TYSON FOODS INC
Form 10-Q
August 05, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 29, 2013
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	71-0225165
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2200 Don Tyson Parkway, Springdale, Arkansas	72762-6999
(Address of principal executive offices)	(Zip Code)

(479) 290-4000
(Registrant’s telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x 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 x 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	x	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 x

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of June 29, 2013.

Class	Outstanding Shares
Class A Common Stock, $0.10 Par Value (Class A stock)	282,195,269
Class B Common Stock, $0.10 Par Value (Class B stock)	70,015,755

TYSON FOODS, INC.
INDEX
PART I. FINANCIAL INFORMATION

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		Nine Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Sales	$8,731	$8,261	$25,480	$24,740
Cost of Sales	8,049	7,695	23,791	23,140
Gross Profit	682	566	1,689	1,600
Selling, General and Administrative	263	224	730	668
Operating Income	419	342	959	932
Other (Income) Expense:				
Interest income	(2)	(2)	(5)	(9)
Interest expense	36	215	109	316
Other, net	—	(3)	(19)	(17)
Total Other (Income) Expense	34	210	85	290
Income from Continuing Operations before Income Taxes	385	132	874	642
Income Tax Expense	136	53	285	231
Income from Continuing Operations	249	79	589	411
Loss from Discontinued Operation, Net of Tax	(4)	(6)	(70)	(16)
Net Income	245	73	519	395
Less: Net Income (Loss) Attributable to Noncontrolling Interest	(4)	(3)	2	(3)
Net Income Attributable to Tyson	$249	$76	$517	$398
Amounts attributable to Tyson:				
Net Income from Continuing Operations	253	82	587	414
Net Loss from Discontinued Operation	(4)	(6)	(70)	(16)
Net Income Attributable to Tyson	$249	$76	$517	$398
Weighted Average Shares Outstanding:				
Class A Basic	283	291	284	294
Class B Basic	70	70	70	70
Diluted	369	369	366	373
Net Income Per Share from Continuing Operations Attributable to Tyson:				
Class A Basic	$0.73	$0.23	$1.69	$1.16
Class B Basic	$0.66	$0.20	$1.52	$1.04
Diluted	$0.69	$0.22	$1.61	$1.11
Net Loss Per Share from Discontinued Operation Attributable to Tyson:				
Class A Basic	$(0.01)	$(0.02)	$(0.20)	$(0.05)
Class B Basic	$(0.02)	$(0.01)	$(0.18)	$(0.04)
Diluted	$(0.01)	$(0.01)	$(0.19)	$(0.04)
Net Income Per Share Attributable to Tyson:				
Class A Basic	$0.72	$0.21	$1.49	$1.11
Class B Basic	$0.64	$0.19	$1.34	$1.00

Diluted	$0.68	$0.21	$1.42	$1.07
Dividends Declared Per Share:				
Class A	$0.050	$0.040	$0.260	$0.120
Class B	$0.045	$0.036	$0.234	$0.108

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		Nine Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Net Income	$245	$73	$519	$395
Other Comprehensive Income (Loss), Net of Taxes:				
Derivatives accounted for as cash flow hedges	2	5	(12)	11
Investments	1	(1)	(2)	—
Currency translation	(33)	(38)	(49)	(8)
Postretirement benefits	1	1	4	3
Total Other Comprehensive Income (Loss), Net of Taxes	(29)	(33)	(59)	6
Comprehensive Income	216	40	460	401
Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interest	(4)	(3)	2	(3)
Comprehensive Income Attributable to Tyson	$220	$43	$458	$404

See accompanying Notes to Consolidated Condensed Financial Statements.

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

	June 29, 2013	September 29, 2012
Assets		
Current Assets:		
Cash and cash equivalents	$943	$1,071
Accounts receivable, net	1,454	1,378
Inventories	2,901	2,809
Other current assets	229	145
Total Current Assets	5,527	5,403
Net Property, Plant and Equipment	4,042	4,022
Goodwill	1,903	1,891
Intangible Assets	143	129
Other Assets	487	451
Total Assets	$12,102	$11,896
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current debt	$508	$515
Accounts payable	1,309	1,372
Other current liabilities	1,121	943
Total Current Liabilities	2,938	2,830
Long-Term Debt	1,899	1,917
Deferred Income Taxes	467	558
Other Liabilities	551	549
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	2,288	2,278
Retained earnings	4,754	4,327
Accumulated other comprehensive loss	(122)	(63)
Treasury stock, at cost – 40 million shares at June 29, 2013, and 33 million shares at September 29, 2012	(746)	(569)
Total Tyson Shareholders' Equity	6,213	6,012
Noncontrolling Interest	34	30
Total Shareholders' Equity	6,247	6,042
Total Liabilities and Shareholders' Equity	$12,102	$11,896

