and September 28, 2013, respectively.

39

---



Table of Contents

## Capital Resources

## Credit Facility

Cash flows from operating activities and current cash on hand are our primary sources of liquidity for funding debt service, capital expenditures, dividends and share repurchases. We also have a revolving credit facility, with a committed maximum capacity of \$1.0 billion, to provide additional liquidity for working capital needs, letters of credit and a source of financing for growth opportunities. As of March 29, 2014, we had outstanding letters of credit totaling \$45 million issued under this facility, none of which were drawn upon, which left \$955 million available for borrowing. Our revolving credit facility is funded by a syndicate of 44 banks, with commitments ranging from \$0.3 million to \$90 million per bank. The syndicate includes bank holding companies that are required to be adequately capitalized under federal bank regulatory agency requirements.

## Capitalization

To monitor our credit ratings and our capacity for long-term financing, we consider various qualitative and quantitative factors. We monitor the ratio of our debt to our total capitalization as support for our long-term financing decisions. At March 29, 2014, and September 28, 2013, the ratio of our debt-to-total capitalization was 23.1% and 27.9%, respectively. The reduction in this ratio at March 29, 2014 was due to the retirement of our 2013 Notes, which totaled \$458 million, upon their maturity in our first quarter of fiscal 2014. For the purpose of this calculation, debt is defined as the sum of current and long-term debt. Total capitalization is defined as debt plus Total Shareholders' Equity.

## Credit Ratings

## 2016 Notes

On February 11, 2013, Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (S&P), upgraded the credit rating of the 2016 Notes from "BBB-" to "BBB." This upgrade did not impact the interest rate on the 2016 Notes.

On June 7, 2012, Moody's Investors Service, Inc. (Moody's) upgraded the credit rating of the 2016 Notes from "Ba1" to "Baa3." This upgrade decreased the interest rate on the 2016 Notes from 6.85% to 6.60%, effective beginning with the six-month interest payment due October 1, 2012.

A one-notch downgrade by Moody's would increase the interest rates on the 2016 Notes by 0.25%. A two-notch downgrade from S&P would increase the interest rates on the 2016 Notes by 0.25%.

## Revolving Credit Facility

S&P's corporate credit rating for Tyson Foods, Inc. is "BBB." Moody's senior, unsecured, subsidiary guaranteed long-term debt rating for Tyson Foods, Inc. is "Baa3." Fitch Ratings', a wholly owned subsidiary of Fimalac, S.A. (Fitch), issuer default rating for Tyson Foods, Inc. is "BBB." The below table outlines the fees paid on the unused portion of the facility (Facility Fee Rate) and letter of credit fees (Undrawn Letter of Credit Fee and Borrowing Spread) depending on the rating levels of Tyson Foods, Inc. from S&P, Moody's and Fitch.

| Ratings Level (S&P/Moody's/Fitch) | Facility Fee Rate | Undrawn Letter of Credit Fee and Borrowing Spread |   |
|-----------------------------------|-------------------|---|---|
| BBB+/Baa1/BBB+ or above           | 0.150             | % 1.125   | % |
| BBB/Baa2/BBB (current level)      | 0.175             | % 1.375   | % |
| BBB-/Baa3/BBB-                    | 0.225             | % 1.625   | % |
| BB+/Ba1/BB+                       | 0.275             | % 1.875   | % |
| BB/Ba2/BB or lower or unrated     | 0.325             | % 2.125   | % |

In the event the rating levels are split, the applicable fees and spread will be based upon the rating level in effect for two of the rating agencies, or, if all three rating agencies have different rating levels, the applicable fees and spread will be based upon the rating level that is between the rating levels of the other two rating agencies.

## Debt Covenants

Our revolving credit facility contains affirmative and negative covenants that, among other things, may limit or restrict our ability to: create liens and encumbrances; incur debt; merge, dissolve, liquidate or consolidate; make acquisitions and investments; dispose of or transfer assets; pay dividends or make other payments in respect of our

capital stock; amend material documents; change the nature of our business; make certain payments of debt; engage in certain transactions with affiliates; and enter into sale/leaseback or hedging transactions, in each case, subject to certain qualifications and exceptions. In addition, we are required to maintain minimum interest expense coverage and maximum debt-to-capitalization ratios.

