

CONAGRA FOODS INC /DE/
Form 10-K/A
June 22, 2001

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K/A

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended May 28, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No. 1-7275

CONAGRA FOODS, INC.

(Exact name of registrant, as specified in its charter)

A Delaware Corporation
(State of incorporation or other jurisdiction of
incorporation or organization)

47-0248710
(I.R.S. Employer Number)

One ConAgra Drive
Omaha, Nebraska
(Address of principal executive office)

68102-5001
(Zip Code)

Registrant's telephone number, including area code **(402) 595-4000**

Securities registered pursuant to section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, \$5.00 par value

New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: None

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

At July 31, 2000, 492,326,241 common shares were outstanding. The aggregate market value of the voting common stock of ConAgra Foods, Inc. held by non-affiliates on July 31, 2000, was approximately \$10.1 billion.

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Documents incorporated by reference are listed on page 2.

Documents Incorporated by Reference

Portions of the Registrant's definitive Proxy Statement filed for Registrant's 2000 Annual Meeting of Stockholders are incorporated into Part III, Items 10, 11, 12, and 13.

Introductory Note

The purpose of this Form 10-K/A is to restate fiscal 1998, 1999 and 2000 consolidated financial statements for ConAgra Foods, Inc. ("ConAgra" or the "Company"). Subsequent to the issuance of the Company's 2000 consolidated financial statements and the filing of its 2000 Annual Report on Form 10-K with the Securities and Exchange Commission ("SEC"), the Company's management determined that accounting and conduct matters at its United Agri Products, Inc. subsidiary ("UAP"), principally related to revenue recognition for deferred delivery sales and vendor rebates, advance vendor rebates, and bad debt reserves would require restatement of such financial statements. The Company issued a press release on May 23, 2001, which it filed as an exhibit to a Form 8-K dated the same date, relating to its intention to restate these financial statements. The Company is also restating its financial reports for the first three quarters of fiscal 2001 as reflected in Form 10-Q/A's of the Company filed contemporaneously with this Form 10-K/A. An investigation undertaken by the Company and the Audit Committee of its Board of Directors and an informal inquiry by the staff of the Securities and Exchange Commission, which were reported by the Company in its May 23, 2001 press release, are continuing. The Company's Form 8-K dated May 23, 2001 has background information on the restatements.

This restatement has a financial statement impact primarily in three areas all relating to matters at UAP: (1) revenue recognition for deferred delivery sales and vendor rebates; (2) recognition of advance rebate income; and (3) accruals for bad debt reserves. The principal effects of the restatement are as follows:

Deferred Delivery Sales and Vendor Rebates For fiscal 1998, decrease revenue by \$42 million, decrease expenses by \$31 million and decrease income before income taxes by \$11 million. For fiscal 1999, decrease revenue by \$84 million, decrease expenses by \$77 million and decrease income before income taxes by \$7 million. For fiscal 2000, decrease revenue by \$161 million, decrease expenses by \$132 million, and decrease income before income taxes by \$29 million.

Advance Rebate Income For each of fiscal 2000 and 1999, increase expenses and decrease income before income taxes by \$12 million.

Accruals for Bad Debt Reserves For fiscal 1998, increase expenses and decrease income before income taxes by \$5 million. For fiscal 1999, increase expenses and decrease income before income taxes by \$28 million. For fiscal 2000, increase expense and decrease income before income taxes by \$7 million.

The restatement also corrects an error relating to consolidation of intracompany profit on sales within UAP.

The aggregate effect of the above matters: for fiscal 1998, decrease revenues by \$42 million and decrease income before income taxes by \$16 million; for fiscal 1999, decrease revenues by \$84 million and decrease income before income taxes by \$47 million; and for fiscal 2000, decrease revenues by \$161 million and decrease income before income taxes by \$48 million.

The principal effects of these changes on the accompanying financial statements are presented in Note 22 to the Company's consolidated financial statements. Certain reclassifications have been made to amounts previously reported in the Company's Form 10-K for the year ended May 28, 2000, to conform with recently issued accounting literature. The reclassifications are also presented in Note 22 to the Company's consolidated financial statements.

For purposes of this Form 10-K/A, and in accordance with Rule 12b-15 under the Securities and Exchange Act of 1934, as amended, the Company has amended and restated in its entirety each item of the Company's Form 10-K for the year ended May 28, 2000, which has been affected by the restatement. This Form 10-K/A does not reflect events occurring after the filing of the original

Form 10-K, or modify or update those disclosures in any way, except as required to reflect the effects of this restatement.

This Form 10-K/A report contains certain forward-looking statements, including such statements in the documents incorporated herein by reference, within the meaning of the Private Securities Litigation Reform Act of 1995. The statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Future economic circumstances, industry conditions, Company performance and financial results, availability and prices of raw materials, product pricing, competitive environment and related market conditions, operating efficiencies, access to capital, actions of governments and regulatory factors affecting the Company's businesses are examples of factors, among others, that could cause results to differ materially from those described in the forward-looking statements.

PART I

ITEM 1. BUSINESS

a) General Development of Business

Nebraska Consolidated Mills Company, which was originally incorporated in Nebraska on September 29, 1919, changed its name to ConAgra, Inc. ("ConAgra" or the "Company") on February 25, 1971, and since December 5, 1975, has been incorporated in Delaware.

Acquisitions have contributed substantially to ConAgra's sales and earnings growth, both in the years of acquisition and in subsequent years. Major acquisitions have included United Agri Products, Banquet Foods, Country Pride Foods, Peavey Company, Monfort of Colorado, Morton, Chun King and Patio frozen foods businesses, SIPCO (formerly Swift Independent Packing Company), the assets of Armour Food Company, Pillsbury's grain merchandising business, eight U.S. flour mills acquired from International Multifoods, Beatrice Company, the assets of Elders' beef, malt and wool businesses in Australia, Golden Valley Microwave Foods, Universal Frozen Foods, MC Retail Foods, Van Camp's canned bean and Wolf Brand Chili businesses, Canada Malting Company, Gilroy Foods, GoodMark Foods, Nabisco's margarine and egg alternative businesses, and Seaboard Poultry.

On August 24, 2000, ConAgra acquired International Home Foods for approximately 41 million shares of ConAgra common stock and \$825 million cash and the assumption of approximately \$1.3 billion in International Home Foods' debt. International Home Foods' significant established brands include Chef Boyardee pasta products, PAM cooking spray, Bumble Bee seafood and Gulden's mustard.

b) Financial Information about Reporting Segments

The Company's businesses are classified into three reporting segments: Packaged Foods, Refrigerated Foods and Agricultural Products. The contributions of each industry segment to net sales and operating profit, and the identifiable assets attributable to each industry segment are set forth in Note 19 "Business Segments and Related Information" on pages F-24 through F-25 of the Consolidated Financial Statements herein.

c) Narrative Description of Business

General

ConAgra is one of the world's largest food companies. The Company competes in multiple segments of the food business and focuses on adding value for customers in the retail food, foodservice, and agricultural product channels.

ConAgra's reporting segments are described below. The ConAgra companies and locations, including distribution facilities, within each reporting segment are described in Item 2.

Packaged Foods

In its Packaged Foods segment, ConAgra produces shelf-stable foods, frozen foods, dairy case products, and foodservice products for retail, foodservice and specialty markets.

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Shelf-stable products include tomato products, cooking oils, popcorn, soup, puddings, meat snacks, canned beans, canned pasta, canned chili, cocoa mixes, and peanut butter. Shelf-stable major brands include Hunt's, Healthy Choice, Wesson, Orville Redenbacher's, Slim Jim, Act II, Peter Pan, Van Camp's, Beanee Weenee, Manwich, Hunt's Snack Pack, Swiss Miss, Knott's Berry Farm, Chun King, La Choy, Gebhardt, Wolf Brand, Pemican, Penrose, and Andy Capp's.

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Frozen foods' products include dinners, entrees, snacks, ice cream, and seafood. Frozen food major brands include Healthy Choice, Banquet, Marie Callender's, Kid Cuisine, MaMa Rosa's, Papa G's, Gilardi's, The Max, Morton, Patio, Chun King, and La Choy.

Dairy Foods products include tablespreads, cheeses, egg alternatives and dessert toppings. Dairy Foods major brands include Parkay, Blue Bonnet, Fleischmann's, Move Over Butter, Egg Beaters, Healthy Choice, County Line, Reddi-wip, and Treasure Cave.

Foodservice products include potato products, ethnic food products, hand-held dough-based products and other products primarily for foodservice markets. Foodservice major brands are Lamb Weston, Fernando's, Casa de Oro, Holly Ridge, and Rosarita.

Refrigerated Foods

In its Refrigerated Foods segment, ConAgra produces and markets fresh and branded processed meats, beef and pork products, chicken, and turkey products for retail, foodservice, institutional and specialty markets.

The processed meat products include hot dogs, bacon, ham, sausages, cold cuts, turkey products and kosher products. Fresh meat products include beef, pork and lamb. The poultry businesses include chicken and turkey products.

Refrigerated Foods' major brands include Armour, Butterball, Cook's, Country Pride, Decker, Monfort, Eckrich, Healthy Choice, To-Ricos, Texas BBQ, Ready Crisp, Hebrew National, Brown 'N Serve, Golden Star, National Deli and Swift Premium. In addition, the Company owns Australia Meat Holdings Pty Ltd., a major Australian beef processor and exporter.

Agricultural Products

Through its Agricultural Products segment, ConAgra distributes crop protection chemicals, fertilizers, seeds and information systems at wholesale and retail levels. Major agricultural brands include Clean Crop, ACA, Awaken, mPower³ (e-merge), Savage, Shotgun, Saber, Signature, and Loveland Industries. ConAgra markets these agricultural products in Argentina, Bolivia, Canada, Chile, Ecuador, France, Peru, South Africa, Taiwan, United Kingdom, United States, and Zimbabwe.

In the food ingredients sector, ConAgra primarily processes and distributes ingredients for food and beverage products and meat and poultry production. The ingredient processing businesses include flour milling, specialty food ingredients and manufacturing, oat and corn milling, dry edible bean processing and merchandising, and barley malting. ConAgra also markets bulk agricultural commodities throughout the world through its grain procurement and merchandising, food-related commodity trading and commodity services.

The Agricultural Products businesses experience some seasonality. This seasonality coincides with normal agricultural growing seasons.

The following comments pertain to each of the Company's reporting segments.

ConAgra is a food company that operates in many different areas of the food business, from basic agricultural inputs to production and sale of branded consumer products. As a result, ConAgra uses many different raw materials, the bulk of which are commodities. Raw materials are generally available from several different sources and ConAgra presently believes that it can obtain these as needed.

The Company experiences intense competition for sales of its principal products in its major markets. The Company's products compete with widely advertised, well-known, branded products, as well as private label products. The Company has major competitors in all of its reporting segments.

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Quality control processes at principal manufacturing locations emphasize applied research and technical services directed at product improvement and quality control. In addition, the Refrigerated Foods and the Packaged Foods segments conduct research activities related to the development of new products.

Many of ConAgra's facilities and products are subject to various laws and regulations administered by the United States Department of Agriculture, the Federal Food and Drug Administration, and other federal, state, local and foreign governmental agencies relating to the quality of products, sanitation, safety and environmental control. The Company believes that it complies with such laws and regulations in all material respects, and that continued compliance with such regulations will not have a material effect upon capital expenditures, earnings or the competitive position of the Company.

ConAgra and its subsidiaries have more than 85,000 employees, primarily in the United States.

d) Foreign Operations

Information, with respect to foreign operations, is set forth in Note 19 "Business Segments and Related Information" on pages F-24 through F-25 of the Consolidated Financial Statements herein.

ITEM 2. PROPERTIES

The Company's corporate headquarters are located in Omaha, Nebraska. The headquarters and principal operating locations of each business are set forth on the following list of "ConAgra Locations."

The Company maintains a number of distribution facilities, in addition to distribution facilities and warehouse space available at substantially all of its manufacturing facilities.

Utilization of manufacturing capacity varies by type of product manufactured, plant and week. In general, ConAgra operates most of its manufacturing facilities in excess of 80% of standard industry capacity. Standards vary by industry from 40 hours per week to 144 hours per week.

Most principal manufacturing facilities are held in fee. However, certain parcels of land, machinery and buildings, and substantially all of ConAgra's transportation equipment used in its processing and merchandising operations, are leased.

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PACKAGED FOODS

ConAgra Frozen Prepared Foods

Headquarters in Omaha, Nebraska.

ConAgra Frozen Foods

Headquarters and Corporate sales office in Omaha, Nebraska.

Six plants in Arkansas, Iowa, Missouri and Virginia. Two broiler growing and processing complexes in Arkansas. Product development facility in Omaha, Nebraska.

Gilardi Foods

Headquarters and sales office in Sidney, Ohio.

Three processing plants in Ohio and Oklahoma.

ConAgra Grocery Products Companies

Headquarters in Irvine, California.

ConAgra Grocery Products Company

Headquarters in Irvine, California.

Product development facility in Irvine. 13 manufacturing plants, 8 distribution centers and over 20 grocery and foodservice sales offices serving the U.S. and Canada:

ConAgra Grocery Products Company International

ConAgra Grocery Products Company Grocery Brands

Hunt-Wesson Foodservice Company

Hunt-Wesson Grocery Products Sales Company

ConAgra Foods Ltd.

Headquarters in Manchester, England.

Manufacturer of microwave meals and snacks, supplying UK and other European countries.

Golden Valley Microwave Foods

Headquarters in Edina, Minnesota.

Six plants in Iowa, Minnesota and Ohio. Popcorn storage warehouse in Nebraska, product development facility in Eden Prairie, Minnesota and microwave packaging production facility in Maple Grove, Minnesota.

GoodMark Foods, Inc.

Headquarters in Raleigh, North Carolina

Manufacturer of branded meat snacks, specialty snacks and other convenient food products, supplying mass-merchandisers, vending machines and grocery, drug, club, convenience and video stores. Plants in North Carolina, Pennsylvania and California.

ConAgra Foodservice Company

Headquarters in Boise, Idaho

Lamb-Weston, Inc.

Headquarters in Tri-Cities, Washington.

13 plants in Idaho, Oregon, Washington, Minnesota (50-percent owned) and Alberta, Canada. Three plants in The Netherlands (50-percent owned) and one plant in Turkey (50-percent owned). Product development facility in Richland, Washington. International business development center in Boise, Idaho.

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Fernando's Foods Corporation

Headquarters in Los Angeles, California

One Mexican food processing facility in California.

Casa de Oro

Headquarters in Omaha, Nebraska

Flour and corn tortilla processing facilities in Nebraska and Kentucky.

ConAgra Signature Meats Group

Headquarters in Greeley, Colorado

Choice One Foods

Headquarters in Los Angeles, California

One meat processing facility in California

ConAgra Signature Meats Montgomery

Headquarters in Montgomery, Alabama

One meat processing facility in Alabama

ConAgra Signature Meats Orlando

Headquarters in Sanford, Florida

One meat processing facility in Florida

ConAgra Signature Meats San Antonio

Headquarters in San Antonio, Texas
One meat processing facility in Texas

Zoll Foods

Headquarters in South Holland, Illinois
One meat processing facility in Illinois

ConAgra Seafood Companies

Singleton Seafood

Headquarters in Tampa, Florida
One seafood processing facility in Florida.

Meridian Products

Headquarters in Santa Fe Springs, California
Seafood trading company with facilities in New Jersey, Texas and Washington.

O'Donnell-Usen U.S.A.

Headquarters and sales office in Tampa, Florida.

Dairy Foods

Headquarters in Indianapolis, Indiana

Beatrice Cheese Company

Headquarters in Indianapolis, Indiana.
Six facilities located in six states include natural cheese manufacturing, direct and indirect retail sales, foodservice sales, cheese importing and aerosol.

Beatrice Foods

Headquarters in Indianapolis, Indiana
Two facilities in two states include margarine and egg product manufacturing, direct and indirect retail sales and foodservice sales.

REFRIGERATED FOODS

Processed Meats Companies

Headquarters in Downers Grove, Illinois.

Armour Swift-Eckrich

Product development in Downers Grove and 25 plants in 16 states, processed meat plant in Panama, and a food distribution center in Puerto Rico, serving:

ASE Consumer Products Company

ASE Deli/Foodservice Company

Butterball Turkey Company

Decker Food Company

National Foods, Inc.

Cook Family Foods, Ltd.

Headquarters in Lincoln, Nebraska.
Three plants in Nebraska, Kentucky and Missouri.

ConAgra Beef Companies

Headquarters in Greeley, Colorado

Australia Meat Holdings Pty Ltd.

Headquarters in Dinmore, Australia.
Eight plants and feedlots in Australia.

ConAgra Cattle Feeding Company

Headquarters in Greeley, Colorado.
Three feedlots in Colorado. One feedlot in Texas.

ConAgra Refrigerated Foods International Sales Corporation

Headquarters in Greeley, Colorado.

E. A. Miller, Inc.

Headquarters in Hyrum, Utah.
Processing facilities in Utah and a feedlot in Idaho.

Monfort Beef and Lamb Company

Headquarters in Greeley, Colorado.
Ten plants in Colorado, Kansas, Nebraska, Texas, and Indiana.

Monfort Food Distribution Co.

Headquarters in Greeley, Colorado.
Eight sales and distribution branches in eight states.

Monfort Fresh Meats Company

Headquarters in Greeley, Colorado.
Two plants in Idaho & Nebraska.

ConAgra Poultry Company

Headquarters in Duluth, Georgia.

ConAgra Broiler Company

Headquarters in Duluth, Georgia.
12 broiler growing and processing divisions in Alabama, Arkansas, Georgia, Kentucky, Louisiana,

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Tennessee, and Puerto Rico. Four further processing cookplants in Georgia, Tennessee, West Virginia, and Louisiana.

Professional Food Systems

Headquarters in El Dorado, Arkansas.
13 sales and distribution units in nine states.

Swift & Company

Headquarters in Greeley, Colorado.
Three pork processing plants in Iowa, Minnesota and Kentucky. One further processing plant in California.

AGRICULTURAL PRODUCTS

ConAgra Agri Products Companies

Headquarters in Greeley, Colorado.

United Agri Products Companies

Headquarters in Greeley, Colorado.
Over 470 field sales, administration, warehouse, rail, formulation and joint venture locations in the United States, Canada, United

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Kingdom, Mexico, South Africa, Chile, Bolivia, Ecuador, Argentina, France, Peru, Hong Kong, Taiwan and Zimbabwe. Businesses are involved with crop protection products, seed, liquid and dry fertilizer operations and one terminal facility.

ConAgra Trade Group

Headquarters in Omaha, Nebraska.

Agricultural Division

Headquarters in Omaha, Nebraska.

The Agricultural Division consists of an extensive network of grain merchandising offices and grain elevators in the United States and Canada. International marketing is facilitated through offices in Mexico, Italy, Hong Kong and Australia, and with representative agents throughout the world.

KBC Edible Beans

Headquarters in Stockton, California.