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents

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

	Nine Months Ended	
	June 29, 2013	June 30, 2012
Cash Flows From Operating Activities:		
Net income	$519	$395
Depreciation and amortization	387	369
Deferred income taxes	(21)	75
Loss on early extinguishment of debt	—	167
Other, net	80	(1)
Net changes in working capital	(193)	(286)
Cash Provided by Operating Activities	772	719
Cash Flows From Investing Activities:		
Additions to property, plant and equipment	(425)	(530)
Purchases of marketable securities	(123)	(45)
Proceeds from sale of marketable securities	22	36
Acquisitions, net of cash acquired	(106)	—
Other, net	36	19
Cash Used for Investing Activities	(596)	(520)
Cash Flows From Financing Activities:		
Payments on debt	(69)	(919)
Net proceeds from borrowings	48	1,082
Purchases of Tyson Class A common stock	(298)	(209)
Dividends	(87)	(44)
Stock options exercised	93	32
Other, net	13	(26)
Cash Used for Financing Activities	(300)	(84)
Effect of Exchange Rate Changes on Cash	(4)	(3)
Increase (Decrease) in Cash and Cash Equivalents	(128)	112
Cash and Cash Equivalents at Beginning of Year	1,071	716
Cash and Cash Equivalents at End of Period	$943	$828

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 29, 2012. 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 June 29, 2013, and the results of operations for the three and nine months ended June 29, 2013, and June 30, 2012. 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 June 29, 2013, Dynamic Fuels had $168 million of total assets, of which $144 million was net property, plant and equipment, and $111 million of total liabilities, of which $100 million was long-term debt. At September 29, 2012, Dynamic Fuels had $177 million of total assets, of which $146 million was net property, plant and equipment, and $124 million of total liabilities, of which $100 million was long-term debt.
SHARE REPURCHASES
A summary of cumulative share repurchases of our Class A common stock is as follows (in millions):

	Three Months Ended				Nine Months Ended			
	June 29, 2013		June 30, 2012		June 29, 2013		June 30, 2012	
	Shares	Dollars	Shares	Dollars	Shares	Dollars	Shares	Dollars
Shares repurchased:								
Under share repurchase program	4.0	$100	3.9	$75	11.2	$250	9.3	$180
To fund certain obligations under equity compensation plans	0.4	10	0.4	6	2.3	48	1.6	29
Total share repurchases	4.4	$110	4.3	$81	13.5	$298	10.9	$209

As of June 29, 2013, 24 million shares remained available for repurchase under our share repurchase 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, market conditions, liquidity targets, 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.

Table of Contents

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In June 2011, the FASB issued guidance regarding the presentation of comprehensive income. This guidance is effective for annual periods, and interim periods within those years, beginning after December 15, 2011. We adopted this guidance in the first quarter of fiscal year 2013. The adoption required a separate statement of comprehensive income and additional disclosures on our consolidated condensed financial statements.

In February 2013, the FASB issued guidance clarifying disclosures related to amounts reclassified out of accumulated other comprehensive income by component. We adopted this guidance in the second quarter of fiscal year 2013. The adoption required additional disclosures on our consolidated condensed financial statements.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2011 and February 2013, the 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 do not expect the adoption will have a significant impact on our consolidated condensed financial statements.

NOTE 2: ACQUISITIONS

During the nine months of 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 was $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 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, in the second quarter of fiscal 2013, we conducted an impairment test and recorded a $56 million impairment charge. In the third quarter of fiscal 2013, we entered into an agreement to sell 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.

The carrying amount of Weifang's assets and liabilities held for sale at June 29, 2013, were $30 million and $29 million and are recorded in Other current assets and Other current liabilities in our Consolidated Condensed Balance Sheets, respectively.

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		Nine Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Sales	$36	$47	$108	$165
Pretax loss	(2)	(6)	(68)	(16)
Income tax expense	2	—	2	—
Loss from Discontinued Operation	$(4)	$(6)	$(70)	$(16)

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):

	June 29, 2013	September 29, 2012
Processed products:		
Weighted-average method – chicken and prepared foods	$864	$754
First-in, first-out method – beef and pork	628	611
Livestock – first-in, first-out method	1,003	952

Supplies and other – weighted-average method	406	492
Total inventories	$2,901	$2,809

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):

	June 29, 2013	September 29, 2012
Land	$100	$101
Buildings and leasehold improvements	2,903	2,868
Machinery and equipment	5,412	5,208
Land improvements and other	417	408
Buildings and equipment under construction	291	298
	9,123	8,883
Less accumulated depreciation	5,081	4,861
Net property, plant and equipment	$4,042	$4,022

NOTE 6: OTHER CURRENT LIABILITIES

Other current liabilities are as follows (in millions):

	June 29, 2013	September 29, 2012
Accrued salaries, wages and benefits	$381	$382
Self-insurance reserves	272	274
Other	468	287
Total other current liabilities	$1,121	$943

NOTE 7: DEBT

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

	June 29, 2013	September 29, 2012
Revolving credit facility	$—	$—
Senior notes:		
3.25% Convertible senior notes due October 2013 (2013 Notes)	458	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	(12)	(28)
GO Zone tax-exempt bonds due October 2033 (0.06% at 6/29/2013)	100	100
Other	85	126
Total debt	2,407	2,432
Less current debt	508	515
Total long-term debt	$1,899	$1,917

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 June 29, 2013, was $944 million. At June 29, 2013, we had outstanding letters of credit issued under this facility totaling $56 million, none of which were drawn upon. We had an additional $146 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

This 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 due October 15, 2013, with interest payable semi-annually in arrears on April 15 and October 15. At June 29, 2013, the conversion rate was 59.5866 shares of Class A stock per $1,000 principal amount of notes, which is equivalent to a conversion price of $16.78 per share of Class A stock. The conversion rate and conversion price of the 2013 Notes are subject to adjustments which include, among other events, making cash dividends or distributions to the holders of our Class A common stock during any quarterly fiscal period in excess of $0.04 per share. Upon conversion, we will deliver cash up to the aggregate principal amount of the 2013 Notes to be converted and shares of our Class A stock in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the 2013 Notes being converted.