Our 2022 Notes also contain affirmative and negative covenants that, among other things, may limit or restrict our ability to: create liens; engage in certain sale/leaseback transactions; and engage in certain consolidations, mergers and sales of assets.

We were in compliance with all debt covenants at March 29, 2014.

Table of Contents

**RECENTLY ADOPTED/ISSUED ACCOUNTING PRONOUNCEMENTS**

Refer to the discussion of recently adopted/issued accounting pronouncements under Part I, Item 1, Notes to Consolidated Condensed Financial Statements, Note 1: Accounting Policies.

**CRITICAL ACCOUNTING ESTIMATES**

We consider accounting policies related to: contingent liabilities; marketing and advertising costs; accrued self insurance; impairment of long-lived assets; impairment of goodwill and other intangible assets; and income taxes to be critical accounting estimates. These policies are summarized in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended September 28, 2013.

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

Certain information in this report constitutes forward-looking statements. Such forward-looking statements include, but are not limited to, current views and estimates of our outlook for fiscal 2014, other future economic circumstances, industry conditions in domestic and international markets, our performance and financial results (e.g., debt levels, return on invested capital, value-added product growth, capital expenditures, tax rates, access to foreign markets and dividend policy). These forward-looking statements are subject to a number of factors and uncertainties that could cause our actual results and experiences to differ materially from anticipated results and expectations expressed in such forward-looking statements. We wish to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Among the factors that may cause actual results and experiences to differ from anticipated results and expectations expressed in such forward-looking statements are the following: (i) the effect of, or changes in, general economic conditions; (ii) fluctuations in the cost and availability of inputs and raw materials, such as live cattle, live swine, feed grains (including corn and soybean meal) and energy; (iii) market conditions for finished products, including competition from other global and domestic food processors, supply and pricing of competing products and alternative proteins and demand for alternative proteins; (iv) successful rationalization of existing facilities and operating efficiencies of the facilities; (v) risks associated with our commodity purchasing activities; (vi) access to foreign markets together with foreign economic conditions, including currency fluctuations, import/export restrictions and foreign politics; (vii) outbreak of a livestock disease (such as avian influenza (AI) or bovine spongiform encephalopathy (BSE)), which could have an adverse effect on livestock we own, the availability of livestock we purchase, consumer perception of certain protein products or our ability to access certain domestic and foreign markets; (viii) changes in availability and relative costs of labor and contract growers and our ability to maintain good relationships with employees, labor unions, contract growers and independent producers providing us livestock; (ix) issues related to food safety, including costs resulting from product recalls, regulatory compliance and any related claims or litigation; (x) changes in consumer preference and diets and our ability to identify and react to consumer trends; (xi) significant marketing plan changes by large customers or loss of one or more large customers; (xii) adverse results from litigation; (xiii) risks associated with leverage, including cost increases due to rising interest rates or changes in debt ratings or outlook; (xiv) compliance with and changes to regulations and laws (both domestic and foreign), including changes in accounting standards, tax laws, environmental laws, agricultural laws and occupational, health and safety laws; (xv) our ability to make effective acquisitions or joint ventures and successfully integrate newly acquired businesses into existing operations; (xvi) effectiveness of advertising and marketing programs; and (xvii) those factors listed under Item 1A. "Risk Factors" included in our Annual Report filed on Form 10-K for the year ended September 28, 2013.

Table of Contents

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk relating to our operations results primarily from changes in commodity prices, interest rates and foreign exchange rates, as well as credit risk concentrations. To address certain of these risks, we enter into various derivative transactions as described below. If a derivative instrument is accounted for as a hedge, depending on the nature of the hedge, changes in the fair value of the instrument either will be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or be recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of an instrument's change in fair value is recognized immediately. Additionally, we hold certain positions, primarily in grain and livestock futures that either do not meet the criteria for hedge accounting or are not designated as hedges. With the exception of normal purchases and normal sales that are expected to result in physical delivery, we record these positions at fair value, and the unrealized gains and losses are reported in earnings at each reporting date. Changes in market value of derivatives used in our risk management activities relating to forward sales contracts are recorded in sales. Changes in market value of derivatives used in our risk management activities surrounding inventories on hand or anticipated purchases of inventories are recorded in cost of sales.