KBC Edible Beans operates an extensive network of facilities in the United States and a facility in Argentina. International marketing is facilitated through offices in Argentina, Chile, Switzerland and Hong Kong, and with representative agents throughout the world.

ConAgra International Fertilizer

Headquarters in Savannah, Georgia.

ConAgra International Fertilizer operations are facilitated through offices in the United Kingdom, Hong Kong and Singapore.

ConAgra Energy Services and Financial Products

Headquarters in Omaha, Nebraska.

ConAgra Food Ingredients Companies

Headquarters in Omaha, Nebraska.

Grain Processing

Headquarters in Omaha, Nebraska.

25 flour mills in 14 states. Eight country elevators in South Dakota. Two joint ventures in the U.S., one flour mill and one elevator. Corn merchandising and processing facility in Kansas. Two oat processing facilities in Nebraska and Canada. A flour mill, a dry corn mill and grain trading in Puerto Rico.

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International

Headquarters in Omaha, Nebraska.

Poultry, animal feed and processed meat facilities in Portugal and feed plants in Spain. Four malt joint ventures with barley malting facilities in the United States, Canada, Australia, the United Kingdom, and China, doing business as ConAgra Malt. A food products distribution joint venture in Mexico doing business as Verde Valle. Edible oil processing and grain trading joint venture in India, doing business as Agro Tech Foods Limited. Joint venture oilseed processing plant in Argentina, doing business as Pecom Agra. A specialty marketing business with processed eggs, Mexican food products, and food oils business headquartered in Texas. Two animal feed plants in Georgia and Alabama.

Ingredients

Headquarters in Omaha, Nebraska.

A food processing plant and research and development facility in Kentucky. A dehydrated food ingredients plant and animal feed ingredients plant in Minnesota. A spice plant and research and development facility in Illinois. A seasoning plant and research and development facility in New Jersey. Flavorings plants in New Jersey and Utah. Food ingredients distribution business headquartered in Iowa with distribution centers in Texas, Illinois and Colorado. A distributor of supplies and equipment for the food processing industry in Texas. Chili products plants located in California, New Mexico, and Santiago, Chile, with a research and development facility in California. A garlic and onion dehydration and processing facility with a supporting research and development facility in California and dehydration and processing plants in Nevada and Oregon.

Sergeant's Pet Products Company

Headquarters in Omaha, Nebraska.

Distribution centers in Tennessee, Colorado and Canada.

ITEM 3. LEGAL PROCEEDINGS

In fiscal 1991, ConAgra acquired Beatrice Company ("Beatrice"). As a result of the acquisition and the significant pre-acquisition contingencies of the Beatrice businesses and its former subsidiaries, the consolidated post-acquisition financial statements of ConAgra reflect significant liabilities associated with the estimated resolution of these contingencies. These include various litigation and environmental proceedings related to businesses divested by Beatrice prior to its acquisition by ConAgra. The environmental proceedings include litigation and administrative proceedings involving Beatrice's status as a potentially responsible party at 40 Superfund, proposed Superfund or state-equivalent sites. Beatrice has paid or is in the process of paying its liability share at 34 of these sites. Substantial reserves for these matters have been established based on the Company's best estimate of its undiscounted remediation liabilities, which estimates include evaluation of investigatory studies, extent of required cleanup, the known volumetric contribution of Beatrice and other potentially responsible parties and its experience in remediating sites.

ConAgra is party to a number of other lawsuits and claims arising out of the operation of its businesses. After taking into account liabilities recorded for all of the foregoing matters, management believes the ultimate resolution of such matters should not have a material adverse effect on ConAgra's financial condition, results of operations or liquidity.

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

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT AS OF AUGUST 25, 2000

| Name | Title & Capacity | Age | Year Assumed Present Office |
|---------------------|---|------------|------------------------------------|
| Bruce C. Rohde | Chairman, Chief Executive Officer and President | 51 | 1998 |
| James P. O'Donnell | Executive Vice President, Chief Financial Officer and Corporate Secretary | 52 | 1997 |
| Jay D. Bolding | Senior Vice President and Controller | 40 | 1999 |
| Kenneth W. Gerhardt | Senior Vice President and Chief Information Officer | 50 | 1998 |
| Dwight J. Goslee | Senior Vice President, Mergers and Acquisitions | 50 | 1997 |
| Owen C. Johnson | Senior Vice President, Human Resources and Administration | 54 | 1998 |
| Timothy P. McMahon | Senior Vice President, Communication and Marketing | 46 | 2000 |
| Stephen J. Tibey | Senior Vice President, Supply Chain | 52 | 1999 |
| Kevin W. Tourangeau | Senior Vice President, Operational Effectiveness | 48 | 1999 |
| Michael D. Walter | Senior Vice President, Commodity Procurement and Economic Strategy | 50 | 2000 |
| Linda S. Harty | Vice President and Treasurer | 40 | 1999 |

The foregoing have held executive officer positions with ConAgra for the past five years, except as follows:

Bruce C. Rohde became Vice Chairman of the Board and President in August 1996, was named President and Chief Executive Officer in September 1997, and was named Chairman of the Board in September 1998. He previously had been ConAgra's general counsel since 1984. He was president of the Omaha-based law firm McGrath, North, Mullin & Kratz, P.C. from 1984 to 1996.

Jay D. Bolding joined ConAgra in 1997 as Vice President, Business Processes and Financial Analysis. He became Vice President, Controller in February 1999 and was named Senior Vice President in June 2000. He was Vice President, Chief Financial Officer and Treasurer of Allen & O'Hara, Inc., a construction and property management company from 1995 to 1997.

Kenneth W. Gerhardt was Senior Vice President and Chief Information Officer of Ameriserve Distribution, Inc. from 1997 to 1998. Prior to 1997, he worked for PepsiCo, Inc. in various capacities, including Vice President and Chief Information Officer for PepsiCo Food Services from 1996 to 1997; and Senior Director, Information Technology for Pepsi Cola North American from 1994 to 1996.

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Owen C. Johnson was Senior Vice President, Human Resources, Corporate Communications and Administration of NISOURCE from 1990 to 1998. He joined ConAgra in his current position in June 1998.

Timothy P. McMahon was Vice President, Marketing for ConAgra Trading and Processing Companies from June 1997 to October 1997. Prior to that, he was President of McMahon Marketing Communications Company for ten years. He became Senior Vice President, Corporate Marketing Development in October 1997 and was named to his current position in 2000.

Stephen J. Tibey joined ConAgra in November 1999 as Senior Vice President Supply Chain. Prior to his joining the Company, Mr. Tibey was with Kraft where he served as Vice President, Operation Services from 1998 to 1999 and Vice President, Distribution Operations from 1994 to 1998.

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Kevin W. Tourangeau joined ConAgra in his current position in March 1999. Previously he was with Randol Management Consultants, which he founded in 1998, where he worked with major corporations, including ConAgra, to improve operations and profitability.

Michael D. Walter joined ConAgra in 1989 as President of ConAgra Specialty Grain Products. He was named to his current position in October 1996.

Linda S. Harty became Vice President and Treasurer in April 1999. Prior to her joining the Company in April 1999, she worked for Kimberly-Clark where she served as Assistant Treasurer from 1997 to 1999 and Manager, Accounting from 1992 to 1997.

OTHER SIGNIFICANT EMPLOYEES OF THE REGISTRANT AS OF AUGUST 25, 2000

| Name | Title & Capacity | Age | Year Assumed Present Office |
|---------------------|--|-----|-----------------------------|
| Larry A. Carter | President and Chief Operating Officer, ConAgra Food Ingredients | 48 | 2000 |
| Raymond J. De Riggi | President and Chief Operating Officer, ConAgra Grocery Products Companies | 52 | 1998 |
| Timothy M. Harris | President and Chief Operating Officer, ConAgra Refrigerated Prepared Foods | 44 | 1997 |
| Gregory A. Heckman | President and Chief Operating Officer, ConAgra Trade Group | 38 | 1996 |
| R. Dean Hollis | President and Chief Operating Officer, ConAgra Frozen Prepared Foods | 40 | 2000 |
| Blake D. Lovette | President and Chief Operating Officer, ConAgra Poultry Company | 57 | 1998 |
| Floyd McKinnerney | Chairman, United Agri Products Companies | 63 | 1998 |
| Richard A. Porter | President and Chief Operating Officer, ConAgra Foodservice Company | 51 | 1998 |
| Richard G. Scalise | President and Chief Operating Officer, ConAgra Dairy Case Companies | 45 | 2000 |
| John S. Simons | President and Chief Operating Officer, ConAgra Beef Companies | 39 | 1999 |

Larry A. Carter joined the Company in 1994 as the Vice President and Chief Financial Officer of ConAgra's Trading and Processing Companies. He was named to his current position in 2000.

Raymond J. De Riggi was President of United Specialty Food Ingredients Cos. since 1995. He was named to his current position in June 1998.

Timothy M. Harris was President of ConAgra Refrigerated Prepared Foods from 1995 to 1997. He was named to his current position in 1997.

Gregory A. Heckman joined the Company in 1984 and was named Vice President and General Manager of ConAgra Commodity Services in 1995. He was named to his current position in 1996.

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R. Dean Hollis was Vice President, Trade Development ConAgra Frozen Foods from 1995 to 1998 and President of Gilardi Foods from 1998 to March 2000. He was named to his current position in March 2000.

Blake D. Lovette was named to his current position upon joining the Company in 1998. Prior to joining the Company he owned and operated The Lovette Company, a transportation and distribution company located in Wilkesboro, North Carolina.

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Floyd McKinnerney was named to his current position in 1998. From 1987 to 1998 Mr. McKinnerney served as President and Chief Operating Officer of ConAgra Agri Products Companies.

Richard A. Porter was President of Lamb Weston, Inc. from 1990 to 1998. He was named to his current position in June 1998.

Richard G. Scalise joined the Company in 1997 as President of the ASE Deli/Foodservice Company. He was named to his current position during 2000. Prior to joining the Company, Mr. Scalise was President and Chief Operating Officer of H&M Corporation.

John S. Simons was Vice President, Red Meat Business Development with Excel, Inc. (owned by Cargill, Inc.) from 1996 to 1999. He was Vice President and General Manager, Canada for Excel from 1993 to 1996. He was named to his current position in May 1999.

PART II

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

ConAgra's common stock is listed on the New York Stock Exchange. Ticker symbol: CAG. At the end of fiscal 2000, 492.2 million shares of common stock were outstanding, including 15.2 million shares held in the Company's Employee Equity Fund. There were 34,000 shareholders of record, 31,000 holders via ConAgra's 401(k) plan for employees and more than 160,000 "street-name" beneficial holders whose shares are held in names other than their own. During fiscal 2000, 297 million shares were traded, a daily average of approximately 1.2 million shares.

Quarterly sales price and dividend information with respect to ConAgra's common stock is set forth in Note 21 "Quarterly Results (Unaudited)" on page F-26 and F-27 of the Consolidated Financial Statements herein.

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ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected consolidated financial data for the Company for each of the five fiscal years 1996 through 2000. All amounts are in millions except per share data. Fiscal years 1997 through 2000 have been restated as described in Note 22 to the Consolidated Financial Statements and fiscal years 1996 through 1998 have been restated to give effect to acquisitions accounted for as poolings of interests. Prior years per share amounts have been adjusted to reflect the two-for-one stock split which was effective October 1, 1997.

| For the Fiscal Years Ended May | 2000 | 1999 | 1998 | 1997(1) | 1996 |
|--|---------------------------|-------------|-------------|-------------|-------------|
| | (as restated see Note 22) | | | | |
| Net sales | \$ 25,534.6 | \$ 24,844.4 | \$ 24,544.6 | \$ 24,407.7 | \$ 24,321.3 |
| Income before cumulative effect of changes in accounting | 382.3* | 330.2** | 632.3 | 630.9 | 211.8*** |
| Net income | 382.3* | 330.2** | 617.5 | 630.9 | 211.8*** |
| Basic income per share | | | | | |
| Income before cumulative effect of changes in accounting | .80* | .70** | 1.36 | \$ 1.35 | \$.43*** |
| Net income | .80* | .70 | 1.33 | \$ 1.35 | \$.43*** |

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| For the Fiscal Years Ended May | 2000 | 1999 | 1998 | 1997(1) | 1996 |
|--|-------------|-------------|-------------|-------------|-------------|
| Diluted income per share | | | | | |
| Income before cumulative effect of changes in accounting | .80* | .69** | 1.33 | \$ 1.32 | \$.43*** |
| Net income | .80* | .69** | 1.30 | \$ 1.32 | \$.43*** |
| Cash dividends declared per share of common stock | .7890 | .6918 | .6050 | \$.5275 | \$.4600 |
| At Year End | | | | | |
| Total assets | \$ 12,196.6 | \$ 12,081.5 | \$ 11,781.5 | \$ 11,440.3 | \$ 11,364.2 |
| Senior long-term debt (noncurrent) | 1,816.8 | 1,793.1 | 1,753.5 | 1,628.5 | 1,536.3 |
| Subordinated long-term debt (noncurrent) | 750.0 | 750.0 | 750.0 | 750.0 | 750.0 |
| Preferred securities of subsidiary company | 525.0 | 525.0 | 525.0 | 525.0 | 525.0 |
| Redeemable preferred stock | | | | | |

(1) 1997 amounts have been restated for deferred delivery and vendor rebate transactions, and intracompany profit on sales within United Agri Products, Inc. The restatement had the following financial statement effect on fiscal 1997: reduce net sales by \$37.5 million, reduce expenses by \$26.0 million, and reduce income before income taxes by \$11.5 million. See also Note 22.

* 2000 amounts include restructuring and restructuring-related charges: before tax, \$621.4 million; after tax, \$385.3 million. Excluding the charges, basic earnings per share were \$1.61 and diluted earnings per share were \$1.60.

** 1999 amounts include restructuring charges: before tax, \$440.8 million; after tax, \$337.9 million. Excluding the charges, basic earnings per share were \$1.42 and diluted earnings per share were \$1.40.

*** 1996 amounts include restructuring charges: before tax, \$507.8 million; after tax, \$356.3 million. Excluding the charges, basic earnings per share were \$1.19 and diluted earnings per share were \$1.17.

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

Our discussion and analysis is intended to give our stockholders a summary of the major topics relevant to our financial performance and condition. This discussion should be read in conjunction with our financial statements and related notes. Years cited in this discussion refer to ConAgra's May-ending fiscal years.

Restatement

Subsequent to the issuance of the Company's 2000 consolidated financial statements and the filing of its 2000 Annual Report on Form 10-K with the Securities and Exchange Commission (the "SEC"), the Company's management determined that accounting and conduct matters at its United Agri Products, Inc. subsidiary ("UAP"), principally related to revenue recognition for deferred delivery sales and vendor rebates, advance vendor rebates, and bad debt reserves would require restatement of such financial statements. The restatement also corrects an error relating to consolidation of intracompany profit on sales within UAP during fiscal 1998. As a result, the 1998, 1999, and 2000 consolidated financial statements and related disclosures have been restated from the amounts previously reported. See Note 22. Furthermore, certain prior year amounts have been reclassified in order to conform with recently issued accounting literature. See Note 22.

2000 vs. 1999 (as restated)

In 1999, ConAgra announced Operation Overdrive, a series of initiatives designed to accelerate growth in sales and profit by aligning ConAgra's resources by customer channel, increasing investment in brands and market position and removing excess costs and capital. The implementation of Operation Overdrive contributed to the performance of all ConAgra's business segments in 2000, most notably through cost

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savings and efficiency gains. A portion of the cost savings associated with Operation Overdrive has been reinvested, as planned, in ConAgra's marketing programs in an effort to build for the future. ConAgra expects this trend of increased marketing investment to continue in the foreseeable future.

Business Segment Highlights

| Dollars in millions | FY 2000 Sales | | FY 2000 Operating Profit Excluding Restructuring Charges | | FY 2000 Operating Profit | |
|----------------------------|-----------------|-----------------------------|--|-----------------------------|--------------------------|-----------------------------|
| | \$ | % Change From FY 1999 | \$ | % Change From FY 1999 | \$ | % Change From FY 1999 |
| Segment | | | | | | |
| (Dollars in millions) | | | | | | |
| Packaged Foods | \$ 7,610.9 | 3% | \$ 1,086.9 | 11% | \$ 777.4 | (17)% |
| Refrigerated Foods | 12,880.8 | 8% | 490.9 | 33% | 322.9 | 2,949% |
| Total Food Business | 20,491.7 | 6% | 1,577.8 | 17% | 1,100.3 | 16% |
| Agricultural Products | 5,042.9 | (9)% | 282.6 | (9)% | 138.7 | (48)% |
| ConAgra Total | 25,534.6 | 3% | 1,860.4 | 12% | 1,239.0 | 2% |

Packaged Foods sales grew 3% for the fiscal year to reach \$7,611 million, largely the result of gains in ConAgra's french fry and specialty meat operations, both of which focus on the foodservice channel. Sales growth was also driven by gains for ConAgra's shelf-stable grocery snack products, including Slim Jim, Orville Redenbacher's, Act II, and Hunt's Snack Pack, as well as some of ConAgra's most significant frozen foods brands, specifically Banquet and Marie Callender's. Segment sales growth was slowed by declines for Wesson Oil, Healthy Choice, and ConAgra's commodity cheese operations. ConAgra has recently introduced several new Healthy Choice items to address the sales

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declines. Sales declines for commodity cheese were expected as ConAgra divested commodity cheese assets during the fiscal year. ConAgra expects to continue increasing its marketing investment for the Packaged Foods segment for the foreseeable future in an effort to grow sales in the segment's most promising categories.

Refrigerated Foods sales grew 8% for the year to reach \$12,881 million, reflecting gains for the beef, pork, poultry, and processed meat operations. Strong consumer demand fueled the segment's sales growth, as did ConAgra's increased emphasis on value-added products and increased marketing investment. The best-performing brands for 2000 in ConAgra's processed meat operations included Butterball, Cook's, Eckrich, and Hebrew National.

Agricultural Products sales declined 9% to \$5,043 million for the year, mostly due to the impact of lower grain volumes and prices on ConAgra's Trade Group. Sales for United Agri Products, the segment's largest sales contributor, were essentially flat for the year.

ConAgra's cost of goods sold for 2000 includes \$223 million of restructuring-related charges resulting in a consolidated gross profit of \$3,352 million in 2000. Cost of goods sold in 1999 did not include any restructuring-related charges. Excluding restructuring-related charges, overall gross profit (sales less cost of goods sold) grew 8% to \$3,575 million and gross margin (gross profit as a percent of sales) improved to 14%, as compared to 13% in 1999, primarily due to increased food volumes, a better product mix, more efficient processes, and favorable industry conditions for the beef operations. Although all of ConAgra's business segments reported an increase in gross margin, ConAgra's fresh beef and pork operations experienced the most dramatic increases. Due to declines in sales, gross profit for the Agricultural Products segment declined modestly compared to last year, although gross margin for the segment improved due to more efficient operations. ConAgra's gross margin has steadily grown over the last few years, reflecting an improving business mix and efficiency gains.