Conditions for early conversion were met in our third quarter of fiscal 2013, and thus, holders maintain the option to convert the 2013 Notes during our fourth quarter of fiscal 2013. On and after July 15, 2013, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time. Should the holders exercise the early conversion option on or after July 15, 2013, we would be required to make such delivery of cash and Class A stock, if any, at the October 15, 2013 maturity date. As of August 2, 2013, there were no significant early conversions.

The 2013 Notes were originally accounted for as a combined instrument because the conversion feature did not meet the requirements to be accounted for separately as a derivative financial instrument. However, we adopted new accounting guidance in the first quarter of fiscal 2010 and applied it retrospectively to all periods presented. This new accounting guidance required us to separately account for the liability and equity conversion features. Upon retrospective adoption, our effective interest rate on the 2013 Notes was determined to be 8.26%, which resulted in the recognition of a $92 million discount to these notes with the offsetting after tax amount of $56 million recorded to capital in excess of par value. This discount is being accreted over the five-year term of the convertible notes at the effective interest rate.

In connection with the issuance of the 2013 Notes, we entered into separate convertible note hedge transactions with respect to our Class A stock to minimize the potential economic dilution upon conversion of the 2013 Notes. We also entered into separate warrant transactions. We recorded the purchase of the note hedge transactions as a reduction to capital in excess of par value, net of $36 million pertaining to the related deferred tax asset, and we recorded the proceeds of the warrant transactions as an increase to capital in excess of par value. Subsequent changes in fair value of these instruments are not recognized in the financial statements as long as the instruments continue to meet the criteria for equity classification.

We purchased call options in private transactions for $94 million that permit us to acquire up to approximately 27 million shares of our Class A stock at the current strike price of $16.78 per share, subject to adjustment. The call options allow us to acquire a number of shares of our Class A stock initially equal to the number of shares of Class A stock issuable to the holders of the 2013 Notes upon conversion. These call options contractually expire upon the maturity of the 2013 Notes.

We sold warrants in private transactions for total proceeds of $44 million. The warrants permit the purchasers to acquire up to approximately 27 million shares of our Class A stock at the current exercise price of $22.17 per share, subject to adjustment. The warrants are exercisable on various dates from January 2014 through April 2014.

Table of Contents

The maximum amount of shares that may be issued to satisfy the conversion of the 2013 Notes is limited to 35.9 million shares. However, the convertible note hedge and warrant transactions, in effect, increase the conversion price of the 2013 Notes from $16.78 per share to $22.17 per share, thus reducing the potential future economic dilution associated with conversion of the 2013 Notes. If our share price is below $22.17 upon exercise of the warrants, there is no economic net share impact. A 10% increase in our share price above the $22.17 warrant exercise price would result in the issuance of 2.5 million incremental shares. At $25.68, our closing share price on June 29, 2013, the incremental shares we would be required to issue upon exercise of the warrants would have resulted in 3.7 million shares. The 2013 Notes and the warrants have a dilutive effect on our earnings per share to the extent the price of our Class A stock during a given measurement period exceeds the respective exercise prices of those instruments. The call options are excluded from the calculation of diluted earnings per share as their impact is anti-dilutive.

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 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.

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.

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. In November 2008, we entered into an interest rate swap related to these bonds to mitigate our interest rate risk on a portion of the bonds for five years. We also issued a letter of credit as a guarantee for the entire bond issuance. If any amounts are disbursed related to this guarantee, we would seek recovery of 50% (up to $50 million) from Syntroleum Corporation 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 June 29, 2013.

NOTE 8: INCOME TAXES

The effective tax rate for continuing operations was 35.4% and 40.2% for the third quarter of fiscal 2013 and 2012, respectively, and 32.6% and 35.9% for the nine months of fiscal 2013 and 2012, respectively. The effective tax rates for the third quarter and nine months of 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 rate for the nine months of fiscal 2013 was also impacted by the second quarter non-taxable currency translation adjustment gain and the retroactive extension of tax credits.

Unrecognized tax benefits were $171 million and $168 million at June 29, 2013, and September 29, 2012, respectively. The amount of unrecognized tax benefits, if recognized, that would impact our effective tax rate was $151 million and $154 million at June 29, 2013, and September 29, 2012, respectively.