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

**Commodities Risk:** We purchase certain commodities, such as grains and livestock, in the course of normal operations. As part of our commodity risk management activities, we use derivative financial instruments, primarily futures and options, to reduce the effect of changing prices and as a mechanism to procure the underlying commodity. However, as the commodities underlying our derivative financial instruments can experience significant price fluctuations, any requirement to mark-to-market the positions that have not been designated or do not qualify as hedges could result in volatility in our results of operations. Contract terms of a hedge instrument closely mirror those of the hedged item providing a high degree of risk reduction and correlation. Contracts designated and highly effective at meeting this risk reduction and correlation criteria are recorded using hedge accounting. The following table presents a sensitivity analysis resulting from a hypothetical change of 10% in market prices as of March 29, 2014, and September 28, 2013, on the fair value of open positions. The fair value of such positions is a summation of the fair values calculated for each commodity by valuing each net position at quoted futures prices. The market risk exposure analysis includes hedge and non-hedge derivative financial instruments.

| Effect of 10% change in fair value | March 29, 2014 | in millions<br>September 28,<br>2013 |
|------------------------------------|----------------|--------------------------------------|
| Livestock:                         |                |                                      |
| Cattle                             | \$57           | \$13                                 |
| Hogs                               | 56             | 35                                   |
| Grain                              | 12             | 23                                   |

**Interest Rate Risk:** At March 29, 2014, we had variable rate debt of \$163 million with a weighted average interest rate of 3.2%. A hypothetical 10% increase in interest rates effective at March 29, 2014, and September 28, 2013, would have a minimal effect on interest expense.

Additionally, changes in interest rates impact the fair value of our fixed-rate debt. At March 29, 2014, we had fixed-rate debt of \$1.8 billion with a weighted average interest rate of 5.5%. Market risk for fixed-rate debt is estimated as the potential increase in fair value, resulting from a hypothetical 10% decrease in interest rates. A hypothetical 10% decrease in interest rates would have increased the fair value of our fixed-rate debt by approximately \$22 million at March 29, 2014 and September 28, 2013. The fair values of our debt were estimated based on quoted market prices and/or published interest rates.

**Foreign Currency Risk:** We have foreign exchange exposure from fluctuations in foreign currency exchange rates primarily as a result of certain receivable and payable balances. The primary currencies we have exposure to are the Brazilian real, the British pound sterling, the Canadian dollar, the Chinese renminbi, the European euro, the Indian

rupee and the Mexican peso. We periodically enter into foreign exchange forward and option contracts to hedge some portion of our foreign currency exposure. A hypothetical 10% change in foreign exchange rates effective at March 29, 2014, and September 28, 2013, related to the foreign exchange forward and option contracts would have a \$7 million and \$11 million impact, respectively, on pretax income. In the future, we may enter into more foreign exchange forward and option contracts as a result of our international growth strategy.

**Concentration of Credit Risk:** Refer to our market risk disclosures set forth in the 2013 Annual Report filed on Form 10-K for a detailed discussion of quantitative and qualitative disclosures about concentration of credit risks, as these risk disclosures have not changed significantly from the 2013 Annual Report.

Table of Contents

Item 4. Controls and Procedures

An evaluation was performed, under the supervision and with the participation of management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended). Based on that evaluation, management, including the CEO and CFO, has concluded that, as of March 29, 2014, our disclosure controls and procedures were effective.

In the second quarter ended March 29, 2014, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Refer to the description of certain legal proceedings pending against us under Part I, Item 1, Notes to Consolidated Condensed Financial Statements, Note 15: Commitments and Contingencies, which discussion is incorporated herein by reference. Listed below are certain additional legal proceedings involving the Company and/or its subsidiaries.