Selling, general and administrative (SG&A) expenses for 2000 include \$76 million of restructuring-related charges resulting in consolidated SG&A expenses of \$2,108 million. SG&A of \$1,911 million in 1999 did not include any restructuring-related charges. Excluding restructuring-related charges, SG&A expenses increased 6% to \$2,032 million, primarily as a result of increased investment in Operation Overdrive related personnel, services, and marketing support. Advertising and promotion expense increased at a double-digit rate, reflecting ConAgra's commitment to building for the future. SG&A expenses were 8% of sales during 2000, unchanged compared to 1999.

Packaged Foods operating profit (earnings before interest, goodwill amortization, general corporate expense, and income taxes) for 2000 decreased 17% to \$777 million due to increased restructuring and restructuring-related charges. Excluding restructuring and restructuring-related

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charges, operating profit grew 11% to \$1,087 million as ConAgra's french fry and specialty meat businesses, which are focused on the foodservice channel, posted improvement in profitability. Gains were also made in the frozen foods and grocery products businesses; profit growth in frozen foods was primarily driven by growth for Banquet and Marie Callender's, while growth for the grocery products division was mostly the result of gains for Hunt's pudding products as well as other snack items, including Slim Jim and Act II. Volume and profit declines for Healthy Choice, certain non-core nonperishable products, and ConAgra's commodity cheese operations slowed the rate of overall segment operating profit growth. In addition to sales gains and product mix improvement, cost savings and efficiency gains favorably impacted operating profit growth.

Operating profit for Refrigerated Foods grew to \$323 million in 2000 due to significantly lower restructuring and restructuring-related charges. Excluding restructuring and restructuring-related charges, operating profit grew 33% to \$491 million as results for beef and pork showed significant improvement over the prior year. Strong consumer demand for fresh red meat as well as operating improvements drove the profitability gains for beef and pork. Processed meat profitability improved over last year due to increased volumes and operating efficiencies. Butterball, Cook's, Eckrich, and

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Hebrew National were the strongest performing processed meat brands. Profitability for poultry declined compared to last year, mostly as a result of unfavorable industry conditions due to oversupply of poultry inventories.

Agricultural Products operating profit for 2000 declined 48% to \$139 million due primarily to increased restructuring and restructuring-related charges. Excluding restructuring and restructuring-related charges, operating profit declined 9% to \$283 million, as lower grain volumes and prices negatively influenced the results for the ConAgra Trade Group. Profits for United Agri Products and ConAgra's grain processing business increased for the year, primarily due to operating improvements.

ConAgra's total operating profit for 2000 grew 2% to \$1,239 million. Excluding restructuring and restructuring-related charges, operating profit grew 12% to \$1,860 million.

As part of Operation Overdrive, ConAgra implemented restructuring initiatives that resulted in pre-tax total charges of \$621 million and \$441 million during 2000 and 1999, respectively. These restructuring initiatives are part of ConAgra's efforts to improve margins by streamlining operations and becoming more efficient. When originally announced in May of 1999, the restructuring plan was expected to span three fiscal years and result in total charges of up to \$1,300 million. However, during 2000, ConAgra moved rapidly to capture operational efficiencies and cost savings by accelerating the implementation of the restructuring plan. Accordingly, ConAgra incurred the final charges associated with its restructuring plan during 2000, thus completing its restructuring plan in only two fiscal years with restructuring plan charges (2000 and 1999) totaling less than \$1,100 million. On both a pre-tax and after tax-basis, less than 20% of these charges result in cash outlays.

Total pre-tax cost savings associated with the restructuring plan are currently projected to approximate \$180 million in each of the next two fiscal years, while 2000 cost savings approximated \$100 million. These actual and planned cost savings are primarily a result of reducing duplicative efforts, lowering employee-related expenses and, to a lesser degree, reducing future depreciation and amortization costs. Accordingly, these cost savings positively impact ConAgra's "cost of goods sold" and "selling, general and administrative" line items within its consolidated statements of earnings.

The following is a breakdown of the restructuring and restructuring-related charges by segment and category for 2000.

| Dollars in millions | Packaged Foods | Refrigerated Foods | Agricultural Products | Total |
|----------------------------------|-------------------|-----------------------|--------------------------|-----------------|
| Restructuring/Impairment charges | \$ 109.9 | \$ 131.3 | \$ 81.0 | \$ 322.2 |
| Accelerated Depreciation | 128.2 | 10.9 | | 139.1 |
| Inventory Markdowns | 46.2 | 11.2 | 57.1 | 114.5 |
| Other | 25.2 | 14.6 | 5.8 | 45.6 |
| Total | \$ 309.5 | \$ 168.0 | \$ 143.9 | \$ 621.4 |

Of the \$621 million of pre-tax charges incurred in 2000, \$223 million is included in cost of goods sold, \$76 million is included in SG&A expense, and the remaining \$322 million is reflected as restructuring and impairment charges on ConAgra's consolidated statements of earnings.

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In 2000, the pre-tax charges of \$621 million reduced net income by \$385 million, or \$.81 per diluted share. Essentially all of the restructuring and restructuring-related charges in 2000 resulted in a tax benefit. Of the pre-tax charges incurred in 2000, \$154 million represents a cash expense. Reflecting the tax deductibility of these cash expenses, the after-tax cash expense related to the 2000 charges totals \$95 million.

Of the \$441 million of pre-tax charges incurred in 1999, \$39 million related to the Packaged Foods segment, \$359 million related to the Refrigerated Foods segment, and \$43 million related to the

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Agricultural Products segment. The \$441 million charge is classified as restructuring and impairment charges in ConAgra's consolidated statements of earnings.

In 1999, the pre-tax charges of \$441 million reduced net income by \$338 million, or \$.71 per diluted share. Of the \$441 million charge, \$277 million resulted in a tax benefit. Of the charges incurred in 1999, \$52 million represented a cash expense. Reflecting the tax deductibility of this cash expense, the after-tax cash expense of the restructuring charges totaled \$32 million.

For the restructuring initiative as a whole (amounts reported in 2000 and 1999), the total charges of \$1,062 million reduced after-tax earnings for 1999 and 2000, combined, by \$723 million. Of the \$1,062 million of pre-tax charges, \$206 million represents a cash expense, while the after-tax cash expense related to the restructuring initiative totals \$127 million.

Of the total \$1,062 million of charges incurred during 2000 and 1999, \$223 million is included in cost of goods sold, \$76 million is included in SG&A expense, and the remaining \$763 million is reflected as restructuring and impairment charges on the consolidated statements of earnings for these years.

As part of the restructuring initiative associated with Operation Overdrive, approximately 8,450 employees received notification of their termination. Of this amount, approximately 5,250 have been terminated. In addition, 31 production facilities were closed, 106 non-production facilities were closed, and 18 non-core businesses were divested. For more detail on the restructuring and restructuring-related charges related to Operation Overdrive, refer to Note 3 to the consolidated financial statements.

For 2000, interest expense was \$304 million, a decline of \$13 million, or 4%, over the prior year, primarily due to better management of accounts receivable, inventory, and capital expenditures. During the fourth quarter of 2000, interest expense grew compared to the fourth quarter of 1999 due to higher interest rates, as well as a debt-financed acquisition that was completed in January of 2000.

Income before taxes declined 3% to \$618 million in 2000 as a result of increased restructuring and restructuring-related charges. Excluding restructuring and restructuring-related charges, income before taxes grew 15% to \$1,239 million. The effective tax rate for 2000 was 38% both before and after the impact of restructuring and restructuring-related charges. Net income in 2000 reached \$382 million, or \$.80 per diluted share, a 16% increase as compared to 1999. Excluding restructuring charges, net income was \$768 million, or \$1.60 per diluted share, representing 14% growth in diluted earnings per share over 1999.

During the year, ConAgra's largest acquisition was Seaboard Farms, the poultry division of Seaboard Corporation. The company paid approximately \$360 million in cash for this acquisition. During 2000, ConAgra made other smaller acquisitions and paid for these acquisitions in cash and ConAgra common stock. The effect of these acquisitions on ConAgra's operating results for 2000 was not significant.

In June 2000, ConAgra signed a definitive agreement to acquire International Home Foods. International Home Foods' reported net sales for the most recent twelve months were approximately \$2.1 billion. ConAgra expects the results of operations from International Home Foods to be reported in its Packaged Foods segment for 2001.

1999 vs. 1998 (as restated) 1999 had 52 weeks versus 53 weeks in 1998. The effect on earnings was not material.

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1999 vs. 1998 (as restated)

Business Segment Highlights

FY 1999 Sales

FY 1999 Operating Profit

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(Dollars in millions)

| Segment | | | FY 1999 Operating Profit Excluding Restructuring Charges | | | |
|----------------------------|-----------------|-----------------------------|--|-----------------------------|----------------|-----------------------------|
| | \$ | % Change From FY 1998 | \$ | % Change From FY 1998 | \$ | % Change From FY 1998 |
| Packaged Foods | \$ 7,395.3 | 3% | \$ 979.2 | 1% | \$ 940.2 | (3)% |
| Refrigerated Foods | 11,881.7 | 1% | 369.2 | 60% | 10.6 | (95)% |
| Total Food Business | 19,277.0 | 2% | 1,348.4 | 13% | 950.8 | (21)% |
| Agricultural Products | 5,567.4 | (1)% | 311.0 | (13)% | 267.8 | (25)% |
| ConAgra Total | 24,844.4 | 1% | 1,659.4 | 7% | 1,218.6 | (22)% |

Packaged Foods sales grew 3% to \$7,395 million, mostly due to the tablespreads and Egg Beaters acquisition. Gains in cheese, frozen foods, value-added foodservice chicken, and pizza products also contributed to the segment's sales growth. Shelf-stable products experienced a downturn in sales, mainly as a result of lower volumes due to the intense competitive environment.

Sales rose 1% in Refrigerated Foods to \$11,882 million as domestic beef, pork, and poultry experienced volume gains and as the meat trading business expanded. The Australian beef business and branded processed meats contributed significantly to the sales improvement. Continued low commodity prices in protein markets slowed the rate of segment sales growth.

Sales for the Agricultural Products segment declined 1% to \$5,567 million. Sales growth in crop inputs were offset, in part, by lower commodity prices and reduced volume in the grain merchandising and trading business. For ConAgra in total, lower commodity selling prices reduced 1999 sales by \$275 million. This was more than offset by the impact of acquisitions, net of dispositions.

In 1999, gross profit (net sales minus cost of goods sold) increased 3% to \$3,304 million, while gross margin (gross profit as a percent of sales) for 1999 and 1998 was 13%. Gross profit and margin gains in Refrigerated Foods were the major factors in the improvement. Gross profit from Packaged Foods rose, largely due to the tablespreads and Egg Beaters acquisition, while the segment's gross margin was relatively unchanged from 1998.

SG&A expenses increased \$44 million, or 2%, in 1999, while SG&A as a percent of sales was 8% in both 1999 and 1998. Increases occurred in both the Refrigerated Foods and Agricultural Products segments, as well as in the general corporate component. Business expansion, mainly in crop inputs, and the tablespreads and Egg Beaters acquisition accounted for most of the increase. Corporate expenses were impacted by Y2K spending, increased staffing for new systems initiatives, and higher expenses associated with Operation Overdrive initiatives.

Packaged Foods 1999 operating profit (earnings before interest, goodwill amortization, general corporate expense and income taxes) decreased 3% to \$940 million. Excluding restructuring charges, operating profit for Packaged Foods was \$979 million, up 1% from the prior year. Meat snacks, microwave popcorn, potato products, value-added foodservice chicken, and pizza products all improved operating profits in 1999, while frozen foods, shelf-stable products, cheese and seafood operating profits declined. The tablespreads and Egg Beaters acquisition was a key contributor of operating profit to the segment.

Operating profit for the Refrigerated Foods segment decreased 95% to \$11 million for 1999 due to restructuring charges. Excluding restructuring charges, operating profit for Refrigerated Foods was \$369 million, an improvement of 60% over 1998. Operating profit increased in all of the major

businesses: branded processed meats, beef, pork, and poultry. Volume growth and stabilization of commodity prices drove the improvement.

Agricultural Products 1999 operating profit decreased 25% to \$268 million primarily due to restructuring charges. Excluding restructuring charges, operating profit for Agricultural Products declined 13% to \$311 million. Increased profitability for specialty food ingredients and international agricultural operations was more than offset by operating profit decreases in crop inputs, grain merchandising and trading operations. Low commodity prices and low volume caused most of the decrease.

ConAgra's total operating profit for 1999 was \$1,219 million as compared to \$1,557 million in 1998. Excluding restructuring charges, ConAgra's total operating profit for 1999 was \$1,659 million, up 7% over the prior year.

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In 1999, net interest expense increased 5% to \$317 million. Higher borrowings were somewhat offset by lower short-term interest rates and the impact of one-week's reduction in interest due to the 52- versus 53-week year. Income before taxes in 1999 was \$636 million, a decrease of 38% from 1998. Excluding restructuring charges, pre-tax income was \$1,076 million, up 5%. The effective tax rate for 1999 was 48.0% as compared to 38.3% for 1998. The increase was a result of the non-deductibility of certain intangible asset write-downs incurred in conjunction with ConAgra's restructuring plan. Excluding the impact of the restructuring charges in 1999, ConAgra's effective tax rate was 38%, essentially unchanged from 1998.

Net income in 1999 was \$330 million, a decrease of 47% as compared to 1998. Fiscal 1998 did not reflect any restructuring charges. Excluding restructuring charges, 1999 net income was \$668 million, up 8% as compared to 1998. Net income for 1998 included a \$15 million charge for the cumulative effect of a change in accounting principle.

Diluted earnings per share in 1999 were \$.69, down 47% as compared to 1998. Fiscal 1998 includes a charge of \$.03 per diluted share for the cumulative effect of a change in accounting principle. Excluding restructuring charges, 1999 diluted earnings per share were \$1.40, up 8% over 1998.

FINANCIAL CONDITION AND CASH FLOW (as restated)

Capital Resources ConAgra's earnings are generated principally from its capital investment, which consists of working capital (current assets less current liabilities) plus all noncurrent assets. Capital investment is financed with stockholders' equity, long-term debt, and other noncurrent liabilities.

Capital Investment

| Dollars in millions | 2000 | 1999 | % Change |
|----------------------------------|----------|----------|-------------|
| Working capital | \$ 394.5 | \$ 225.4 | 75% |
| Property, plant & equipment, net | 3,584.0 | 3,614.2 | (1)% |
| Intangible assets, net | 2,366.0 | 2,408.7 | (2)% |
| Other noncurrent assets | 386.7 | 467.1 | (17)% |
| Total noncurrent assets | 6,336.7 | 6,490.0 | (2)% |
| Capital investment | 6,731.2 | 6,715.4 | |

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During 2000, capital investment increased \$16 million, or less than 1%. The \$169 million increase in working capital was partially offset by a \$153 million decrease in noncurrent assets. Investments in property, plant and equipment, including acquisitions, totaled \$829 million. The investments were offset by \$593 million of depreciation expense (including \$139 million of accelerated depreciation), \$168 million in asset write-downs in connection with the 2000 restructuring charges, and net asset retirements of \$98 million.

Intangible assets are primarily goodwill related to acquisitions, principally associated with ConAgra's acquisition of Beatrice Company in 1991. This goodwill represents valuable assets such as respected brands with significant marketplace acceptance. In 2000, increases in intangible assets were more than offset by amortization and write-downs of impaired assets. Goodwill amortization was \$63 million in 2000 and \$69 million in 1999.

ConAgra financed its capital investment as shown in the following table:

Capitalization

| Dollars in millions | 2000 | 1999 | % Change |
|-----------------------------------|------------|------------|-------------|
| Senior long-term debt | \$ 1,816.8 | \$ 1,793.1 | 1% |
| Other noncurrent liabilities | 750.7 | 783.2 | (4)% |
| Subordinated long-term debt | 750.0 | 750.0 | |
| Subsidiary's preferred securities | 525.0 | 525.0 | |
| Common stockholders' equity | 2,888.7 | 2,864.1 | 1% |

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| Dollars in millions | 2000 | 1999 | % |
|----------------------|---------|---------|--------|
| | | | Change |
| Total capitalization | 6,731.2 | 6,715.4 | |

In 2000, senior long-term debt, excluding the current portion of long-term debt, increased \$24 million. There were no significant issuances or retirements of debt.

Other noncurrent liabilities consist of estimated postretirement health care and pension benefits, and to a lesser extent, deferred income taxes and reserves for estimated legal and environmental liabilities Beatrice Company incurred before its acquisition by ConAgra. It will require a number of years to resolve remaining issues related to the Beatrice liabilities. Resolution over time will use cash, but is not expected to affect earnings adversely because ConAgra believes reserves are adequate.

ConAgra's long-standing policy is to purchase on the open market shares of ConAgra's common stock to replace shares issued for employee incentive and benefit programs and smaller acquisitions accounted for as purchases if such issuances will dilute earnings per share. In 2000, ConAgra made no purchases of ConAgra's common stock on the open market. Common stockholders' equity increased \$25 million in 2000 mainly because net income and the value of shares issued exceeded cash dividends declared and the foreign currency translation adjustment.

Cash Flow Cash provided by operating activities was \$691 million in 2000, compared to \$1,180 million in 1999. The decrease in 2000 versus 1999 was primarily the result of lower advances on sales in Agricultural Products and Refrigerated Foods, offset in part by a lower level of receivables increases, mainly in Agricultural Products. The restructuring and restructuring-related charges did not have a significant impact on cash flow in 2000. Depreciation and other amortization increased \$43 million in 2000 as compared to 1999.

Cash provided by operating activities was \$1,180 million in 1999, compared to \$623 million in 1998. The increase in 1999 versus 1998 was primarily the result of higher advances on sales in Agricultural Products and Refrigerated Foods and a lower level of inventory increases, mainly in Refrigerated Foods. The restructuring charges had minimal impact on cash flow in 1999, since the majority of the

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charges related to write-downs of assets. Depreciation and other amortization increased \$41 million in 1999 as compared to 1998.

Cash used for investing activities was \$811 million in 2000. ConAgra invested \$539 million in property, plant and equipment and its investment in businesses acquired, net of disposals, totaled \$236 million in 2000. This was mainly due to the \$360 million acquisition of the assets of Seaboard Farms.

Cash used for investing activities was \$1,010 million in 1999. ConAgra invested \$662 million in property, plant and equipment and its investment in businesses acquired, net of disposals, totaled \$373 million in 1999. This was mainly due to the \$400 million acquisition of the tablespreads and Egg Beaters business.

In 1998, cash used for investing activities was \$395 million. ConAgra invested \$584 million in property, plant and equipment, down from the prior year. Proceeds from businesses sold in 1998 exceeded cash acquisition expenditures by \$192 million as ConAgra issued common stock for certain acquisitions.

In 2001, ConAgra expects to invest \$525 million to \$550 million in additions to property, plant and equipment of present businesses. Capital projects in 2000 and planned for 2001 are broadly based investments in modernization, efficiency and capacity expansion. In addition, capital (excluding assumption of debt and issuance of common stock) required in connection with the International Home Foods' acquisition is estimated at \$900 million for 2001.