We classify interest and penalties on unrecognized tax benefits as income tax expense. At June 29, 2013, and September 29, 2012, before tax benefits, we had $63 million and $64 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 2004 through 2012, for state and local income taxes for fiscal years 2003 through 2012 and for foreign income taxes for fiscal years 2002 through 2012. During the next twelve months, it is reasonably possible the amount of unrecognized tax benefits could decrease by $15 million due to audit settlements and the expiration of statutes of limitations.

Table of Contents

NOTE 9: OTHER INCOME AND CHARGES

During the nine 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.

During the nine months of fiscal 2012, we recorded $11 million of equity earnings in joint ventures and $4 million in net foreign currency exchange gains, which were recorded in the Consolidated Condensed Statements of Income in Other, net.

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		Nine Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Numerator:				
Income from continuing operations	$249	$79	$589	$411
Less: Net income (loss) from continuing operations attributable to noncontrolling interest	(4)	(3)	2	(3)
Net income from continuing operations attributable to Tyson	253	82	587	414
Less Dividends Declared:				
Class A	14	12	74	36
Class B	3	3	16	8
Undistributed earnings	$236	$67	$497	$370
Class A undistributed earnings	$193	$56	$406	$305
Class B undistributed earnings	43	11	91	65
Total undistributed earnings	$236	$67	$497	$370
Denominator:				
Denominator for basic earnings per share:				
Class A weighted average shares	283	291	284	294
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	5	5	5	5
Convertible 2013 Notes and Warrants	11	3	7	4
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversions	369	369	366	373
Net Income Per Share from Continuing Operations Attributable to Tyson:				
Class A Basic	$0.73	$0.23	$1.69	$1.16
Class B Basic	$0.66	$0.20	$1.52	$1.04
Diluted	$0.69	$0.22	$1.61	$1.11
Net Income Per Share Attributable to Tyson:				
Class A Basic	$0.72	$0.21	$1.49	$1.11
Class B Basic	$0.64	$0.19	$1.34	$1.00
Diluted	$0.68	$0.21	$1.42	$1.07

We had no stock-based compensation shares that were antidilutive for the three months ended June 29, 2013. Approximately 4 million of our stock-based compensation shares were antidilutive for the nine months ended June 29, 2013. Approximately 4 million of our stock-based compensation shares were antidilutive for both the three and nine

months ended June 30, 2012. 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.

Table of Contents

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.

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 June 29, 2013.

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., fair value hedge, cash flow hedge, or hedge of a net investment in a foreign operation). 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 related to firm commitments (i.e., livestock).
- Net Investment Hedges – include certain foreign currency forward contracts of permanently invested capital in certain foreign subsidiaries.

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 nine months ended June 29, 2013, and June 30, 2012.

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	June 29, 2013	September 29, 2012
Commodity:			
Corn	Bushels	10	12
Soy meal	Tons	195,600	164,700
Foreign Currency	United States dollar	$61	$80

13

Table of Contents

As of June 29, 2013, the net amounts expected to be reclassified into earnings within the next 12 months are pretax losses of $5 million related to grains and pretax losses of $1 million related to foreign currency. During the three and nine months ended June 29, 2013, and June 30, 2012, 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) Recognized in OCI On Derivatives Three Months Ended		Consolidated Condensed Statements of Income Classification	Gain/(Loss) Reclassified from OCI to Earnings Three Months Ended	
	June 29, 2013	June 30, 2012		June 29, 2013	June 30, 2012
Cash Flow Hedge – Derivatives designated as hedging instruments:					
Commodity contracts	$(5)	$7	Cost of Sales	$(2)	$1
Foreign exchange contracts	3	1	Other Income/Expense	(2)	(1)
Total	$(2)	$8		$(4)	$—

	Gain/(Loss) Recognized in OCI On Derivatives Nine Months Ended		Consolidated Condensed Statements of Income Classification	Gain/(Loss) Reclassified from OCI to Earnings Nine Months Ended	
	June 29, 2013	June 30, 2012		June 29, 2013	June 30, 2012
Cash Flow Hedge – Derivatives designated as hedging instruments:					
Commodity contracts	$(28)	$13	Cost of Sales	$(5)	$(15)
Foreign exchange contracts	(2)	(6)	Other Income/Expense	(4)	4
Total	$(30)	$7		$(9)	$(11)

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 forecasted commodity purchases which are accounted for as a fair value hedge (in millions):

	Metric	June 29, 2013	September 29, 2012
Commodity:			
Live Cattle	Pounds	93	232
Lean Hogs	Pounds	264	239

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 Statements of Income Classification	Three Months Ended		Nine Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012

Gain/(Loss) on forwards	Cost of Sales	$11	$32	$26	$32
Gain/(Loss) on purchase contract	Cost of Sales	(11)	(32)	(26)	(32)

Ineffectiveness related to our fair value hedges was not significant for the three and nine months ended June 29, 2013, and June 30, 2012.