On May 8, 2008, a lawsuit was filed against the Company and two of our employees in the District Court of McCurtain County, Oklahoma styled *Armstrong, et al. v. Tyson Foods, Inc., et al.* (the *Armstrong Case*). The lawsuit was brought by a group of 52 poultry growers who allege that certain of our live production practices in Oklahoma constitute fraudulent inducement, fraud, unjust enrichment, negligence, gross negligence, unconscionability, violations of the Oklahoma Business Sales Act, Deceptive Trade Practice violations, violations of the Consumer Protection Act, and conversion, as well as other theories of recovery. The plaintiffs sought damages in an unspecified amount. On October 30, 2009, 20 additional growers represented by the same attorney filed a lawsuit against us in the same court asserting the same or similar claims, which is styled *Clardy, et al. v. Tyson Foods, Inc., et al.* (the *Clardy Case*). In both of these cases we have denied all allegations of wrongdoing. In June 2009, the plaintiffs in the *Armstrong case* requested an expedited trial date for a smaller group of plaintiffs they claimed were facing imminent financial peril. The Court ultimately severed a group of 10 plaintiffs from the *Armstrong Case*, and a trial began on March 15, 2010. On April 1, 2010, the jury returned a verdict against us and one of our employees, and on April 2, 2010, the Court entered a judgment in the amount of \$8,655,735, which included punitive damages. Subsequent to the trial, the presiding judge disqualified from the cases and the Oklahoma Supreme Court appointed a new judge to the cases. Following this appointment, the trial court granted our motions for change of venue and to stay all future trials of plaintiffs in the *Armstrong Case* and the *Clardy Case* pending the outcome of our appeal of the initial *Armstrong Case* verdict. The trial court took under advisement the sizes of groupings of plaintiffs in future trials in response to our motion to sever the plaintiffs' claims into individual cases. We appealed the initial *Armstrong Case* verdict to the Oklahoma Supreme Court based on numerous irregularities and rulings during the trial, and the Oklahoma Supreme Court reversed the verdict and remanded the case back to the trial court. At this time, the district court has not set trial dates for the *Armstrong Case* or the *Clardy Case*.

In September 2013, the United States Department of Justice (DOJ) alleged that one of our subsidiaries did not comply with the Clean Water Act with respect to a spill that occurred in North Carolina in January 2010. The DOJ is seeking civil penalties, and we are currently engaged in settlement discussions.

Other Matters: We currently have approximately 115,000 employees and, at any time, have various employment practices matters outstanding. In the aggregate, these matters are significant to the Company, and we devote significant resources to managing employment issues. Additionally, we are subject to other lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. While the ultimate results of these matters cannot be determined, they are not expected to have a material adverse effect on our consolidated results of operations or financial position.

Item 1A. Risk Factors

There have been no material changes to the risk factors listed in Part I, "Item 1A. Risk Factors" in the Annual Report on Form 10-K for the year ended September 28, 2013. These risk factors should be considered carefully with the information provided elsewhere in this report, which could materially adversely affect our business, financial condition or results of operations. Additional risks and uncertainties not currently known or we currently deem to be

immaterial also may materially adversely affect our business, financial condition or results of operations.

43

---

Table of Contents

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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

| Period                         | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup> |
|--------------------------------|----------------------------------|------------------------------|--|---|
| Dec. 29, 2013 to Jan. 25, 2014 | 165,988                          | \$33.88                      | —  | 9,614,083   |
| Jan. 26, 2014 to Mar. 1, 2014  | 1,301,272                        | 37.20                        | 1,128,200  | 33,485,883  |
| Mar. 2, 2014 to Mar. 29, 2014  | 1,508,248                        | 40.55                        | 1,431,112  | 32,054,771  |
| Total                          | 2,975,508 <sup>(2)</sup>         | \$38.71                      | 2,559,312  | 32,054,771 <sup>(3)</sup>   |

On February 7, 2003, we announced our Board of Directors approved a program to repurchase up to 25 million shares of Class A common stock from time to time in open market or privately negotiated transactions. On May 3, (1)2012, our Board of Directors approved an increase of 35 million shares authorized for repurchase under this program. On January 30, 2014, our Board of Directors approved an increase of 25 million shares authorized for repurchase under this program. The program has no fixed or scheduled termination date.

We purchased 416,196 shares during the period that were not made pursuant to our previously announced stock repurchase program, but were purchased to fund certain Company obligations under our equity compensation (2) plans. These transactions included 391,103 shares purchased in open market transactions and 25,093 shares withheld to cover required tax withholdings on the vesting of restricted stock.

(3) These shares were purchased during the period pursuant to our previously announced stock repurchase program.