Cash provided by financing activities in 2000 was \$215 million. ConAgra increased short-term borrowings \$403 million and accounts receivable sold by \$165 million. Long-term debt repayments totaled \$33 million in 2000. Cash dividends paid totaled \$375 million, up 20%. The dividend rate was up 14% in 2000 over the prior year and the remaining increase was caused by a larger number of shares outstanding, mainly issued for acquisitions. No stock was repurchased in 2000.

Cash used for financing activities in 1999 was \$215 million. ConAgra issued \$595 million of senior notes, with \$396 million issued at 7% and \$199 million issued at 5.5%. Long-term debt repayments totaled \$70 million in 1999, and ConAgra reduced the amount of short-term borrowings backed by long-term credit agreements, and classified as long-term, by \$532 million. Accounts receivable sold increased by \$126 million during 1999. Cash dividends paid totaled \$312 million, up 19%. The dividend rate was up 14% in 1999 over the prior year and the

remaining increase was caused by a larger number of shares outstanding, mainly issued for acquisitions. The cost of stock repurchased in 1999 totaled \$31 million. Short-term debt decreased slightly during 1999.

In 1998, cash used for financing activities was \$226 million. ConAgra repaid \$368 million of senior long-term debt and reduced the amount of short-term borrowings backed by long-term credit agreements, and classified as long-term, by \$123 million. ConAgra issued \$312 million of senior long-term notes, with \$300 million issued at 6.7%. The cost of stock repurchased by ConAgra was \$153 million in 1998. Cash dividends paid totaled \$263 million, up 14%. Short-term borrowings, used primarily to fund working capital needs, increased \$318 million in 1998.

Financing Objectives ConAgra's primary financing objective is to maintain a conservative balance sheet that provides the flexibility to pursue ConAgra's growth objectives. This is defined as using appropriate levels of equity and long-term debt to finance noncurrent assets and permanent working capital needs. Short-term debt is used to finance liquid and seasonal asset requirements.

ConAgra's long-term debt objective is that senior long-term debt will not normally exceed 30% of total long-term debt plus equity. Long-term subordinated debt is treated as equity due to its preferred stock characteristics. ConAgra's policy has been that it would temporarily exceed this self-imposed limit for a major strategic acquisition that is intended to create value for shareholders over the long term. In

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management's view, the fiscal 2001 acquisition of International Home Foods, represents such an opportunity.

ConAgra's short-term debt objective is that, at the end of their natural fiscal year, most ConAgra businesses will eliminate short-term debt used to finance assets other than hedged commodity inventories.

ConAgra met its long-term debt objective every year from 1976 through 2000, except 1991 and 1992 when it temporarily exceeded its self-imposed long-term debt limitation to acquire Beatrice. ConAgra has met its short-term debt objective for the past 25 years.

ConAgra has access to a wide variety of financing markets. Public debt offerings and private debt placements provide long-term financing. At the end of 2000, ConAgra's senior debt ratings were BBB+ (Fitch), Baa1 (Moody's), and BBB+ (Standard & Poor's), all investment grade ratings.

Short-term credit is provided by the sale of commercial paper and bank financing. Commercial paper borrowings are backed by multiyear bank credit facilities. During 2000, short-term borrowing continued at interest rates below the prime rate. Short-term debt averaged \$2.74 billion in 2000 compared to \$3.05 billion in 1999, excluding short-term borrowings classified as long-term. Lower working capital requirements for most of the year caused the decrease in short-term debt. ConAgra uses cancelable and noncancelable leases in its financing activities, particularly for transportation equipment. In 2000, cancelable lease expense was \$189 million versus \$155 million in 1999, and noncancelable lease expense was \$97 million versus \$118 million in 1999.

To maintain a conservative financial position, ConAgra focuses on cash flow as well as its balance sheet. ConAgra's plans incorporate cash flow sufficient to meet financing obligations, maintain capital investment, and pay stockholder dividends even if a severe and unexpected decline in earnings occurs. This measure of cash-flow adequacy provides an effective tool for managing ConAgra's leverage.

Asset Liquidity Many of ConAgra's businesses are current asset intensive. Inventory and accounts receivable were 1.5 times property, plant and equipment at the end of 2000 and 1999. The seasonal nature and liquidity of ConAgra's current asset investments explain ConAgra's significant use of short-term debt and emphasis on repaying short-term debt at year end. From time to time, ConAgra also obtains product financing for certain commodity inventories, classified as advances on sales in the Consolidated Balance Sheets.

As in prior years, ConAgra's reported net sales understate the degree to which current assets turn over during the year. For 2000, total sales invoiced to customers were approximately \$33.2 billion versus \$25.5 billion reported net sales. This is because commodity trading transactions reflect margin accounting whereby only gross profit is reported in sales.

ConAgra's current ratio (current assets divided by current liabilities) was 1.07 to 1 at the end of 2000 and 1.04 to 1 at the end of 1999. ConAgra's consolidated current ratio is a composite of various current ratios appropriate for its individual businesses. ConAgra focuses more on appropriate use of short-term debt and trade credit financing than on the absolute level of its current ratio. Some ConAgra businesses are able to generate substantial trade credit that does not result in financing costs.

Market Risk The principal market risks affecting ConAgra are exposure to changes in commodity or energy prices and interest rates on debt. While ConAgra does have international operations, and operates in international markets, it considers its market risk in such activities to be immaterial.

Commodities ConAgra operates in many areas of the food industry, from basic agricultural inputs to production and sale of branded consumer products. As a result, ConAgra uses various raw materials, many of which are commodities. Raw materials are generally available from several different sources, and ConAgra presently believes that it can obtain them as needed.

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Commodities are subject to price fluctuations that may create price risk. Generally, it is ConAgra's intent to hedge commodities in order to mitigate this price risk. While this may tend to limit ConAgra's ability to participate in gains from commodity price fluctuations, it also tends to reduce the risk of loss from changes in commodity prices.

ConAgra has established policies that limit the amount of unhedged inventory positions permissible for ConAgra's operating companies. ConAgra's operating companies are generally limited to a dollar risk exposure stated in relation to equity capital.

ConAgra typically purchases certain commodities such as wheat, corn, oats, soybeans, soybean meal, soybean oil, cattle, and hogs for use in its processing businesses. In addition, ConAgra purchases and sells certain commodities such as wheat, corn, soybeans, soybean meal, soybean oil, and oats in its trading businesses. The commodity price risk associated with these activities can be hedged by selling (or buying) the underlying commodity, or by using an appropriate derivative instrument. The particular hedging instrument used by ConAgra depends on a number of factors, including availability of appropriate derivative instruments. ConAgra utilizes exchange-traded futures and options as well as non-exchange-traded derivatives, in which case ConAgra monitors the amount of associated credit risk.

The following table presents one measure of market risk exposure using sensitivity analysis. Market risk exposure is defined as the change in the fair value of the derivative commodity instruments assuming a hypothetical change of 10% in market prices. Actual changes in market prices may differ from hypothetical changes. Fair value was determined using quoted market prices and was based on ConAgra's net derivative position by commodity at each month end during the fiscal year. The market risk exposure analysis excludes the underlying commodity positions that are being hedged. The underlying commodities hedged have a high inverse correlation to price changes of the derivative commodity instrument.

Effect of 10% Change in Fair Value

| | 2000 | 1999 |
|------------------------------|-------------|---------|
| | In millions | |
| Processing Businesses | | |
| Grains/Food | | |
| High | \$ 38.0 | \$ 24.4 |
| Low | 24.3 | 12.8 |
| Average | 30.2 | 17.1 |
| Meats | | |
| High | 49.5 | 48.8 |
| Low | 22.8 | 13.4 |
| Average | 34.5 | 32.3 |
| Trading Businesses | | |
| Grains | | |
| High | 18.6 | 21.9 |
| Low | 11.1 | 12.6 |
| Average | 15.7 | 16.4 |
| Meats | | |
| High | 7.6 | 5.9 |
| Low | 1.2 | |
| Average | 3.1 | 1.4 |

Energy ConAgra's operating companies incur substantial energy costs in their manufacturing facilities and incur higher operating expenses as a result of increases in energy costs. ConAgra hedges

its operations against adverse price movements in energy costs, primarily natural gas and electricity. In addition, ConAgra's energy subsidiary may trade derivative commodity and financial instruments when markets are favorable for such activity. Trading is limited in terms of maximum dollar exposure and monitored to ensure compliance with these limits. Exchange-traded derivative commodity instruments and non-exchange-traded swaps and options are used. ConAgra monitors the amount of associated counter-party credit risk for non-exchange-traded transactions.

The following presents one measure of market risk exposure using sensitivity analysis. Market risk exposure is defined as the change in the fair value of the derivative commodity and financial instruments assuming a hypothetical change of 10% in market prices. Actual changes in market prices may differ from hypothetical changes. Fair value was determined using quoted market prices, if available, and was based on the subsidiary's net derivative position by commodity at each month end during the fiscal year. The market risk exposure analysis excludes the anticipated energy requirements or physical delivery commitments that are being hedged by these instruments.

Effect of 10% Change in Fair Value

| | <u>2000</u> | <u>1999</u> |
|---------------|-------------|-------------|
| | In millions | |
| Energy | | |
| High | \$ 5.6 | \$ 8.7 |
| Low | 0.2 | 0.7 |
| Average | 2.0 | 4.3 |

Interest Rates ConAgra has used interest rate swaps to hedge adverse interest rate changes on a portion of its short-term debt. During 2000 and 1999 these swaps effectively changed the interest rate on a portion of short-term debt from a variable rate to a fixed rate, thus reducing ConAgra's exposure to interest rate risk. The average short-term debt covered by swaps was \$380 million for 2000 and \$870 million for 1999. A one hundred basis-point change in interest rates on average short-term borrowings would have impacted net interest expense by \$24.7 million and \$27.9 million for 2000 and 1999, respectively.

Foreign Operations Transactions denominated in a currency other than an entity's functional currency are generally hedged to reduce market risk. ConAgra principally uses non-exchange-traded contracts to effect this coverage. Market risk on such transactions is not material to ConAgra's results of operations or financial position. ConAgra's market risk from translation of foreign-based entities' annual profit and loss, and from amounts permanently invested in foreign subsidiaries, is not material.

Accounting Changes In June 1998, Statement of Financial Accounting Standards No. 133 *Accounting for Derivative Instruments and Hedging Activities*, was issued. This standard will become effective for the company in fiscal 2002. The company has not quantified the impact, if any, resulting from adoption of this standard.

In December 1999, SEC Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition in Financial Statements*, was issued. This SAB will become effective for the company in fiscal 2001. The company has not quantified the impact, if any, resulting from the adoption of this SAB.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this item is set forth in subsection "Market Risk" in "Management's Discussion & Analysis" above.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (AS RESTATED)

The following consolidated financial statements of ConAgra, Inc. and Subsidiaries and Independent Auditors' Report are set forth on pages F-1 through F-29 of the Consolidated Financial Statements herein:

Independent Auditors' Report

Consolidated Statements of Earnings Years ended May 28, 2000, May 30, 1999 and May 31, 1998

Consolidated Statements of Comprehensive Income Years ended May 28, 2000, May 30, 1999 and May 31, 1998

Consolidated Balance Sheets May 28, 2000, and May 30, 1999

Consolidated Statements of Common Stockholders' Equity Years ended May 28, 2000, May 30, 1999 and May 31, 1998

Consolidated Statements of Cash Flows Years ended May 28, 2000, May 30, 1999 and May 31, 1998

Notes to Consolidated Financial Statements

The supplementary data regarding quarterly results of operations are set forth in Note 21 "Quarterly Results (Unaudited)" on page F-26 and F-27 of the Consolidated Financial Statements herein.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated herein by reference to "Board of Directors and Election" on pages 3 and 4 of the Company's Proxy Statement for its Annual Meeting of Stockholders held on September 28, 2000. Information concerning all Executive Officers of the Company is included in Part I above.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference to (i) "Executive Compensation" through "Benefit Plans and Retirement Programs" on pages 5 through 9 of the Company's Proxy Statement, and (ii) information on director compensation on page 4 of the Company's Proxy Statement for its Annual Meeting of Stockholders held on September 28, 2000.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated herein by reference to "Voting Securities and Ownership by Certain Beneficial Owners" and "Voting Securities Owned by Executive Officers and Directors" on page 2 of the Company's Proxy Statement for its Annual Meeting of Stockholders held on September 28, 2000.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated herein by reference to (i) the last paragraph of "Directors' Meetings and Compensation" on page 4 of the Company's Proxy Statement, and (ii) the last paragraph of "Benefit Plans and Retirement Programs" on page 9 of the Company's Proxy Statement for its Annual Meeting of Stockholders held on September 28, 2000.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

a)

List of documents filed as part of this report:

1. Financial Statements (as restated)

All financial statements of the Company as set forth under Item 8 of this report on Form 10-K.
2. Financial Statement Schedules (as restated)

| Schedule Number | Description | Page Number |
|-----------------|-----------------------------------|-------------|
| S-II | Valuation and Qualifying Accounts | F-30 |

All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the consolidated financial statements, notes thereto.

3. Exhibits

All exhibits as set forth on the Exhibit Index, which is incorporated herein by reference.

b)

Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, ConAgra Foods, Inc. has caused this amendment to report to be signed on its behalf by the undersigned, thereunto duly authorized on the 22nd day of June, 2001.

CONAGRA FOODS, INC.

/s/ BRUCE C. ROHDE

Bruce C. Rohde
Chairman, Chief Executive Officer and President

/s/ JAMES P. O'DONNELL

James P. O'Donnell
Executive Vice President, Chief Financial Officer and Corporate Secretary (Principal Financial Officer)

/s/ DWIGHT J. GOSLEE

Dwight J. Goslee
*Executive Vice President, Operating
Control and Development*

/s/ JAY D. BOLDING

Jay D. Bolding
*Senior Vice President, Controller
(Principal Accounting Officer)*

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Pursuant to the requirements of the Securities Exchange Act of 1934, this amendment to report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 22 day of June, 2001.

/s/ BRUCE C. ROHDE

| | |
|-----------------------|----------|
| Bruce C. Rohde | Director |
| Mogens C. Bay* | Director |
| John T. Chain, Jr.* | Director |
| Charles M. Harper* | Director |
| Robert A. Krane* | Director |
| Mark Rauenhorst* | Director |
| Carl E. Reichardt* | Director |
| Ronald W. Roskens* | Director |
| Marjorie M. Scardino* | Director |
| Walter Scott, Jr.* | Director |
| Kenneth E. Stinson* | Director |
| Clayton K. Yeutter* | Director |

*

Bruce C. Rohde, by signing his name hereto, signs this amendment to the annual report on behalf of each person indicated. A Power-of-Attorney authorizing Bruce C. Rohde to sign this amendment to the annual report on Form 10-K on behalf of each of the indicated Directors of ConAgra Foods, Inc. has been filed herein as Exhibit 24.

By: /s/ BRUCE C. ROHDE

Bruce C. Rohde
Attorney-In-Fact

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INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors
ConAgra Foods, Inc.

We have audited the accompanying consolidated balance sheets of ConAgra Foods, Inc. (formerly ConAgra, Inc.) and subsidiaries as of May 28, 2000 and May 30, 1999, and the related consolidated statements of earnings, comprehensive income, common stockholders' equity and cash flows for each of the three years in the period ended May 28, 2000. Our audits also included the financial statement schedule listed in Item 14. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ConAgra Foods, Inc. and subsidiaries as of May 28, 2000 and May 30, 1999, and the results of their operations and their cash flows for each of the three years in the period ended May 28, 2000 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 22, the accompanying consolidated financial statements and financial statement schedule have been restated.

Deloitte & Touche LLP

July 14, 2000 (June 21, 2001, as to Note 22)
Omaha, Nebraska

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CONAGRA FOODS, INC. AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE FISCAL YEARS ENDED MAY**

Dollars in millions except per-share amounts

| | 2000 | 1999 | 1998 |
|--|----------------------------|-----------------|-----------------|
| | (As restated, see Note 22) | | |
| Net sales | \$ 25,534.6 | \$ 24,844.4 | \$ 24,544.6 |
| Costs and expenses | | | |
| Cost of goods sold* | 22,182.9 | 21,540.5 | 21,351.6 |
| Selling, general and administrative expenses* | 2,108.1 | 1,910.9 | 1,866.8 |
| Interest expense | 303.8 | 316.6 | 300.7 |
| Restructuring/Impairment charges (Note 3) | 322.2 | 440.8 | |
| | <u>24,917.0</u> | <u>24,208.8</u> | <u>23,519.1</u> |
| Income before income taxes and cumulative effect of change in accounting | 617.6 | 635.6 | 1,025.5 |
| Income taxes | 235.3 | 305.4 | 393.2 |

| | 2000 | 1999 | 1998 |
|---|-------------------|-------------------|-------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Income before cumulative effect of change in accounting | 382.3 | 330.2 | 632.3 |
| Cumulative effect of change in accounting | | | (14.8) |
| Net income | \$ 382.3 | \$ 330.2 | \$ 617.5 |
| Income per share basic | | | |
| Income before cumulative effect of change in accounting | .80 | .70 | 1.36 |
| Cumulative effect of change in accounting | | | (.03) |
| Net income | \$.80 | \$.70 | \$ 1.33 |
| Income per share diluted | | | |
| Income before cumulative effect of change in accounting | .80 | .69 | 1.33 |
| Cumulative effect of change in accounting | | | (.03) |
| Net income | \$.80 | \$.69 | \$ 1.30 |

*

Other restructuring-related items in fiscal 2000 include accelerated depreciation of \$108.3 million and inventory markdowns of \$114.5 million included in cost of goods sold and \$30.8 million of accelerated depreciation and \$45.6 million of restructuring plan implementation costs included in selling, general and administrative expenses.

The accompanying notes are an integral part of the consolidated financial statements.

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CONAGRA FOODS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FISCAL YEARS ENDED MAY

Dollars in millions

| | 2000 | 1999 | 1998 |
|-----------------------------------|----------------------------|-------------------|-------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| | (As restated, see Note 22) | | |
| Net income | \$ 382.3 | \$ 330.2 | \$ 617.5 |
| Other comprehensive income (loss) | | | |
| Currency translation adjustment | (37.2) | 1.7 | (35.9) |
| Comprehensive income | \$ 345.1 | \$ 331.9 | \$ 581.6 |

The accompanying notes are an integral part of the consolidated financial statements.