Table of Contents

Foreign net investment hedges

We utilize forward foreign exchange contracts to protect the value of our net investments in certain foreign subsidiaries. For derivative instruments that are designated and qualify as a hedge of a net investment in a foreign currency, the gain or loss is reported in OCI as part of the cumulative translation adjustment to the extent it is effective, with the related amounts due to or from counterparties included in other liabilities or other assets. We utilize the forward-rate method of assessing hedge effectiveness. Any ineffective portions of net investment hedges are recognized in the Consolidated Condensed Statements of Income during the period of change. Ineffectiveness related to our foreign net investment hedges was not significant for the three and nine months ended June 29, 2013, and June 30, 2012. At June 29, 2013, and September 29, 2012, we had $0 and $27 million, respectively, aggregate outstanding notional values related to our forward foreign currency contracts accounted for as foreign net investment hedges.

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

	Gain/(Loss) Recognized in OCI On Derivatives Three Months Ended		Consolidated Condensed Statements of Income Classification	Gain/(Loss) Reclassified from OCI to Earnings Three Months Ended	
	June 29, 2013	June 30, 2012		June 29, 2013	June 30, 2012
Net Investment Hedge – Derivatives designated as hedging instruments:					
Foreign exchange contracts	$—	$1	Other Income/Expense	$—	$—

	Gain/(Loss) Recognized in OCI On Derivatives Nine Months Ended		Consolidated Condensed Statements of Income Classification	Gain/(Loss) Reclassified from OCI to Earnings Nine Months Ended	
	June 29, 2013	June 30, 2012		June 29, 2013	June 30, 2012
Net Investment Hedge – Derivatives designated as hedging instruments:					
Foreign exchange contracts	$—	$(1)	Other Income/Expense	$(4)	$—

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, foreign currency risk and interest rate 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.

Table of Contents

The objective of our undesignated interest rate swap is to manage interest rate risk exposure on a floating-rate bond. Our interest rate swap agreement effectively modifies our exposure to interest rate risk by converting a portion of the floating-rate bond to a fixed rate basis for the first five years, thus reducing the impact of the interest-rate changes on future interest expense. This interest rate swap does not qualify for hedge treatment due to differences in the underlying bond and swap contract interest-rate indices.

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

	Metric	June 29, 2013	September 29, 2012
Commodity:			
Corn	Bushels	17	19
Soy Meal	Tons	96,800	1,200
Soy Oil	Pounds	—	17
Live Cattle	Pounds	191	68
Lean Hogs	Pounds	12	108
Foreign Currency	United States dollars	$83	$165
Interest Rate	Average monthly notional debt	$25	$27

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		Gain/(Loss) Recognized in Earnings	
		Three Months Ended		Nine Months Ended	
		June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Derivatives not designated as hedging instruments:					
Commodity contracts	Sales	$(7)	$3	$(19)	$(6)
Commodity contracts	Cost of Sales	(8)	(22)	(15)	36
Foreign exchange contracts	Other Income/Expense	(2)	—	—	—
Total		$(17)	$(19)	$(34)	$30

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	
	June 29, 2013	September 29, 2012
Derivative Assets:		
Derivatives designated as hedging instruments:		
Commodity contracts	$5	$32
Derivatives not designated as hedging instruments:		
Commodity contracts	4	21
Foreign exchange contracts	1	1
Total derivative assets – not designated	5	22
Total derivative assets	$10	$54
Derivative Liabilities:		
Derivatives designated as hedging instruments:		
Commodity contracts	$9	$6
Foreign exchange contracts	—	1
Total derivative liabilities – designated	9	7
Derivatives not designated as hedging instruments:		
Commodity contracts	64	96
Foreign exchange contracts	3	2
Interest rate contracts	—	—
Total derivative liabilities – not designated	67	98
Total derivative liabilities	$76	$105

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.

Table of Contents

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. 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):

June 29, 2013	Level 1	Level 2	Level 3	Netting (a)	Total
Assets:					
Commodity Derivatives	$—	$9	$—	$(1)	$8
Foreign Exchange Forward Contracts	—	1	—	—	1
Available for Sale Securities:					
Current	—	81	—	—	81
Non-current	6	26	65	—	97
Deferred Compensation Assets	22	184	—	—	206
Total Assets	$28	$301	$65	$(1)	$393
Liabilities:					
Commodity Derivatives	$—	$73	$—	$(72)	$1
Foreign Exchange Forward Contracts	—	3	—	—	3
Total Liabilities	$—	$76	$—	$(72)	$4

September 29, 2012	Level 1	Level 2	Level 3	Netting (a)	Total
Assets:					
Commodity Derivatives	$—	$53	$—	$(40)	$13
Foreign Exchange Forward Contracts	—	1	—	(1)	—
Available for Sale Securities:					
Current	—	3	—	—	3
Non-current	6	25	86	—	117
Deferred Compensation Assets	31	149	—	—	180
Total Assets	$37	$231	$86	$(41)	$313
Liabilities:					
Commodity Derivatives	$—	$102	$—	$(100)	$2
Foreign Exchange Forward Contracts	—	3	—	—	3
Total Liabilities	$—	$105	$—	$(100)	$5

(a) 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. At June 29, 2013, and September 29, 2012, we had posted with various counterparties $71 million and $59 million, respectively, of cash collateral 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):