## Item 3. Defaults Upon Senior Securities

None

## Item 4. Mine Safety Disclosures

Not Applicable



Table of Contents

Item 5. Other Information

Grant of Non-Qualified Stock Options

The Compensation Committee (Committee) of the Company's Board of Directors adopted a procedure in 2006 to grant non-qualified stock options on the fourth (4th) business day immediately following the date of our release of fiscal year-end earnings to the public, with such options to be granted at the closing price on the date of grant. At the April 30, 2014 meeting, the Committee approved resolutions stating earnings for fiscal 2014 are currently expected to be released November 17, 2014, and options shall be granted on the 4th business day after earnings are released, making the expected option grant date November 21, 2014. The resolutions further stated that if the earnings release date for fiscal 2014 is changed, the option grant date shall also be appropriately changed to fall on the 4th business day after the announcement of the earnings.

Amended and Restated Employment Agreement

On May 1, 2014, we entered into an Amended and Restated Employment Agreement with Mr. John Tyson, Chairman of the Board of Directors. This agreement replaces Mr. Tyson's previous employment agreement dated November 25, 2012. Notwithstanding, the term of Mr. Tyson's employment remains five years, beginning as of November 25, 2012 unless terminated earlier pursuant to the agreement.

The agreement provides for an annual base salary of \$850,000 and eligibility for participation in the Company's annual performance incentive plan, as well as any benefit programs generally applicable to employees of the Company. In addition, Mr. Tyson is eligible to receive, on such dates specified by the Company consistent with the Company's treatment of similarly-situated employees, performance and stock incentive awards under the Company's incentive plans then in effect (if any), subject to the discretion of the Compensation Committee of our Board of Directors.

Mr. Tyson is also entitled to the use of certain Company-owned assets, including aircraft for up to 275 hours annually, provided that such use does not interfere with the Company's use of such assets and is consistent with the Company's then existing policies. Mr. Tyson is also entitled to personal security services provided by the Company, provided that such services do not exceed the value of \$50,000 annually. The Company has also agreed to reimburse Mr. Tyson for the annual premium on a \$7,500,000 life insurance policy. The Company will reimburse and gross-up any and all income tax liability of Mr. Tyson in connection with the use or acceptance of such Company-owned or -provided assets.

Mr. Tyson may terminate his employment under the agreement, subject to confidentiality and non-compete obligations contained therein, upon 30 days' prior written notice to the Company. The Company's Board of Directors has the right to terminate the agreement at any time upon written notice to Mr. Tyson. Any such termination without cause is subject to the Company's obligation to pay, in a lump sum, his base salary for the period of time following termination through the stated term of the agreement and subject to provisions relating to the early vesting of stock options, restricted stock and performance stock awards.

Upon the occurrence of a change in control (as defined in the agreement), all previously granted restricted stock, performance stock and stock option awards will be treated in accordance with the applicable award agreement.

A copy of this agreement is filed as Exhibit 10.1 to this Form 10-Q.

Table of Contents

Item 6. Exhibits

The following exhibits are filed with this report.

| Exhibit No. | Exhibit Description   |
|-------------|---|
| 10.1        | Amended and Restated Employment Agreement, dated May 1, 2014, by and between the Company and John Tyson.  |
| 12.1        | Ratio of Earnings to Fixed Charges  |
| 31.1        | Certification of Chief Executive Officer pursuant to SEC Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |
| 31.2        | Certification of Chief Financial Officer pursuant to SEC Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |
| 32.1        | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |
| 32.2        | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |
| 101         | The following financial information from our Quarterly Report on Form 10-Q for the quarter ended March, 29, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Condensed Statements of Income, (ii) Consolidated Condensed Statements of Comprehensive Income, (iii) Consolidated Condensed Balance Sheets, (iv) Consolidated Condensed Statements of Cash Flows, and (v) the Notes to Consolidated Condensed Financial Statements. |

Table of Contents

SIGNATURES

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

TYSON FOODS, INC.

Date: May 5, 2014

/s/ Dennis Leatherby  
Dennis Leatherby  
Executive Vice President and Chief Financial Officer

Date: May 5, 2014

/s/ Curt T. Calaway  
Curt T. Calaway  
Senior Vice President, Controller and Chief Accounting Officer