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CONAGRA FOODS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
MAY 28, 2000 AND MAY 30, 1999

Dollars in millions except per-share amounts

| | 2000 | 1999 |
|--|-------------------------------|--------------------|
| | (As restated, see Note 22) | |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 157.6 | \$ 62.8 |
| Receivables, less allowance for doubtful accounts of \$62.8 and \$60.0 | 1,241.5 | 1,449.4 |
| Inventories | 4,056.0 | 3,782.5 |
| Prepaid expenses | 404.8 | 296.8 |
| | <u>5,859.9</u> | <u>5,591.5</u> |
| Property, plant and equipment | | |
| Land | 147.1 | 161.2 |
| Buildings, machinery and equipment | 5,430.3 | 5,205.8 |
| Other fixed assets | 537.0 | 426.9 |
| Construction in progress | 327.4 | 419.9 |
| | <u>6,441.8</u> | <u>6,213.8</u> |
| Less accumulated depreciation | (2,857.8) | (2,599.6) |
| | <u>3,584.0</u> | <u>3,614.2</u> |
| Property, plant and equipment, net | 3,584.0 | 3,614.2 |
| Brands, trademarks and goodwill, at cost less accumulated amortization of \$748.3 and \$668.2 | 2,366.0 | 2,408.7 |
| Other assets | 386.7 | 467.1 |
| | <u>\$ 12,196.6</u> | <u>\$ 12,081.5</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Notes payable | \$ 1,255.5 | \$ 840.8 |
| Current installments of long-term debt | 20.6 | 21.1 |
| Accounts payable | 2,042.5 | 2,022.2 |
| Advances on sales | 912.7 | 1,203.7 |
| Accrued payroll | 258.9 | 269.4 |
| Other accrued liabilities | 975.2 | 1,008.9 |
| | <u>5,465.4</u> | <u>5,366.1</u> |
| Senior long-term debt, excluding current installments | | |
| | 1,816.8 | 1,793.1 |
| Other noncurrent liabilities | | |
| | 750.7 | 783.2 |
| Subordinated debt | | |
| | 750.0 | 750.0 |
| Preferred securities of subsidiary company | | |
| | 525.0 | 525.0 |
| Commitments and contingencies | | |
| Common stockholders' equity | | |
| Common stock of \$5 par value, authorized 1,200,000,000 shares; issued 524,137,617 and 519,648,673 | 2,620.7 | 2,598.2 |

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| | 2000 | 1999 |
|---|-------------|-------------|
| Additional paid-in capital | 147.5 | 219.4 |
| Retained earnings | 1,345.3 | 1,325.1 |
| Foreign currency translation adjustment | (103.1) | (65.9) |
| Less treasury stock, at cost, common shares of 31,925,505 and 31,475,678 | (760.2) | (749.9) |
| | 3,250.2 | 3,326.9 |
| Less unearned restricted stock and value of 15,246,068 and 17,184,831 common shares held in Employee Equity Fund | (361.5) | (462.8) |
| Total common stockholders' equity | 2,888.7 | 2,864.1 |
| | \$ 12,196.6 | \$ 12,081.5 |

The accompanying notes are an integral part of the consolidated financial statements.

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CONAGRA FOODS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY
FOR FISCAL YEARS ENDED MAY

Columnar amounts in millions

| | Common Shares | Common Stock | Additional Paid-in Capital | Retained Earnings | Foreign Currency Translation Adjustment | Treasury Stock | EEF* Stock and Other | Total |
|--|------------------|-----------------|----------------------------------|-------------------------------|--|-------------------|-------------------------------|-------------------------------|
| | | | | (As restated, see Note 22) | | | | (As restated, see Note 22) |
| Balance at May 25, 1997 (as previously reported) | 522.7 | \$ 1,306.8 | \$ 636.9 | \$ 2,125.7 | \$ (31.7) | \$ (655.1) | \$ (811.6) | \$ 2,571.0 |
| Adjustment to beginning retained earnings (see Note 22) | | | | (7.0) | | | | (7.0) |
| Balance at May 25, 1997 (as restated) | 522.7 | 1,306.8 | 636.9 | 2,118.7 | (31.7) | (655.1) | (811.6) | 2,564.0 |
| Shares issued | | | | | | | | |
| Stock option and incentive plans | .6 | 2.8 | 4.0 | | | .5 | | 7.3 |
| EEF*: stock option, incentive and other employee benefit plans | | | 34.7 | | | | 70.5 | 105.2 |
| Fair market valuation of EEF shares | | | (97.1) | | | | 97.1 | |
| Acquisitions | 1.3 | 6.7 | .4 | 3.3 | | 2.2 | | 12.6 |
| Shares acquired for incentive plans | | | | | | (172.7) | 1.0 | (171.7) |
| Shares retired | (5.2) | (26.2) | | (93.7) | | 119.9 | | |
| Two-for-one stock split | | 1,307.0 | (258.9) | (1,048.1) | | | | |
| Foreign currency translation adjustment | | | | | (35.9) | | | (35.9) |
| Dividends declared | | | | | | | | |

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| | Common Shares | Common Stock | Additional Paid-in Capital | Retained Earnings | Foreign Currency Translation Adjustment | Treasury Stock | EEF* Stock and Other | Total |
|--|------------------|-----------------|----------------------------------|----------------------|--|-------------------|-------------------------------|----------------|
| Common stock, \$.605 per share | | | | (273.6) | | | | (273.6) |
| Pooled companies | | | | (2.9) | | | | (2.9) |
| Net income (as restated) | | | | 617.5 | | | | 617.5 |
| Balance at May 31, 1998 | 519.4 | 2,597.1 | 320.0 | 1,321.2 | (67.6) | (705.2) | (643.0) | 2,822.5 |
| Shares issued | | | | | | | | |
| Stock option and incentive plans | .2 | 1.1 | 1.8 | | | .5 | | 3.4 |
| EEF*: stock option, incentive and other employee benefit plans | | | 13.6 | | | | 62.3 | 75.9 |
| Fair market valuation of EEF shares | | | (116.4) | | | | 116.4 | |
| Acquisitions | | | .4 | | | 2.2 | | 2.6 |
| Shares acquired for incentive plans | | | | | | (47.6) | 1.5 | (46.1) |
| Shares retired | | | | (.2) | | .2 | | |
| Foreign currency translation adjustment | | | | | 1.7 | | | 1.7 |
| Dividends declared | | | | | | | | |
| Common stock, \$.69175 per share | | | | (324.9) | | | | (324.9) |
| Pooled companies | | | | (1.2) | | | | (1.2) |
| Net income (as restated) | | | | 330.2 | | | | 330.2 |
| Balance at May 30, 1999 | 519.6 | 2,598.2 | 219.4 | 1,325.1 | (65.9) | (749.9) | (462.8) | 2,864.1 |
| Shares issued | | | | | | | | |
| Stock option and incentive plans | .5 | 2.4 | 2.5 | | | .4 | | 5.3 |
| EEF*: stock option, incentive and other employee benefit plans | | | 9.4 | | | | 26.1 | 35.5 |
| Fair market valuation of EEF shares | | | (70.0) | | | | 70.0 | |
| Acquisitions | 4.0 | 20.1 | (13.7) | 13.4 | | | | 19.8 |
| Shares acquired for incentive plans | | | (.1) | | | (10.7) | 5.2 | (5.6) |
| Foreign currency translation adjustment | | | | | (37.2) | | | (37.2) |
| Dividends declared | | | | | | | | |
| Common stock, \$.789 per share | | | | (375.5) | | | | (375.5) |
| Net income (as restated) | | | | 382.3 | | | | 382.3 |
| Balance at May 28, 2000 | 524.1 | 2,620.7 | 147.5 | 1,345.3 | (103.1) | (760.2) | (361.5) | 2,888.7 |

*

Employee Equity Fund (Note 12)

The accompanying notes are an integral part of the consolidated financial statements.

CONAGRA FOODS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED MAY

Dollars in millions

| | 2000 | 1999 | 1998 |
|--|----------------------------|------------------|-----------------|
| | (As restated, see Note 22) | | |
| Cash flows from operating activities | | | |
| Net income | \$ 382.3 | \$ 330.2 | \$ 617.5 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | |
| Depreciation and other amortization | 473.1 | 430.4 | 389.0 |
| Goodwill amortization | 63.4 | 69.4 | 67.8 |
| Restructuring and other restructuring-related charges (including accelerated depreciation) | 621.4 | 440.8 | |
| Cumulative effect of change in accounting | | | 24.0 |
| Other noncash items (includes nonpension postretirement benefits) | 49.9 | 87.8 | 86.5 |
| Change in assets and liabilities before effects from business combinations | | | |
| Receivables | 69.9 | (176.9) | (159.9) |
| Inventories and prepaid expenses | (325.3) | (149.5) | (286.5) |
| Accounts payable and accrued liabilities | (643.7) | 147.3 | (115.2) |
| Net cash flows from operating activities | 691.0 | 1,179.5 | 623.2 |
| Cash flows from investing activities | | | |
| Additions to property, plant and equipment | (539.3) | (662.3) | (583.7) |
| Payment for business acquisitions | (390.1) | (421.9) | (33.7) |
| Sale of businesses and property, plant and equipment | 154.6 | 48.5 | 225.9 |
| Notes receivable and other items | (36.6) | 25.5 | (3.9) |
| Net cash flows from investing activities | (811.4) | (1,010.2) | (395.4) |
| Cash flows from financing activities | | | |
| Net short-term borrowings | 402.7 | (22.7) | 317.7 |
| Proceeds from issuance of long-term debt | 33.1 | 595.2 | 311.8 |
| Repayment of long-term debt | (32.6) | (602.5) | (490.8) |
| Accounts receivable sold | 165.0 | 125.5 | (10.0) |
| Cash dividends paid | (375.0) | (312.4) | (263.2) |
| Cash distributions of pooled companies | | (1.2) | (3.8) |
| Other items | 22.0 | 3.2 | (88.0) |
| Net cash flows from financing activities | 215.2 | (214.9) | (226.3) |
| Net increase (decrease) in cash and cash equivalents | 94.8 | (45.6) | 1.5 |
| Cash and cash equivalents at beginning of year | 62.8 | 108.4 | 106.9 |
| Cash and cash equivalents at end of year | \$ 157.6 | \$ 62.8 | \$ 108.4 |

| 2000 | 1999 | 1998 |
|-------|-------|-------|
| <hr/> | <hr/> | <hr/> |
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The accompanying notes are an integral part of the consolidated financial statements.

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CONAGRA FOODS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MAY 28, 2000, MAY 30, 1999 AND MAY 31, 1998
Columnar Amounts in Millions Except Per-Share Amounts

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year The fiscal year of ConAgra Foods, Inc. ("ConAgra" or the "company") ends the last Sunday in May. The fiscal years for the consolidated financial statements presented consist of 52-week periods (fiscal 2000 and 1999) or 53-week periods (fiscal 1998).

The accounts of two wholly-owned subsidiaries, ConAgra Fertilizer Company and United Agri Products, Inc., have been consolidated on the basis of a year ending in February. Such fiscal period corresponds with those companies' natural business year.

Basis of Consolidation The consolidated financial statements include the accounts of ConAgra Foods, Inc. and all majority-owned subsidiaries. The investments in and the operating results of 50%-or-less-owned entities are included in the financial statements on the basis of the equity method of accounting. All significant intercompany investments, accounts and transactions have been eliminated.

Inventories Grain, flour and major feed ingredient inventories are hedged to the extent practicable and are generally stated at market, including adjustment to market of open contracts for purchases and sales. Short-term interest expense incurred to finance hedged inventories is included in cost of goods sold in order to properly reflect gross profits on hedged transactions. Inventories not hedged are priced at the lower of average cost (first-in, first-out) or market.

Property and Depreciation Property, plant and equipment are carried at cost. Depreciation has been calculated using primarily the straight-line method over the estimated useful lives of the respective classes of assets as follows:

| | |
|-------------------------|---------------|
| Buildings | 15 - 40 years |
| Machinery and equipment | 5 - 20 years |
| Other fixed assets | 5 - 15 years |

Brands, Trademarks, Goodwill and Long-Lived Assets Brands, goodwill arising from the excess of cost of investment over fair value of net assets at date of acquisition and trademarks are amortized using the straight-line method, principally over a period of 40 years. An impairment is recognized when future undiscounted cash flows of assets are estimated to be insufficient to recover their related carrying value. The company considers continued operating losses, or significant and long-term changes in business conditions, to be its primary indicators of potential impairment. In measuring impairment, the company looks to quoted market prices, if available, or the best information available in the circumstance.

Recoverability of goodwill not identified with impaired assets is evaluated on the basis of management's estimates of future undiscounted operating income associated with the acquired business.

Derivative Instruments The company uses derivatives for the purpose of hedging commodity price and, to a lesser extent, interest rate exposure, that exist as a part of its ongoing business operations.

Interest Rate Swap Agreements The company utilizes interest rate swap agreements to reduce the risk of changes in interest rates. Interest differentials to be paid or received on such swaps are recognized in the statement of earnings as incurred, as a component of interest expense.

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Commodity Contracts The company uses commodity futures and option contracts, swaps and forward contracts to reduce the risk of price fluctuations in various commodities traded or used in its businesses. In the trading businesses, commodity contracts are

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marked-to-market and the related gains or losses recorded in the statement of earnings. The company's processing businesses reflect commodity contract gains and losses as adjustments to the basis of underlying hedged commodities purchased; gains or losses are recognized in the statement of earnings as a component of cost of goods sold upon sale of the hedged commodity.

In general, derivatives used as hedges must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. Changes in market values of derivative instruments must be highly correlated with changes in market values of underlying hedged items both at inception of the hedge and over the life of the hedge contract. Deferred gains or losses related to any instrument 1) designated but ineffective as a hedge of existing assets, liabilities, or firm commitments, or 2) designated as a hedge of an anticipated transaction which is no longer likely to occur, are recognized immediately in the statement of earnings.

Cash flows related to derivative financial instruments are classified in the statements of cash flows in a manner consistent with those of transactions being hedged.

Fair Values of Financial Instruments Unless otherwise specified, the company believes the book value of financial instruments approximates their fair value.

Revenue Recognition Revenue is generally recognized when title to finished product passes and goods are shipped to the customer. Revenue is recognized as the net amount to be received after deducting estimated amounts for discounts, trade allowances and product returns.

Net Sales Gross profits earned from commodity trading activities, which are included in net sales, total \$148.0 million, \$147.3 million and \$214.3 million for fiscal 2000, 1999 and 1998, respectively.

Sales and cost of sales, if reported on a gross basis for these activities, would be increased by \$7.7 billion, \$4.9 billion and \$6.0 billion for fiscal 2000, 1999 and 1998, respectively.

Comprehensive Income Comprehensive income for all periods presented consists of net income and foreign currency translation adjustments. ConAgra deems its foreign investments to be permanent in nature and does not provide for taxes on currency translation adjustments arising from converting the investment in a foreign currency to U.S. dollars. There are no reclassification adjustments to be reported in periods presented.

Accounting Changes In June 1998, Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, was issued. This standard will become effective for the company in fiscal 2002. The company has not quantified the impact, if any, resulting from adoption of this standard.

In December 1999, Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition in Financial Statements*, was issued. This SAB will become effective for the company in fiscal 2001. The company has not quantified the impact, if any, resulting from the adoption of this SAB.

In fiscal 1998, the company recorded an after-tax charge of \$14.8 million to comply with Emerging Issues Task Force (EITF) Issue No. 97-13. This EITF requires business process re-engineering costs associated with computer systems development to be expensed as incurred. Previously, the company capitalized such costs.

Use of Estimates Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates or assumptions affect reported amounts of assets, liabilities, revenue and expenses as reflected in the financial statements. Actual results could differ from estimates.

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Reclassifications Certain reclassifications have been made to prior year amounts to conform to current year classifications.

2. BUSINESS COMBINATIONS

In the third quarter of fiscal 2000, ConAgra acquired the assets of Seaboard Farms, the poultry division of Seaboard Corporation, for approximately \$360 million. Seaboard Farms produces and markets value-added poultry products primarily to foodservice customers and has annual sales of approximately \$480 million. The acquisition was accounted for as a purchase, with the business acquired being included in the financial statements subsequent to the date of acquisition.

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In the first quarter of fiscal 1999, ConAgra acquired the tablespreads and Egg Beaters business from Nabisco, Inc., for \$400 million. The tablespreads business manufactures and markets margarine under Parkay, Blue Bonnet, Fleischmann's, Touch of Butter, Chiffon and Move Over Butter brand names. Egg Beaters is an egg alternative product. Annual sales of the combined businesses are approximately \$480 million. The acquisition was accounted for as a purchase. The results of operations of the businesses acquired are included in the financial statements subsequent to the date of acquisition.

During fiscal 1998, ConAgra completed mergers with GoodMark Foods, Inc., Fernando's Foods Corporation, Hester Industries, Inc. and A.M. Gilardi & Sons, Inc. In each of these transactions, ConAgra issued common stock for all of the outstanding shares of the merged companies with each transaction being accounted for as a pooling of interests. The historical financial statements of the company were restated to give effect to all of the fiscal 1998 acquisitions as though the companies had operated together from the beginning of the earliest period presented.

Net sales and net income for the fiscal 1998 acquired businesses were \$379.0 million and \$13.8 million, respectively, for the 1998 period prior to acquisition date.

3. OPERATION OVERDRIVE

During the fourth quarter of fiscal 1999, the company approved a restructuring plan expected to span three fiscal years in connection with its previously announced initiative, "Operation Overdrive." However, the restructuring plan was completed within two fiscal years as the plan's final charges were incurred in the fourth quarter of fiscal 2000. The restructuring plan was aimed at improving future profitability by eliminating overcapacity and streamlining operations. The pre-tax charge of the plan totaled \$1,062.2 million with \$621.4 million and \$440.8 million recognized in fiscal 2000 and 1999, respectively.

Fiscal 2000 charges are as follows:

| | Packed Foods | Refrigerated Foods | Agricultural Products | Total |
|---|-----------------|-----------------------|--------------------------|-----------------|
| Accelerated depreciation | \$ 128.2 | \$ 10.9 | \$ | \$ 139.1 |
| Inventory markdowns | 46.2 | 11.2 | 57.1 | 114.5 |
| Restructuring plan implementation costs | 25.2 | 14.6 | 5.8 | 45.6 |
| Restructuring/Impairment charges | 109.9 | 131.3 | 81.0 | 322.2 |
| Total | \$ 309.5 | \$ 168.0 | \$ 143.9 | \$ 621.4 |

Fiscal 1999 charges are as follows:

| | | | | |
|----------------------------------|---------|----------|---------|----------|
| Restructuring/Impairment charges | \$ 39.0 | \$ 358.6 | \$ 43.2 | \$ 440.8 |
|----------------------------------|---------|----------|---------|----------|

The fiscal 2000 charges are reflected in the company's consolidated statements of earnings as follows: accelerated depreciation of \$108.3 million and \$30.8 million is included in cost of goods sold

and selling, general and administrative expenses, respectively; inventory markdowns are included in cost of goods sold; plan implementation costs (primarily third-party consulting costs) are also included in selling, general and administrative expenses. For fiscal 2000 and fiscal 1999, restructuring/impairment charges are reflected as such and result from asset impairments, employee-related costs and contractual termination costs.

Included in fiscal 2000 and 1999 consolidated statements of earnings are asset impairment charges of approximately \$213.5 million and \$388.4 million, respectively. Fiscal 2000 asset impairment charges include \$171.4 million in write-downs of property, plant and equipment and \$42.1 million in reductions of intangible and other assets. The fiscal 2000 property, plant and equipment write-downs occurred primarily in the Refrigerated Foods segment as a result of management's decision to reorganize certain protein businesses. Fiscal 1999 asset impairment charges include \$183.5 million in write-downs of property, plant and equipment and \$204.9 million in reductions of intangible and other assets. The fiscal 1999 intangible and other asset write-downs occurred primarily in the Refrigerated Foods segment as a result of management's decision to consolidate and reorganize its turkey businesses.