	Nine Months Ended	
	June 29, 2013	June 30, 2012
Balance at beginning of year	$86	$83
Total realized and unrealized gains (losses):		
Included in earnings	1	1
Included in other comprehensive income (loss)	(1)	(1)
Purchases	14	20
Issuances	—	—
Settlements	(35)	(21)
Balance at end of period	$65	$82
Total gains (losses) for the nine-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 derivatives, including commodities, foreign exchange forward contracts and an interest rate swap, 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. Our interest rate swap is recorded at fair value based on quoted LIBOR swap rates 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, observable market transactions of spot currency rates and forward currency prices or observable benchmark market rates at commonly quoted intervals.
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. We also classified privately held redeemable preferred stock securities as Level 3 as there was limited activity or less observable inputs into valuation models, including interest rates and credit worthiness of the underlying private issuer. As of June 29, 2013, the privately held redeemable preferred stock had been fully redeemed. 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)	June 29, 2013			September 29, 2012		
	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	$27	$1	$26	$27	$1
Certificates of Deposit and Commercial Paper	80	80	—	—	—	—
Corporate and Asset-Backed (a)	65	65	—	64	66	2
Redeemable Preferred Stock	—	—	—	20	20	—
Equity Securities:						
Common Stock and Warrants	9	6	(3)	9	7	(2)

(a) At June 29, 2013, and September 29, 2012, the amortized cost basis for Corporate and Asset-Backed debt securities had been reduced by accumulated other than temporary impairments of $1 million and $2 million, respectively.

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 no other than temporary impairments in earnings for the three and nine months ending June 29, 2013, and June 30, 2012. No other than temporary losses were deferred in OCI as of June 29, 2013, and September 29, 2012.

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. During the second quarter of fiscal 2013, we recorded a $56 million impairment charge related to our Weifang operation in China. The impairment charge resulted from the completion of an assessment of our long-term business strategy in China, in which we determined Weifang was no longer core to the execution of our future business plan. Our valuation of these assets incorporated unobservable Level 3 inputs. 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 nine months ended June 30, 2012.

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):

	June 29, 2013		September 29, 2012	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Total Debt	$2,535	$2,407	$2,596	$2,432

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						Nine Months Ended					
	June 29, 2013			June 30, 2012			June 29, 2013			June 30, 2012		
	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	$2	$(1)	$1	$(1)	$—	$(1)	$5	$(2)	$3	$15	$(6)	$9
(Gain) loss reclassified to Other Income/Expense	2	—	2	1	—	1	4	(1)	3	(4)	2	(2)
Unrealized gain (loss)	(2)	1	(1)	8	(3)	5	(30)	12	(18)	7	(3)	4
Investments:												
(Gain) loss reclassified to Other Income/Expense	—	—	—	—	—	—	(1)	—	(1)	—	—	—
Unrealized gain (loss)	1	—	1	(2)	1	(1)	(2)	1	(1)	—	—	—
Currency translation:												
Translation (gain) loss reclassified to Other Income/Expense	—	—	—	—	—	—	(19)	(1)	(20)	—	—	—
Translation adjustment	(33)	—	(33)	(38)	—	(38)	(29)	—	(29)	(8)	—	(8)
Postretirement benefits	1	—	1	1	—	1	4	—	4	3	—	3
Total Other Comprehensive Income (Loss)	$(29)	$—	$(29)	$(31)	$(2)	$(33)	$(68)	$9	$(59)	$13	$(7)	$6

NOTE 14: SEGMENT REPORTING

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

Chicken: Chicken operations include breeding and raising chickens, as well as processing live chickens into fresh, frozen and value-added chicken products and logistics operations to move products through the supply chain. 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 markets. It also includes sales from allied products and our chicken breeding stock subsidiary.

Beef: Beef operations include processing live fed cattle and fabricating dressed beef carcasses into primal and sub-primal meat cuts and case-ready products. 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. 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 markets.

Pork: Pork operations include processing live market hogs and fabricating pork carcasses into primal and sub-primal cuts and case-ready products. This segment also includes our live swine group, related allied product processing activities and logistics operations to move products through the supply chain. 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 markets.
Prepared Foods: Prepared Foods operations include manufacturing and marketing frozen and refrigerated food products and logistics operations to move products through the supply chain. Products include pepperoni, bacon, beef and pork pizza toppings, pizza crusts, flour and corn tortilla products, appetizers, prepared meals, ethnic foods, soups, sauces, side dishes, meat dishes 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 markets.
The results from Dynamic Fuels are included in Other.