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Accelerated depreciation results from revisions in the estimated useful lives of assets to be disposed of that the company does not have the current ability to remove from operations. Inventory markdowns represent losses on the carrying value of non-strategic inventory resulting from the closure of facilities and discontinuation of certain products.

In association with the restructuring plan, the company closed a total of 31 production facilities, 106 non-production locations (e.g., storage, distribution, administrative, etc.) and sold 18 non-core businesses. The historical operating results and gains/losses associated with sold businesses or facilities were not material.

Approximately 8,450 employees received notification of their termination as a result of the restructuring plan, primarily in manufacturing and operating facilities. This total represents an increase of approximately 1,750 individuals from the original estimate, and resulted primarily from updated estimates associated with existing restructuring initiatives. In addition, other exit costs (consisting of lease termination and other contractual termination costs) occurred as a result of the restructuring plan. Such activity is as follows:

| | Severance | | Other Exit Costs |
|------------------------------|---------------------------------|-----------|---------------------|
| | Amount | Headcount | |
| | (in millions, except headcount) | | |
| Fiscal 1999 activity: | | | |
| Charges to income | \$ 45.1 | 3,160 | \$ 7.3 |
| Utilized | (6.1) | (260) | |
| | 39.0 | 2,900 | 7.3 |
| Fiscal 2000 activity: | | | |
| Charges to income | 57.8 | 5,290 | 50.9 |
| Utilized | (44.3) | (4,990) | (21.5) |
| | \$ 52.5 | 3,200 | \$ 36.7 |

4. INCOME PER SHARE

Basic income per share is calculated on the basis of weighted average outstanding common shares. Diluted income per share is computed on the basis of weighted average outstanding common shares plus equivalent shares assuming exercise of stock options and conversion of outstanding convertible securities, where dilutive.

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The following table reconciles the income and average share amounts used to compute both basic and diluted income per share:

| | 2000 | 1999 | 1998 |
|---|----------|----------|----------|
| Net income | | | |
| Income before cumulative effect of | | | |
| Change in accounting | \$ 382.3 | \$ 330.2 | \$ 632.3 |
| Cumulative effect of change in accounting | | | (14.8) |
| | \$ 382.3 | \$ 330.2 | \$ 617.5 |
| Income per share basic | | | |
| Weighted average shares outstanding | 475.7 | 470.0 | 465.5 |
| Income per share diluted | | | |

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| | 2000 | 1999 | 1998 |
|---|-------|-------|-------|
| Weighted average shares outstanding basic | 475.7 | 470.0 | 465.5 |
| Add shares contingently issuable upon exercise of stock options | 2.9 | 6.7 | 9.8 |
| Weighted average shares outstanding | 478.6 | 476.7 | 475.3 |

At the end of fiscal years 2000, 1999 and 1998, there were 16.2 million, 8.9 million and 4.9 million options outstanding, respectively, with exercise prices exceeding the market value of common stock that were therefore excluded from the computation of shares contingently issuable upon exercise of the options.

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5. RECEIVABLES

The company has agreements to sell interests in pools of receivables, in an amount not to exceed \$950 million at any one time. Participation interests in new receivables may be sold, as collections reduce previously sold participation interests. The participation interests are sold at a discount that is included in selling, general and administrative expenses in the consolidated statements of earnings. Gross proceeds from the sales were \$814 million and \$649 million at fiscal year-end 2000 and 1999, respectively.

6. INVENTORIES

The major classes of inventories are as follows:

| | 2000 | 1999 |
|---|------------|------------|
| Hedged commodities | \$ 1,305.7 | \$ 1,306.2 |
| Food products and livestock | 1,350.7 | 1,144.7 |
| Agricultural chemicals, fertilizer and feed | 940.6 | 740.0 |
| Other, principally ingredients and supplies | 459.0 | 591.6 |
| | \$ 4,056.0 | \$ 3,782.5 |

7. CREDIT FACILITIES AND BORROWINGS

At May 28, 2000, the company has credit lines from banks which total approximately \$5.5 billion, including: \$1.8 billion of long-term revolving credit facilities maturing in September 2003; \$1.8 billion short-term revolving credit facilities maturing in September 2000; and uncompensated bankers' acceptance and money market loan facilities approximating \$1.9 billion. Borrowings under the revolver agreements are at or below prime rate and may be prepaid without penalty. The company pays fees for its revolving credit facilities.

The company finances its short-term needs with bank borrowings, commercial paper borrowings and bankers' acceptances. The average consolidated short-term borrowings outstanding under these facilities for the 2000 fiscal year were \$2,739 million. This excludes an average of \$186 million of short-term borrowings that were classified as long-term throughout the fiscal year (see Note 8). The highest period-end short-term indebtedness during fiscal 2000 was \$3,159.2 million. Short-term borrowings were at rates below prime. The weighted average interest rate was 5.85% and 5.58%, respectively, for fiscal 2000 and 1999.

At May 28, 2000, the company had no interest rate swap agreements in effect. At May 30, 1999, the company had outstanding interest rate swap agreements effectively changing the interest rate exposure on \$650 million of short-term borrowings from variable to a 5.8% fixed rate. The swap agreements matured in fiscal 2000. At May 31, 1998, the company had outstanding interest rate swap agreements effectively changing the interest rate exposure on \$600 million of short-term borrowings from variable to a 6% fixed rate. The swap agreements matured in fiscal 1999. The net cost in fiscal 2000, 1999 and 1998, and the estimated fair value of these agreements as of May 30, 1999 were not material.

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8. SENIOR LONG-TERM DEBT, SUBORDINATED DEBT AND LOAN AGREEMENTS

| | <u>2000</u> | <u>1999</u> |
|---|-------------------|-------------------|
| Senior Debt | | |
| Commercial paper backed by long-term revolving credit agreement | \$ 164.5 | \$ 153.2 |
| 7.00% senior debt due in 2028 | 396.5 | 396.4 |
| 6.70% senior debt due in 2027 (redeemable at option of holders in 2009) | 300.0 | 300.0 |
| 7.125% senior debt due in 2026 (redeemable at option of holders in 2006) | 397.8 | 397.7 |
| 9.875% senior debt due in 2006 | 100.0 | 100.0 |
| 5.50% senior debt due in 2002 | 199.3 | 199.0 |
| 9.87% to 9.95% unsecured senior notes due in various amounts through 2009 | 39.4 | 53.7 |
| 8.1% to 9.0% publicly issued unsecured medium-term notes due in various amounts through 2004 | 117.0 | 117.0 |
| 5.75% to 9.28% Industrial Development Revenue Bonds (collateralized by plant and equipment) due on various dates through 2017 | 46.2 | 29.0 |
| Miscellaneous unsecured | 56.1 | 47.1 |
| | <u> </u> | <u> </u> |
| Total senior debt | \$ 1,816.8 | \$ 1,793.1 |
| | <u> </u> | <u> </u> |
| Subordinated Debt | | |
| 9.75% subordinated debt due in 2021 | 400.0 | 400.0 |
| 7.375% to 7.4% subordinated debt due through 2005 | 350.0 | 350.0 |
| | <u> </u> | <u> </u> |
| Total subordinated debt | 750.0 | 750.0 |
| | <u> </u> | <u> </u> |
| Total long-term debt, excluding current installments | \$ 2,566.8 | \$ 2,543.1 |
| | <u> </u> | <u> </u> |

The aggregate minimum principal maturities of the long-term debt for each of the five fiscal years following May 28, 2000, are as follows:

| | |
|------|---------|
| 2001 | \$ 20.6 |
| 2002 | 124.2 |
| 2003 | 373.6 |
| 2004 | 12.6 |
| 2005 | 370.0 |

Under the long-term credit facility referenced in Note 7, the company has agreements that allow it to borrow up to \$1.8 billion through September 2003.

The most restrictive note agreements (the revolving credit facilities and certain privately placed long-term debt) require the company to repay the debt if consolidated funded debt exceeds 60% of consolidated capital base or if fixed charges coverage is less than 1.75 to 1.0 as such terms are defined in applicable agreements.

Net interest expense consists of:

| | <u>2000</u> | <u>1999</u> | <u>1998</u> |
|----------------------|-------------------|-------------------|-------------------|
| Long-term debt | \$ 198.4 | \$ 194.6 | \$ 206.9 |
| Short-term debt | 139.5 | 166.5 | 143.2 |
| Interest income | (28.6) | (37.6) | (38.0) |
| Interest capitalized | (5.5) | (6.9) | (11.4) |
| | <u> </u> | <u> </u> | <u> </u> |
| | \$ 303.8 | \$ 316.6 | \$ 300.7 |
| | <u> </u> | <u> </u> | <u> </u> |

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Net interest paid was \$299.9 million, \$308.5 million and \$300.6 million in fiscal 2000, 1999 and 1998, respectively.

Short-term debt interest expense of \$31.4 million, \$20.0 million and \$19.1 million in fiscal 2000, 1999 and 1998, respectively, incurred to finance hedged inventories, has been charged to cost of goods sold.

The carrying amount of long-term debt (including current installments) was \$2,587.4 million and \$2,564.2 million as of May 28, 2000 and May 30, 1999, respectively. Based on current market rates primarily provided by outside investment bankers, the fair value of this debt at May 28, 2000 and May 30, 1999 was estimated at \$2,417.0 million and \$2,665.1 million, respectively. The company's long-term debt is generally not callable until maturity.

9. OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities consist of:

| | 2000 | 1999 |
|---|----------|----------|
| Legal and environmental liabilities primarily associated with the company's acquisition of Beatrice Company (acquired in fiscal 1991) | \$ 165.2 | \$ 169.2 |
| Estimated postretirement health care and pensions | 596.7 | 589.2 |
| Deferred taxes and other | 52.7 | 100.8 |
| | 814.6 | 859.2 |
| Less estimated current portion | 63.9 | 76.0 |
| | \$ 750.7 | \$ 783.2 |

10. PREFERRED SECURITIES OF SUBSIDIARY COMPANY

ConAgra Capital, L.C., an indirectly controlled subsidiary of the company, has the following Preferred Securities outstanding:

4 million shares of 9% Series A Cumulative Preferred ("Series A Securities")

Distributions are payable monthly.

7 million shares of Series B Adjustable Rate Cumulative Preferred ("Series B Securities")

Distributions are payable monthly at a rate per annum, which is adjusted quarterly to 95% of the highest of three U.S. Treasury security indices, subject to a floor of 5.0% and a ceiling of 10.5% per annum. The distribution rate in fiscal 2000 ranged from 5.6% to 6.3%.

10 million shares of 9.35% Series C Cumulative Preferred ("Series C Securities")

Distributions are payable monthly.

For financial statement purposes, distributions on these Securities are included in selling, general and administrative expenses in the company's consolidated statements of earnings as such amounts represent minority interests.

The above Securities were issued at a price of \$25 per share. All such Securities are non-voting (except in certain limited circumstances), and are guaranteed on a limited basis by ConAgra and, in certain limited circumstances, are exchangeable for debt securities of ConAgra. The Securities are redeemable at the option of ConAgra Capital, L.C. (with ConAgra's consent) in whole or in part, at \$25 per security plus accumulated and unpaid distributions to the date fixed for redemption.

11. CAPITAL STOCK

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The company has authorized shares of preferred stock as follows:

Class B \$50 par value; 150,000 shares

Class C \$100 par value; 250,000 shares

Class D without par value; 1,100,000 shares

Class E without par value; 16,550,000 shares

There are no preferred shares issued or outstanding as of May 28, 2000.

12. EMPLOYEE EQUITY FUND

In fiscal 1993, the company established a \$700 million Employee Equity Fund ("EEF"), a grantor trust, to pre-fund future stock-related obligations of the company's compensation and benefit plans. The EEF supports existing, previously approved employee plans that use ConAgra common stock.

For financial reporting purposes the EEF is consolidated with ConAgra. The fair market value of the shares held by the EEF is shown as a reduction to common stockholders' equity in the company's consolidated balance sheets. All dividends and interest transactions between the EEF and ConAgra are eliminated. Differences between cost and fair value of shares held and/or released are included in consolidated additional paid-in capital.

Following is a summary of shares held by the EEF:

| | 2000 | 1999 |
|-----------------------------|------------|------------|
| Shares held (in millions) | 15.2 | 17.2 |
| Cost per share | \$ 14.552 | \$ 14.552 |
| Cost total | 221.9 | 250.1 |
| Fair market value per share | \$ 22.9375 | \$ 26.0625 |
| Fair market value total | 349.7 | 447.9 |

13. STOCK OPTIONS AND RIGHTS

Stock option plans approved by the stockholders provide for granting of options to employees for purchase of common stock generally at prices equal to fair market value at the time of grant, and for issuance of restricted or bonus stock without direct cost to the employee. During fiscal 2000, 1999 and 1998, respectively, 126,000 shares, 195,825 shares and 274,926 shares of restricted stock (including stock issued under incentive plans) were issued. The value of the restricted stock, equal to fair market value at the time of grant, is being amortized as compensation expense over the vesting period. This compensation expense was not significant for fiscal 2000, 1999 and 1998. Options become exercisable under various vesting schedules and generally expire ten years after the date of grant. Option shares and prices are adjusted for common stock splits and changes in capitalization.

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The changes in the outstanding stock options during the three years ended May 28, 2000 are summarized below:

| | 2000 | | 1999 | | 1998 | |
|-------------------|--------|--|--------|--|--------|--|
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Beginning of year | 23.5 | \$ 22.86 | 23.6 | \$ 20.91 | 23.1 | \$ 17.01 |
| Granted | 6.0 | 23.35 | 4.8 | 28.15 | 5.2 | 33.57 |
| Exercised | (1.8) | 13.41 | (3.3) | 14.70 | (3.4) | 13.80 |
| Canceled | (2.1) | 27.20 | (1.6) | 26.76 | (1.3) | 20.52 |

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| | 2000 | | 1999 | | 1998 | |
|----------------------------|------|----------|------|----------|------|----------|
| End of year | 25.6 | \$ 23.30 | 23.5 | \$ 22.86 | 23.6 | \$ 20.91 |
| Exercisable at end of year | 16.2 | \$ 21.56 | 14.4 | \$ 19.58 | 13.8 | \$ 16.99 |

The following summarizes information about stock options outstanding as of May 28, 2000:

| Range of Exercise Price | Options Outstanding | | | Options Exercisable | | |
|-------------------------|---------------------|---------------------------------|---------------------------------|---------------------|---------------------------------|--|
| | Shares | Weighted Average Remaining Life | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price | |
| \$ 4.97 - \$ 6.42 | 0.1 | 1.0 | \$ 5.09 | 0.1 | \$ 5.09 | |
| 7.63 - 11.33 | 0.6 | 0.4 | 10.63 | 0.6 | 10.63 | |
| 11.54 - 16.88 | 5.1 | 3.2 | 14.83 | 5.1 | 14.83 | |
| 19.06 - 29.00 | 16.0 | 7.7 | 24.11 | 8.2 | 23.39 | |
| 29.50 - 36.81 | 3.8 | 7.4 | 33.71 | 2.2 | 33.72 | |
| \$ 4.97 - \$36.81 | 25.6 | 6.6 | \$ 23.30 | 16.2 | \$ 21.56 | |

The company has elected to account for its employee stock option plans using the intrinsic value method of accounting. Accordingly, no compensation expense is recognized for stock options because the exercise price of the stock options equals the market price of the underlying stock on the date of the grant.

Pro forma information regarding net income and income per share is required by SFAS No. 123, assuming the company accounted for its employee stock options using the fair value method. The fair value of options was estimated at the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions for 2000, 1999 and 1998, respectively: risk-free interest rate of 6.33%, 4.29% and 6.03%; a dividend yield of 2.2%, 2.2% and 2.1%; expected volatility of 20.6%, 20.0% and 19.1%; and an expected option life of six years. The weighted average fair value of options granted in fiscal 2000, 1999 and 1998 was \$6.21, \$6.12 and \$8.53, respectively. Pro forma net income and income per share are as follows (because SFAS No. 123 is applicable only to options granted subsequent to fiscal 1995, its pro forma effect was not fully reflected until fiscal 2000):

| | 2000 | 1999 | 1998 |
|--------------------------------------|----------|----------|----------|
| Pro forma net income | \$ 362.7 | \$ 316.1 | \$ 606.4 |
| Pro forma basic income per share | .76 | .67 | 1.30 |
| Basic income per share as reported | .80 | .70 | 1.33 |
| Pro forma diluted income per share | .76 | .66 | 1.28 |
| Diluted income per share as reported | .80 | .69 | 1.30 |

At May 28, 2000, approximately 2.8 million shares were reserved for granting additional options and restricted or bonus stock awards.

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Each share of common stock carries with it one-half preferred stock purchase right ("Right"). The Rights become exercisable 10 days after a person (an "Acquiring Person") acquires or commences a tender offer for 15% or more of the company's common stock. Each Right entitles the holder to purchase one one-thousandth of a share of a new series of Class E Preferred Stock at an exercise price of \$200, subject to adjustment. The Rights expire on July 12, 2006, and may be redeemed at the option of the company at \$.01 per Right, subject to adjustment. Under certain circumstances, if (i) any person becomes an Acquiring Person or (ii) the company is acquired in a merger or other business combination after a person becomes an Acquiring Person, each holder of a Right (other than the Acquiring Person) will have the right to receive, upon exercise of the Right, shares of common stock (of the company under (i) and of the acquiring company under (ii)) having a value of twice the exercise price of the Right. The Rights were issued pursuant to a dividend declared by the company's Board of Directors on July 12, 1996, payable to stockholders of record on July 24, 1996. The one Right for each outstanding share was adjusted to one-half Right for each share effective October 1, 1997 as a result of the two-for-one stock split. At May 28, 2000, the company has reserved one million Class E preferred shares for exercise of the Rights.

14. PRETAX INCOME AND INCOME TAXES

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Income before taxes and cumulative effect of change in accounting consisted of the following:

| | <u>2000</u> | <u>1999</u> | <u>1998</u> |
|---------------|-----------------|-----------------|-------------------|
| United States | \$ 541.5 | \$ 524.1 | \$ 953.4 |
| Foreign | 76.1 | 111.5 | 72.1 |
| | <u>\$ 617.6</u> | <u>\$ 635.6</u> | <u>\$ 1,025.5</u> |

The provision for income taxes includes the following:

| | <u>2000</u> | <u>1999</u> | <u>1998</u> |
|-----------------|-----------------|-----------------|-----------------|
| Current | | | |
| Federal | \$ 255.6 | \$ 264.4 | \$ 281.6 |
| State | 22.5 | 49.9 | 56.0 |
| Foreign | 33.3 | 24.5 | 12.3 |
| | <u>311.4</u> | <u>338.8</u> | <u>349.9</u> |
| Deferred | | | |
| Federal | (70.1) | (30.0) | 38.8 |
| State | (6.0) | (3.4) | 4.5 |
| Foreign | | | |
| | <u>(76.1)</u> | <u>(33.4)</u> | <u>43.3</u> |
| | <u>\$ 235.3</u> | <u>\$ 305.4</u> | <u>\$ 393.2</u> |

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Income taxes computed by applying statutory rates to income before income taxes are reconciled to the provision for income taxes set forth in the consolidated statements of earnings as follows:

| | <u>2000</u> | <u>1999</u> | <u>1998</u> |
|---|-----------------|-----------------|-----------------|
| Computed U.S. federal income taxes | \$ 216.2 | \$ 222.5 | \$ 358.9 |
| State income taxes, net of U.S. federal tax benefit | 11.0 | 29.4 | 39.1 |
| Nondeductible amortization of goodwill and other intangibles | 18.1 | 21.5 | 20.1 |
| Export and jobs tax credits | (19.2) | (12.2) | (7.5) |
| Permanent differences due to restructuring/impairment charges | | 57.3 | |
| Other | 9.2 | (13.1) | (17.4) |
| | <u>\$ 235.3</u> | <u>\$ 305.4</u> | <u>\$ 393.2</u> |

Income taxes paid were \$441.5 million, \$344.5 million and \$282.3 million in fiscal 2000, 1999 and 1998, respectively. The Internal Revenue Service has closed examinations of the company's tax returns through fiscal 1995. The IRS has proposed certain adjustments for later years, some of which are being contested by the company. The company believes that it has made adequate provisions for income taxes payable.

The tax effect of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities consist of the following:

2000 1999

| | Assets | Liabilities | Assets | Liabilities |
|--|----------|-------------|----------|-------------|
| Depreciation and amortization | \$ | \$ 462.3 | \$ | \$ 361.2 |
| Nonpension postretirement benefits | 157.9 | | 171.1 | |
| Other noncurrent liabilities which will give rise to future tax deductions | 185.7 | | 194.2 | |
| Accrued expenses | 141.4 | | 76.5 | |
| Restructuring/Impairment and restructuring-related charges | 304.7 | | 150.6 | |
| Other | 83.1 | 136.2 | 68.3 | 128.5 |
| | \$ 872.8 | \$ 598.5 | \$ 660.7 | \$ 489.7 |

15. COMMITMENTS

The company leases certain facilities and transportation equipment under agreements that expire at various dates. Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases. Substantially all leases require payment of property taxes, insurance and maintenance costs in addition to rental payments.

A summary of rent expense charged to operations follows:

| | 2000 | 1999 | 1998 |
|---------------|----------|----------|----------|
| Cancelable | \$ 189.4 | \$ 154.8 | \$ 153.2 |
| Noncancelable | 97.5 | 117.9 | 115.1 |
| | \$ 286.9 | \$ 272.7 | \$ 268.3 |

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A summary of noncancelable operating lease commitments for fiscal years following May 28, 2000 is as follows:

| | Type of Property | |
|-------------|-------------------------|--------------------------|
| | Real and Other Property | Transportation Equipment |
| 2001 | \$ 79.9 | \$ 14.7 |
| 2002 | 72.9 | 9.7 |
| 2003 | 57.4 | 4.4 |
| 2004 | 47.7 | 1.6 |
| 2005 | 36.6 | 1.5 |
| Later years | 84.4 | 1.8 |
| | \$ 378.9 | \$ 33.7 |

The company had letters of credit, performance bonds and other commitments and guarantees outstanding at May 28, 2000 aggregating approximately \$207.8 million.

16. CONTINGENCIES

In fiscal 1991, ConAgra acquired Beatrice company ("Beatrice"). As a result of the acquisition and the significant pre-acquisition contingencies of the Beatrice businesses and its former subsidiaries, the consolidated post-acquisition financial statements of ConAgra reflect significant liabilities associated with the estimated resolution of these contingencies. These include various litigation and environmental proceedings related to businesses divested by Beatrice prior to its acquisition by ConAgra. The environmental proceedings include litigation and administrative proceedings involving Beatrice's status as a potentially responsible party at 40 Superfund, proposed Superfund or state-equivalent

sites. Beatrice has paid or is in the process of paying its liability share at 34 of these sites. Substantial reserves for these matters have been established based on the company's best estimate of its undiscounted remediation liabilities, which estimates include evaluation of investigatory studies, extent of required cleanup, the known volumetric contribution of Beatrice and other potentially responsible parties and its experience in remediating sites.

ConAgra is party to a number of other lawsuits and claims arising out of the operation of its businesses. After taking into account liabilities recorded for all of the foregoing matters, management believes the ultimate resolution of such matters should not have a material adverse effect on ConAgra's financial condition, results of operations or liquidity.

17. DERIVATIVE FINANCIAL INSTRUMENTS

The company uses interest rate swaps to manage its interest rate risk, as outlined in Note 7. In addition, the company's energy subsidiary uses derivative financial instruments in its trading activities in energy markets. At May 28, 2000, the company's energy subsidiary was party to natural gas price swaps with a notional value of \$230.2 million. The swap agreements are settled in cash based on the difference between a fixed and floating (index-based) price for the underlying commodity. All swaps expire within twelve months, while most have a duration of no more than six months. At May 30, 1999, the notional value of these financial instruments was \$265.9 million. All contracts are marked-to-market, with gains and losses recorded in the consolidated statements of earnings, consistent with all trading business activity within the company.

The company performs credit assessments on all counterparties and obtains additional guarantees of financial performance, if deemed necessary. The predominance of these trades are swaps, where the company pays or receives only the difference between the contract value and the market value. The

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amount at risk is therefore limited to the gain on the swap. The company does not anticipate any material loss because of nonperformance by a counterparty.

Certain of the company's operations use foreign exchange forwards to hedge fixed purchase and sales commitments denominated in a foreign currency. The fair value of these foreign exchange positions was not material.

18. PENSION AND POSTRETIREMENT BENEFITS

Retirement Pension Plans

The company and its subsidiaries have defined benefit retirement plans ("Plan") for eligible salaried and hourly employees. Benefits are based on years of credited service and average compensation or stated amounts for each year of service. The company funds these plans in accordance with the minimum and maximum limits established by law.

Components of pension benefit costs and weighted average actuarial assumptions are:

| | 2000 | 1999 | 1998 |
|--|----------------|----------------|----------------|
| Pension Benefit Cost | | | |
| Service cost | \$ 55.7 | \$ 48.5 | \$ 44.4 |
| Interest cost | 103.2 | 97.7 | 92.5 |
| Expected return on plan assets | (114.6) | (101.4) | (92.4) |
| Amortization of prior service costs | 4.3 | 3.8 | 4.4 |
| Amortization of transition obligation | (2.7) | (2.7) | (2.7) |
| Recognized net actuarial loss | 3.4 | 1.9 | 2.3 |
| Curtailment (gain) loss and special benefits | 3.3 | | (1) |
| | 52.6 | 47.8 | 48.4 |
| Pension benefit cost Company plans | | | |
| Pension benefit cost Multi-employer plans | 9.4 | 9.1 | 9.5 |
| | 62.0 | 56.9 | 57.9 |
| Total pension benefit cost | \$ 62.0 | \$ 56.9 | \$ 57.9 |

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| | 2000 | 1999 | 1998 |
|---|-------------------|-------------------|-------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| | <u> </u> | <u> </u> | <u> </u> |
| Actuarial Assumptions | | | |
| Discount rate | 6.75% | 7.25% | 7.50% |
| Long-term rate of return on plan assets | 9.25 | 8.75 | 9.25 |
| Long-term rate of compensation increase | 5.50 | 5.50 | 5.50 |

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The change in projected benefit obligation, change in plan assets and funded status of the plans at February 29, 2000 and February 28, 1999 were:

| | 2000 | 1999 |
|---|-------------------|-------------------|
| | <u> </u> | <u> </u> |
| Change in Projected Benefit Obligation | | |
| Projected benefit obligation at beginning of year | \$ 1,561.2 | \$ 1,376.3 |
| Service cost | 55.7 | 48.5 |
| Interest cost | 103.2 | 97.7 |
| Plan participants' contributions | 0.1 | 0.1 |
| Amendments | 3.2 | 4.3 |
| Actuarial loss (gain) | (156.4) | 110.6 |
| Curtailment / Settlement loss | 2.4 | |
| Other | 0.5 | 1.4 |
| Benefits paid | (80.7) | (77.7) |
| | <u> </u> | <u> </u> |
| Projected benefit obligation at end of year | 1,489.2 | 1,561.2 |
| | <u> </u> | <u> </u> |
| | 2000 | 1999 |
| | <u> </u> | <u> </u> |
| Change in Plan Assets | | |
| Fair value of plan assets at beginning of year | 1,535.8 | 1,504.6 |
| Actual return on plan assets | 189.2 | 103.8 |
| Employer contributions | 16.9 | 13.9 |
| Plan participants' contributions | 0.1 | 0.1 |
| Investment and administrative expenses | (9.4) | (10.7) |
| Other | 0.2 | 1.8 |
| Benefits paid | (80.7) | (77.7) |
| | <u> </u> | <u> </u> |
| Fair value of plan assets at end of year | 1,652.1 | 1,535.8 |
| | <u> </u> | <u> </u> |
| Funded Status | 162.9 | (25.4) |
| Unrecognized actuarial gain | (355.3) | (135.3) |
| Unrecognized prior service cost | 22.9 | 27.4 |
| Unrecognized transition amount | (6.6) | (9.3) |
| | <u> </u> | <u> </u> |
| Accrued benefit cost | \$ (176.1) | \$ (142.6) |
| | <u> </u> | <u> </u> |
| Actuarial Assumptions | | |
| Discount rate | 7.50% | 6.75% |
| Long-term rate of compensation increase | 5.50 | 5.50 |

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets at February 29, 2000 and February 28, 1999 were:

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| | <u>2000</u> | <u>1999</u> |
|--------------------------------|-------------|-------------|
| Projected benefit obligation | \$ 192.9 | \$ 229.6 |
| Accumulated benefit obligation | 182.7 | 215.7 |
| Fair value of plan assets | 116.8 | 143.2 |

Plan assets are primarily invested in equity securities, corporate and government debt securities and common trust funds. Included in plan assets are 5.1 million shares of the company's common stock at a fair market value of \$83.2 million and \$152.7 million at February 29, 2000 and February 28, 1999, respectively.

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Certain employees of the company are covered under defined contribution plans. The expense related to these plans was \$31.1 million, \$29.7 million and \$29.0 million in fiscal 2000, 1999 and 1998, respectively.

Postretirement Benefits

The company's postretirement plans provide certain medical and dental benefits to qualifying U.S. employees.

Components of postretirement benefit costs and weighted average actuarial assumptions are:

| | <u>2000</u> | <u>1999</u> | <u>1998</u> |
|---------------------------------------|---------------|----------------|----------------|
| Postretirement Benefit Cost | | | |
| Service cost | \$ 2.8 | \$ 2.8 | \$ 2.7 |
| Interest cost | 22.1 | 24.7 | 25.1 |
| Expected return on plan assets | (0.5) | (0.6) | (0.7) |
| Amortization of prior service cost | (2.1) | (0.1) | (0.1) |
| Amortization of transition obligation | 0.1 | 0.1 | 0.1 |
| Recognized net actuarial (gain) loss | (3.8) | (3.0) | (3.7) |
| Curtailment (gain) loss | (9.3) | | 0.1 |
| | <u>\$ 9.3</u> | <u>\$ 23.9</u> | <u>\$ 23.5</u> |

Actuarial Assumptions

| | | | |
|---|-------|-------|-------|
| Discount rate | 6.75% | 7.25% | 7.50% |
| Long-term rate of return on plan assets | 13.70 | 13.70 | 13.70 |

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The change in accumulated benefit obligation, change in plan assets and funded status of the plans at February 29, 2000 and February 28, 1999 were:

| | <u>2000</u> | <u>1999</u> |
|---|--------------|--------------|
| Change in Accumulated Benefit Obligation | | |
| Accumulated benefit obligation at beginning of year | \$ 350.7 | \$ 351.5 |
| Service cost | 2.8 | 2.8 |
| Interest cost | 22.1 | 24.7 |
| Plan participants' contributions | 2.1 | 2.6 |
| Actuarial (gain) loss | (15.7) | (5.5) |
| Acquisition | | 5.6 |
| Benefits paid | (35.5) | (31.0) |
| Plan amendments | (11.2) | |
| | <u>315.3</u> | <u>350.7</u> |
| Accumulated benefit obligation at end of year | 315.3 | 350.7 |

| | 2000 | 1999 |
|--|-------------------|-------------------|
| | <u> </u> | <u> </u> |
| Change in Plan Assets | | |
| Fair value of plan assets at beginning of year | 5.3 | 5.5 |
| Actual return on plan assets | 0.7 | 0.7 |
| Employer contributions | 32.5 | 27.5 |
| Plan participants' contributions | 2.1 | 2.6 |
| Benefits paid | (35.5) | (31.0) |
| | <u> </u> | <u> </u> |
| Fair value of plan assets at end of year | 5.1 | 5.3 |
| | <u> </u> | <u> </u> |
| Funded Status | (310.2) | (345.4) |
| Unrecognized net gain | (104.6) | (92.5) |
| Unrecognized transition amount | 0.6 | 0.7 |
| Unrecognized prior service cost | (1.2) | (1.4) |
| | <u> </u> | <u> </u> |
| Accrued benefit cost | \$ (415.4) | \$ (438.6) |
| | <u> </u> | <u> </u> |

Actuarial Assumptions

| | | |
|---------------|-------|-------|
| Discount rate | 7.50% | 6.75% |
|---------------|-------|-------|

Benefit costs were generally estimated assuming retiree health care costs would increase at a 5.5% annual rate.

A one percentage point change in assumed health care cost rates would have the following effect:

| | One Percent Increase | One Percent Decrease |
|--|-------------------------|-------------------------|
| | <u> </u> | <u> </u> |
| Total service and interest cost components | \$ 2.7 | \$ (2.3) |
| Postretirement benefit obligation | 26.2 | (22.7) |

The company generally intends to fund claims as reported.

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19. BUSINESS SEGMENTS AND RELATED INFORMATION

The company has three segments, which are organized based upon similar economic characteristics and are similar in the nature of products and services offered, the nature of production processes, the type or class of customer and distribution methods. Packaged Foods includes companies that produce shelf-stable and frozen foods. This segment markets food products in retail and foodservice channels. Refrigerated Foods includes companies that produce and market branded processed meats, beef, pork, chicken and turkey. Agricultural Products includes companies involved in distribution of agricultural inputs and procurement, processing, trading and distribution of commodity food ingredients and agricultural commodities.

Intersegment sales have been recorded at amounts approximating market. Operating profit for each segment is based on net sales less all identifiable operating expenses and includes the related equity in earnings of companies included on the basis of the equity method of accounting. General corporate expense, goodwill amortization, interest expense and income taxes have been excluded from segment operations. All assets other than cash and those assets related to the corporate office have been identified with the segments to which they relate.

| | 2000 | 1999 | 1998 |
|---------------------------------|-------------------|-------------------|-------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Sales to unaffiliated customers | | | |
| Packaged Foods | \$ 7,610.9 | \$ 7,395.3 | \$ 7,192.5 |
| Refrigerated Foods | 12,880.8 | 11,881.7 | 11,713.8 |

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| | 2000 | 1999 | 1998 |
|--|--------------------|--------------------|--------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Agricultural Products | 5,042.9 | 5,567.4 | 5,638.3 |
| Total | \$ 25,534.6 | \$ 24,844.4 | \$ 24,544.6 |
| Intersegment sales | | | |
| Packaged Foods | \$ 48.6 | \$ 38.2 | \$ 34.1 |
| Refrigerated Foods | 341.4 | 213.1 | 193.4 |
| Agricultural Products | 272.9 | 288.0 | 220.0 |
| | <u>662.9</u> | <u>539.3</u> | <u>447.5</u> |
| Intersegment elimination | (662.9) | (539.3) | (447.5) |
| Total | \$ | \$ | \$ |
| Net sales | | | |
| Packaged Foods | \$ 7,659.5 | \$ 7,433.5 | \$ 7,226.6 |
| Refrigerated Foods | 13,222.2 | 12,094.8 | 11,907.2 |
| Agricultural Products | 5,315.8 | 5,855.4 | 5,858.3 |
| Intersegment elimination | (662.9) | (539.3) | (447.5) |
| Total | \$ 25,534.6 | \$ 24,844.4 | \$ 24,544.6 |
| Operating profit (Note a) | | | |
| Packaged Foods | \$ 777.4 | \$ 940.2 | \$ 968.3 |
| Refrigerated Foods | 322.9 | 10.6 | 230.1 |
| Agricultural Products | 138.7 | 267.8 | 359.0 |
| Total operating profit | 1,239.0 | 1,218.6 | 1,557.4 |
| Interest expense | 303.8 | 316.6 | 300.7 |
| General corporate expenses | 254.2 | 197.0 | 163.4 |
| Goodwill amortization | 63.4 | 69.4 | 67.8 |
| Income before income taxes and cumulative effect of changes in accounting | \$ 617.6 | \$ 635.6 | \$ 1,025.5 |
| F 24 | | | |
| Identifiable assets | | | |
| Packaged Foods | \$ 4,621.2 | \$ 4,758.9 | \$ 4,327.5 |
| Refrigerated Foods | 3,665.7 | 3,407.3 | 3,830.3 |
| Agricultural Products | 3,152.3 | 3,515.7 | 3,222.1 |
| Corporate | 757.4 | 399.6 | 401.6 |
| Total | \$ 12,196.6 | \$ 12,081.5 | \$ 11,781.5 |
| Additions to property, plant and equipment including businesses acquired | | | |
| Packaged Foods | \$ 227.2 | \$ 375.4 | \$ 263.2 |
| Refrigerated Foods | 459.6 | 226.0 | 206.9 |
| Agricultural Products | 81.8 | 136.1 | 124.1 |

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| | | | |
|--------------------------------------|----------|----------|----------|
| Corporate | 59.9 | 25.7 | 8.6 |
| Total | \$ 828.5 | \$ 763.2 | \$ 602.8 |
| Depreciation and amortization | | | |
| Packaged Foods | \$ 263.0 | \$ 241.1 | \$ 221.6 |
| Refrigerated Foods | 184.7 | 193.7 | 175.9 |
| Agricultural Products | 73.3 | 63.2 | 56.8 |
| Corporate | 15.5 | 1.8 | 2.5 |
| Total | \$ 536.5 | \$ 499.8 | \$ 456.8 |

Note a: Fiscal 2000 includes before-tax restructuring and restructuring-related charges of \$621.4 million (Note 3). These charges were included in operating profit as follows: \$309.5 million in Packaged Foods, \$168.0 million in Refrigerated Foods, and \$143.9 million in Agricultural Products. Fiscal 1999 includes before-tax restructuring charges of \$440.8 million (Note 3). The fiscal 1999 charges were included in operating profit as follows: \$39.0 million in Packaged Foods; \$358.6 million in Refrigerated Foods; and \$43.2 million in Agricultural Products.