Table of Contents

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

	Three Months Ended		Nine Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Sales:				
Chicken	$3,158	$2,855	$9,136	$8,410
Beef	3,723	3,487	10,655	10,323
Pork	1,332	1,344	4,006	4,191
Prepared Foods	797	764	2,441	2,432
Other	—	24	47	124
Intersegment Sales	(279)	(213)	(805)	(740)
Total Sales	$8,731	$8,261	$25,480	$24,740
Operating Income (Loss):				
Chicken	$220	$159	$471	$346
Beef	114	71	134	101
Pork	67	69	264	349
Prepared Foods	24	47	85	142
Other	(6)	(4)	5	(6)
Total Operating Income	419	342	959	932
Total Other (Income) Expense	34	210 (b)	85 (a)	290 (b)
Income from Continuing Operations before Income Taxes	$385	$132	$874	$642

(a) Includes $19 million related to the recognized currency translation adjustment gain
(b) Includes $167 million charge related to the early extinguishment of debt

The Beef segment had sales of $59 million and $49 million in the third quarter of fiscal 2013 and 2012, respectively, and sales of $156 million and $162 million in the nine months of fiscal 2013 and 2012, respectively, from transactions with other operating segments of the Company and Dynamic Fuels. The Pork segment had sales of $220 million and $164 million in the third quarter of fiscal 2013 and 2012, respectively, and sales of $649 million and $578 million in the nine months of fiscal 2013 and 2012, 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.

NOTE 15: COMMITMENTS AND CONTINGENCIES

Commitments

We guarantee obligations of certain outside third parties, which consist primarily of a lease 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 June 29, 2013, was $63 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 seven years. The maximum potential amount of the residual value guarantees is $57 million, of which $51 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 June 29, 2013, and September 29, 2012, no material liabilities for guarantees were recorded.

Table of Contents

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 June 29, 2013, was approximately $310 million. The total receivables under these programs were $50 million and $25 million at June 29, 2013, and September 29, 2012, 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 $16 million and $10 million at June 29, 2013, and September 29, 2012, 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 condensed 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.

We have pending against us a lawsuit styled DeAsencio v. Tyson Foods, Inc. (E.D. Pennsylvania, August 22, 2000) in which the plaintiffs allege that we failed to compensate certain poultry plant employees 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). They seek back wages, liquidated damages, pre- and post-judgment interest, and attorneys' fees. Plaintiffs appealed a jury verdict and final judgment entered in our favor on June 22, 2006. On September 7, 2007, the U.S. Court of Appeals for the Third Circuit reversed the jury verdict and remanded the case to the District Court for further proceedings. We sought rehearing en banc, which was denied by the Court of Appeals on October 5, 2007. The United States Supreme Court denied our petition for a writ of certiorari on June 9, 2008. The new trial date has not been set.

We have twelve separate wage and hour actions involving Tyson Fresh Meats Inc.'s plants located in Garden City, Kansas (Garcia, et al. v. Tyson Foods, Inc., Tyson Fresh Meats, Inc., D. Kansas, May 15, 2006), Emporia, Kansas (Abdiaziz, et al. v. Tyson Foods, Inc., Tyson Fresh Meats, Inc., D. Kansas, September 30, 2011), 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), 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), Dakota City, Nebraska (Gomez, et al. v. Tyson Foods, Inc., D. Nebraska, January 16, 2008), Madison, Nebraska (Acosta, et al. v Tyson Foods, Inc. d.b.a Tyson Fresh Meats, Inc., D. Nebraska, February 29, 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); Council Bluffs, Iowa (Maxwell (f/k/a Salazar), et al. v. Tyson Foods, Inc. d.b.a Tyson Fresh Meats, Inc., S.D. Iowa, April 29, 2008); Logansport, Indiana (Carter, et al. v. Tyson Foods, Inc. and Tyson Fresh Meats, Inc., N.D. Indiana, April 29, 2008); and Goodlettsville, Tennessee (Abadeer v. Tyson Foods, Inc., and Tyson Fresh Meats, Inc., M.D. Tennessee, February 6, 2009). 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 involving our Garden City, Kansas facility, 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 filed an appeal with the Tenth Circuit Court of Appeals on December 27, 2012.
- 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. We have appealed the jury's verdict and trial court's award. The plaintiffs' counsel has also filed an application for attorneys' fees and expenses in the amount of $2,692,145.

Table of Contents

- 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.
- The Maxwell case, which involves our Council Bluffs, Iowa plant, has been resolved by the parties for $970,000, and all payments required by the settlement have been paid and the claims dismissed.
- A bench trial was held in the Acosta case, which involves our Madison, Nebraska pork plant, in January 2013. The trial court filed its findings of fact and conclusions of law on May 31, 2013, and awarded $5,733,943 for unpaid overtime wages. The court ordered each party to submit an updated back pay calculation reflecting payroll data through the date of its order. A judgment has not yet been entered.
- 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. The trial court has not determined the amount of damages.
- The trial court in the Edwards case, which involves the Perry and Waterloo, Iowa facilities, split the case into two trials. The trial involving the Perry facility is scheduled to begin October 7, 2013, and the trial involving the Waterloo facility is scheduled to begin December 9, 2013.
- The Carter case, which involves our Logansport, Indiana pork plant, has been resolved by the parties for $950,000. The parties' joint motion for approval of the settlement is pending.

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. Six named plaintiffs seek to act as state law class representatives on behalf of all current and former employees who were allegedly not paid for time worked and seek back wages, liquidated damages, pre- and post-judgment interest, and attorneys' fees and costs. On May 16, 2011, the plaintiffs filed a motion to certify a state law class of all hourly employees who have worked at the Jefferson plant from October 20, 2008, to the present. We filed motions for summary judgment seeking dismissal of the claims, or, in the alternative, to limit the claims made for non-compensable clothes changing activities. The court granted summary judgment in favor of Tyson on August 31, 2012, and the plaintiffs filed a notice of appeal on October 5, 2012. On August 1, 2013, the appeals court reversed and remanded the case to the trial court, concluding that the applicable activities at this plant are compensable, subject to certain defenses.

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

In late 2010, the United States Environmental Protection Agency (EPA) Region 7 began a Clean Air Act investigation of the Company related to operation and maintenance of ammonia refrigeration equipment at multiple facilities. The EPA subsequently referred the matter, which involves allegations of potential non-compliance with the Clean Air Act's Risk Management Plan requirements at 23 Tyson facilities in Kansas, Missouri, Iowa and Nebraska, to the United States Department of Justice (DOJ). We reached a settlement agreement with the EPA and DOJ in which we agreed to pay $3,950,000 in civil penalties and fund $300,000 in supplemental environmental projects related to the purchase of emergency response equipment for certain communities in which we have operations. We also agreed to conduct third party audits of the 23 facilities. Pursuant to this settlement, the DOJ filed the complaint and consent decree, which contains the terms of the settlement agreement, with the federal district court in the Eastern District of Missouri. The Court has entered the consent decree, which has become a final settlement of this matter.

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. This presentation has been revised from the financial presentation disclosed in periods prior to September 29, 2012, to reflect changes in the subsidiary guarantees associated with the permanent release of certain subsidiary guarantors upon the retirement of the 10.50% Senior Notes due 2014.

Condensed Consolidating Statement of Income and Comprehensive Income for the three months ended June 29, 2013 — in millions

	TFI Parent	TFM Parent	Non-Guarantors	Eliminations	Total
Sales	$142	$4,908	$4,081	$(400)	$8,731
Cost of Sales	8	4,679	3,762	(400)	8,049
Gross Profit	134	229	319	—	682
Selling, General and Administrative	19	54	190	—	263
Operating Income	115	175	129	—	419
Other (Income) Expense:					
Interest expense, net	9	15	10	—	34
Other, net	—	(1)	1	—	—
Equity in net earnings of subsidiaries	(181)	(15)	—	196	—
Total Other (Income) Expense	(172)	(1)	11	196	34
Income from Continuing Operations before Income Taxes	287	176	118	(196)	385
Income Tax Expense	38	56	42	—	136
Income from Continuing Operations	249	120	76	(196)	249
Loss from Discontinued Operation, Net of Tax	—	—	(4)	—	(4)
Net Income	249	120	72	(196)	245
Less: Net Income (Loss) Attributable to Noncontrolling Interest	—	—	(4)	—	(4)
Net Income Attributable to Tyson	$249	$120	$76	$(196)	$249
Comprehensive Income (Loss)	216	103	49	(152)	216
	—	—	(4)	—	(4)

Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interest					
Comprehensive Income (Loss) Attributable to Tyson	$216	$103	$53	$(152)	$220

Table of Contents

Condensed Consolidating Statement of Income and Comprehensive Income for the three months ended June 30, 2012 — in millions

	TFI Parent	TFM Parent	Non-Guarantors	Eliminations	Total
Sales	$140	$4,711	$3,764	$(354)	$8,261
Cost of Sales	20	4,536	3,493	(354)	7,695
Gross Profit	120	175	271	—	566
Selling, General and Administrative	4	49	170	1	224
Operating Income	116	126	101	(1)	342
Other (Income) Expense:					
Interest expense, net	50	70	93	—	213
Other, net	1	—	(4)	—	(3)
Equity in net earnings of subsidiaries	(34)	—	—	34	—
Total Other (Income) Expense	17	70	89	34	210
Income from Continuing Operations before Income Taxes	99	56	12	(35)	132
Income Tax Expense	23	19	11	—	53
Income from Continuing Operations	76	37	1	(35)	79
Loss from Discontinued Operation, Net of Tax	—	—	(6)	—	(6)
Net Income	76	37	(5)	(35)	73
Less: Net Income (Loss) Attributable to Noncontrolling Interest	—	—	(3)	—	(3)
Net Income Attributable to Tyson	76	37	(2)	(35)	76
Comprehensive Income (Loss)	43	18	(29)	8	40
Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interest	—	—	(3)	—	(3)
Comprehensive Income (Loss) Attributable to Tyson	$43	$18	$(26)	$8	$43

Condensed Consolidating Statement of Income and Comprehensive Income for the nine months ended June 29, 2013 — in millions

	TFI Parent	TFM Parent	Non-Guarantors	Eliminations	Total
Sales	$318	$14,210	$11,957	$(1,005)	$25,480
Cost of Sales	35	13,696	11,065	(1,005)	23,791
Gross Profit	283	514	892	—	1,689
Selling, General and Administrative	51	151	528	—	730
Operating Income	232	363	364	—	959
Other (Income) Expense:					
Interest expense, net	26	46	32	—	104
Other, net	4	(1)	(22)	—	(19)
Equity in net earnings of subsidiaries	(381)	(29)	—	410	—
Total Other (Income) Expense	(351)				