The operations of the company are principally in the United States. Operations outside the United States are worldwide with no single foreign country or geographic region being significant to the consolidated operations. Foreign net sales were \$3.6 billion in each of the following fiscal years 2000, 1999 and 1998. Net sales are attributed to countries based on location of customer. The company's long-lived assets located outside of the United States are not significant.

20. SUBSEQUENT EVENT

On June 22, 2000, the Company signed a definitive agreement to acquire International Home Foods. The definitive agreement provides that International Home Foods' shareholders will receive a targeted value of \$22 per share, \$11 of which will be paid in cash and the balance will be paid in ConAgra stock. The stock portion of the consideration is subject to adjustment based on the trading price of ConAgra stock prior to the closing of the transaction. The transaction is valued at approximately \$2.9 billion, consisting of the consideration above and the assumption of \$1.3 billion of debt. The acquisition is subject to customary closing conditions, including approval by International Home Foods' shareholders and regulatory authorities.

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21. QUARTERLY RESULTS (Unaudited)

Subsequent to the issuance of the Company's 2000 consolidated financial statements and the filing of its 2000 Annual Report on Form 10-K with the Securities and Exchange Commission ("SEC"), the Company's management determined that accounting and conduct matters at its United Agri Products, Inc. subsidiary principally related to revenue recognition for deferred delivery sales and vendor rebates, advance vendor rebates, and bad debt reserves would require restatement of such financial statements. As a result, the quarterly results for Fiscal 2000 and 1999 have been restated. See Note 22.

| | Net Sales | Net Sales | Gross Profit | Gross Profit | Net Income (Loss) | Net Income (Loss) |
|-------------|-------------------------|-------------|-------------------------|--------------|------------------------|-------------------|
| | As Previously Reported* | As Restated | As Previously Reported* | As Restated | As Previously Reported | As Restated |
| 2000 | | | | | | |
| First | \$ 6,679.7 | \$ 6,795.0 | \$ 790.8 | \$ 836.0 | \$ 101.8 | \$ 130.4 |
| Second | 6,665.8 | 6,713.8 | 937.1 | 911.8 | 187.3 | 171.3 |
| Third | 5,875.9 | 5,876.0 | 820.2 | 790.2 | 143.4 | 124.4 |
| Fourth | 6,473.9 | 6,149.8 | 845.0 | 813.7 | (19.5) | (43.8) |

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| | Net Sales | Net Sales | Gross Profit | Gross Profit | Net Income (Loss) | Net Income (Loss) |
|-------------|-------------|-------------|--------------|--------------|-------------------|-------------------|
| Year | \$ 25,695.3 | \$ 25,534.6 | \$ 3,393.1 | \$ 3,351.7 | \$ 413.0 | \$ 382.3 |
| 1999 | | | | | | |
| First | \$ 6,574.4 | \$ 6,629.7 | \$ 761.6 | \$ 817.1 | \$ 109.3 | \$ 142.8 |
| Second | 6,488.2 | 6,511.9 | 918.8 | 905.0 | 219.0 | 210.7 |
| Third | 5,786.2 | 5,786.1 | 832.9 | 780.1 | 171.4 | 139.5 |
| Fourth | 6,079.9 | 5,916.7 | 809.2 | 801.7 | (141.3) | (162.8) |
| Year | \$ 24,928.7 | \$ 24,844.4 | \$ 3,322.5 | \$ 3,303.9 | \$ 358.4 | \$ 330.2 |

*

The "As Previously Reported" amounts in the above table reflect certain reclassifications, which have been made to the amounts previously reported in the Company's fiscal 2000 Annual Report on Form 10-K, to conform with recently issued accounting literature. The principal effects of these include reclassification of shipping and handling costs from a reduction in net sales to cost of goods sold and reclassification of consumer sales incentives costs from selling, general and administrative expenses to a reduction of net sales. The effects of the reclassifications for the first, second, third and fourth quarter of fiscal 2000 were to increase net sales by \$86.1 million, \$62.9 million, \$78.1 million and \$82.4 million, respectively, and decrease gross profit by \$185.3 million, \$204.4 million, \$197.4 million and \$199.5 million, respectively. The effects of the reclassifications for the first, second, third and fourth quarter of fiscal 1999 were to increase net sales by \$91.0 million, \$83.8 million, \$92.9 million and \$66.7 million, respectively, and decrease gross profit by \$155.9 million, \$187.1 million, \$174.2 million and \$198.4 million, respectively. These reclassifications had no impact on previously reported income before income taxes, net income or income per share amounts.

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| | Income (Loss) Per Share | | Income (Loss) Per Share | | Stock Market Price | | Dividends Declared Per Share |
|-------------|-------------------------|-----------|-------------------------|-----------|--------------------|----------|------------------------------|
| | Basic | Diluted | Basic | Diluted | High | Low | |
| | As Previously Reported | | As Restated | | | | |
| 2000 | | | | | | | |
| First | \$.22(1) | \$.21(1) | \$.28(1) | \$.27(1) | \$ 28.13 | \$ 24.06 | \$.17850 |
| Second | .39(2) | .39(2) | .36(2) | .36(2) | 26.50 | 21.50 | .20350 |
| Third | .30(3) | .30(3) | .26(3) | .26(3) | 24.63 | 15.88 | .20350 |
| Fourth | (.04)(4) | (.04)(4) | (.09)(4) | (.09)(4) | 23.25 | 15.06 | .20350 |
| Year | \$.87(5) | \$.86(5) | \$.80(5) | \$.80(5) | \$ 28.13 | \$ 15.06 | \$.78900 |
| 1999 | | | | | | | |
| First | \$.23 | \$.23 | \$.31 | \$.30 | \$ 33.25 | \$ 22.56 | \$.15625 |
| Second | .47 | .46 | .45 | .44 | 32.44 | 24.63 | .17850 |
| Third | .36 | .36 | .30 | .29 | 34.38 | 29.25 | .17850 |
| Fourth | (.30)(6) | (.30)(6) | (.35)(6) | (.35)(6) | 31.25 | 23.13 | .17850 |

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| Year | Income (Loss) | | Income (Loss) | | \$ 34.38 | \$ 22.56 | \$.69175 |
|------|---------------|-----------|---------------|-----------|----------|----------|-----------|
| | Per Share | | Per Share | | | | |
| | \$.76(6) | \$.75(6) | \$.70(6) | \$.69(6) | | | |

- (1) Includes after-tax restructuring and related charges of \$29.2 million, or \$.06 for both basic and diluted earnings per share (Note 3).
- (2) Includes after-tax restructuring and related charges of \$64.7 million, or \$.14 for both basic and diluted earnings per share (Note 3).
- (3) Includes after-tax restructuring and related charges of \$52.5 million, or \$.11 for both basic and diluted earnings per share (Note 3).
- (4) Includes after-tax restructuring and related charges of \$238.9 million, or \$.50 for both basic and diluted earnings per share (Note 3).
- (5) Includes after-tax restructuring and related charges of \$385.3 million, or \$.81 for both basic and diluted earnings per share (Note 3).
- (6) Includes after-tax restructuring charges of \$337.9 million, or \$.72 and \$.71 for basic and diluted earnings per share, respectively (Note 3).

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22. RESTATEMENT AND RECLASSIFICATIONS

Subsequent to the issuance of the Company's 2000 consolidated financial statements and the filing of its 2000 Annual Report on Form 10-K with the SEC, the Company's management determined that accounting and conduct matters at its United Agri Products, Inc. subsidiary ("UAP"), principally related to revenue recognition for deferred delivery sales and vendor rebates, advance vendor rebates, and bad debt reserves would require restatement of such financial statements. The restatement also corrects an error relating to consolidation of intracompany profits on sales within UAP during fiscal 1998. As a result, the 1998, 1999 and 2000 consolidated financial statements and related disclosures have been restated to reflect the following changes:

Revenue Recognition for Deferred Delivery Sales and Vendor Rebates Certain UAP deferred delivery transactions that were determined not to comply with accounting requirements for revenue recognition have been recorded in the period in which the products were delivered to the customers. In addition, instances of fictitious UAP deferred delivery transactions have been reversed. As a result of the above, associated vendor rebates have been adjusted. Furthermore, the Company has adopted a consistent quarterly estimating process for the recognition of UAP vendor rebates.

Advance Vendor Rebates Certain UAP vendor rebates had been previously recognized in income in the fiscal year in which they were received, rather than in the fiscal year in which they were earned.

Accruals for Bad Debt Reserves Certain UAP bad debt reserves had not been recorded at the time the customer accounts were determined to be uncollectible.

The effect of the restatement is shown in the table below:

| | <u>2000</u> | <u>1999</u> | <u>1998</u> |
|--|-------------|-------------|-------------|
| Net income as previously reported | \$ 413.0 | \$ 358.4 | \$ 627.0 |
| Impact of restatement for: | | | |
| Deferred delivery sales and vendor rebates | (18.7) | (4.0) | (4.8) |
| Advance vendor rebates | (7.6) | (7.3) | |
| Bad debt reserves | (4.4) | (16.9) | (3.0) |

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| | <u>2000</u> | <u>1999</u> | <u>1998</u> |
|------------------------|-------------|-------------|-------------|
| Intracompany sales | | | (1.7) |
| Net income as restated | \$ 382.3 | \$ 330.2 | \$ 617.5 |

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The principal effects of these items on the accompanying financial statements are set forth below:

| | <u>2000</u> | <u>2000</u> | <u>1999</u> | <u>1999</u> | <u>1998</u> | <u>1998</u> |
|--|-------------------------------|-------------|-------------------------------|-------------|-------------------------------|-------------|
| | As Previously Reported* | As Restated | As Previously Reported* | As Restated | As Previously Reported* | As Restated |
| Net sales | \$ 25,695.3 | \$ 25,534.6 | \$ 24,928.7 | \$ 24,844.4 | \$ 24,586.1 | \$ 24,544.6 |
| Cost of goods sold | 22,302.2 | 22,182.9 | 21,606.2 | 21,540.5 | 21,382.5 | 21,351.6 |
| Selling, general and administrative expenses | 2,101.4 | 2,108.1 | 1,882.8 | 1,910.9 | 1,861.9 | 1,866.8 |
| Total costs and expenses | 25,029.2 | 24,917.0 | 24,246.4 | 24,208.8 | 23,545.1 | 23,519.1 |
| Income before income taxes and cumulative effect of change in accounting | 666.1 | 617.6 | 682.3 | 635.6 | 1,041.0 | 1,025.5 |
| Income taxes | 253.1 | 235.3 | 323.9 | 305.4 | 399.2 | 393.2 |
| Net income | \$ 413.0 | \$ 382.3 | \$ 358.4 | \$ 330.2 | \$ 627.0 | \$ 617.5 |
| Comprehensive income | \$ 375.8 | \$ 345.1 | \$ 360.1 | \$ 331.9 | \$ 591.1 | \$ 581.6 |
| Net income per share basic | \$.87 | \$.80 | \$.76 | \$.70 | \$ 1.35 | \$ 1.33 |
| Net income per share diluted | \$.86 | \$.80 | \$.75 | \$.69 | \$ 1.32 | \$ 1.30 |

Fiscal 2000 and 1999 include charges associated with the Company's restructuring plan.

As of May 28, 2000

As of May 30, 1999

| | <u>As Previously Reported</u> | <u>As Restated</u> | <u>As Previously Reported</u> | <u>As Restated</u> |
|-----------------------------------|-----------------------------------|--------------------|-----------------------------------|--------------------|
| Receivables | \$ 1,605.5 | \$ 1,241.5 | \$ 1,645.7 | \$ 1,449.4 |
| Inventories | 3,788.4 | 4,056.0 | 3,647.9 | 3,782.5 |
| Total assets | 12,293.0 | 12,196.6 | 12,143.2 | 12,081.5 |
| Retained earnings | 1,420.7 | 1,345.3 | 1,369.8 | 1,325.1 |
| Total common stockholders' equity | 2,964.0 | 2,888.7 | 2,908.8 | 2,864.1 |

The Company has restated the May 25, 1997 retained earnings by a reduction of \$7.0 million to reflect the net income effect of the adjustment for fiscal 1997 of: (1) deferred delivery transactions and vendor rebates; and (2) intracompany profit on sales within United Agri Products, Inc.

*

The "As Previously Reported" amounts reflect certain reclassifications, which have been made to the amounts previously reported in the Company's fiscal 2000 Annual Report on Form 10-K, to conform to recently issued accounting literature. The principal effects of these include reclassification of shipping and handling costs from a reduction in net sales to cost of goods sold and reclassification of consumer sales incentives costs from selling, general and administrative expenses to a reduction of net sales. The effects of the reclassifications for fiscal 2000 were to increase net sales by \$309.5 million, increase cost of goods sold by \$1,096.3, and decrease selling, general and administrative expenses by \$786.8. In fiscal 1999, the effects of the reclassifications were to increase net sales by \$334.4 million, increase cost of goods sold by \$1,050.0 million, and decrease selling, general and administrative expenses by \$715.6 million. In fiscal 1998, the effects of the reclassifications were to increase net sales by \$366.6 million, increase cost of goods sold by \$973.5 million, and decrease selling, general and administrative expenses by \$606.9 million. These reclassifications had no impact on previously reported income before income taxes, net income or income per share amounts.

CONAGRA, INC. AND SUBSIDIARIES

Valuation and Qualifying Accounts (as restated)

For the Fiscal Years ended May 28, 2000, May 30, 1999 and May 31, 1998

(in millions)

| Description | Balance at Beginning of Period | Additions | | Deductions from Reserves | Balance at Close of Period |
|---|--------------------------------------|----------------------|-------|--------------------------------|----------------------------------|
| | | Charged to Income | Other | | |
| Year ended May 28, 2000 (as restated, see Note 22): | | | | | |
| Allowance for doubtful receivables | \$ 60.0 | 51.4 | .4(2) | 49.0(1) | \$ 62.8 |
| Year ended May 30, 1999 (as restated, see Note 22): | | | | | |
| Allowance for doubtful receivables | \$ 68.2 | 57.9 | .2(2) | 66.3(1) | \$ 60.0 |
| Year ended May 31, 1998 (as restated, see Note 22): | | | | | |
| Allowance for doubtful receivables | \$ 67.9 | 34.1 | .4(2) | 34.2(1) | \$ 68.2 |

- (1) Bad debts charged off, less recoveries.
- (2) Primarily reserve accounts of acquired businesses less reserve accounts of divested businesses and foreign currency translation adjustments.

EXHIBIT INDEX

| Number | Description | Page No. |
|--------|---|----------|
| 3.1 | ConAgra's Certificate of Incorporation, as amended, incorporated herein by reference to ConAgra's annual report on Form 10-K for the fiscal year ended May 26, 1996 | |
| 3.2 | ConAgra's Bylaws, as amended, incorporated herein by reference to ConAgra's quarterly report on Form 10-Q for the quarter ended February 28, 1999 | |
| 4.1 | Rights Agreement dated as of July 12, 1996, incorporated herein by reference to ConAgra's current report on Form 8-K dated July 12, 1996 | |
| 4.2 | Certificate of Adjustment dated October 1, 1997 to Rights Agreement, incorporated | |

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| Number | Description | Page No. |
|--------|--|----------|
| | herein by reference to ConAgra's quarterly report on Form 10-Q for the quarter ended August 24, 1997 | |
| 4.3 | Amendment to Rights Agreement dated as of July 10, 1998, incorporated herein by reference to Exhibit 4.3 of ConAgra's annual report on Form 10-K for the fiscal year ended May 31, 1998 | |
| 4.4 | Form of documents establishing Series A, Series B and Series C Preferred Securities of ConAgra Capital, L.L.C., incorporated herein by reference to Exhibit 4.8 and Exhibit 4.14 of ConAgra's registration on Form S-3 (033-56973) | |
| 10.1 | ConAgra's Amended and Restated Long-Term Senior Management Incentive Plan, Amendment thereto, and Operational Document, and Amendment thereto, incorporated herein by reference to Exhibit 10.1 of ConAgra's annual report on Form 10-K for the fiscal year ended May 25, 1997 | |
| 10.2 | Second Amendment to ConAgra's Long-Term Senior Management Incentive Plan Operational Document incorporated herein by reference to Exhibit 10.2 of ConAgra's annual report on Form 10-K for the fiscal year ended May 28, 2000 | |
| 10.3 | Form of Employment Agreement between ConAgra and its executive officers, incorporated herein by reference to Exhibit 10.3 of ConAgra's annual report on Form 10-K for the fiscal year ended May 31, 1998 | |
| 10.4 | ConAgra's Employee Flexible Bonus Payment Plan, incorporated herein by reference to Exhibit 10.4 of ConAgra's annual report on Form 10-K for the fiscal year ended May 25, 1997 | |
| 10.5 | ConAgra's 1985 Stock Option Plan, with amendments thereto incorporated herein by reference to Exhibit 10.5 of ConAgra's annual report on Form 10-K for the fiscal year ended May 25, 1997 | |
| 10.6 | ConAgra Non-Qualified CRISP Plan, incorporated herein by reference to Exhibit 10.6 of ConAgra's annual report on Form 10-K for the fiscal year ended May 30, 1999 | |
| 10.7 | ConAgra Non-Qualified Pension Plan, and First Amendment thereto, incorporated herein by reference to Exhibit 10.7 of ConAgra's annual report on Form 10-K for the fiscal year ended May 30, 1999 | |
| 10.8 | ConAgra Supplemental Pension and CRISP Plan for Change of Control, incorporated herein by reference to Exhibit 10.8 of ConAgra's annual report on Form 10-K for the fiscal year ended May 30, 1999 | |
| 31 | | |
| 10.9 | ConAgra Incentives and Deferred Compensation Change of Control Plan, incorporated herein by reference to Exhibit 10.9 of ConAgra's annual report on Form 10-K for the fiscal year ended May 30, 1999 | |
| 10.10 | ConAgra 1990 Stock Plan, and amendments thereto incorporated herein by reference to Exhibit 10.10 of ConAgra's annual report on Form 10-K for the fiscal year ended May 28, 2000 | |
| 10.11 | ConAgra 1995 Stock Plan incorporated herein by reference to Exhibit 10.11 of ConAgra's annual report on Form 10-K for the fiscal year ended May 28, 2000 | |
| 10.12 | ConAgra Directors' Unfunded Deferred Compensation Plan, with amendments thereto incorporated herein by reference to Exhibit 10.12 of ConAgra's annual report on Form 10-K for the fiscal year ended May 28, 2000 | |

| | | |
|-------|--|----|
| 10.13 | ConAgra Employee Equity Fund Trust Agreement, with Stock Purchase Agreement and Revolving Promissory Note executed in connection therewith, incorporated herein by reference to Exhibit 10.14 of ConAgra's annual report on Form 10-K for the fiscal year ended May 25, 1997 | |
| 10.14 | Employment Contract between ConAgra and Bruce C. Rohde, incorporated herein by reference to Exhibit 10.1 of ConAgra's quarterly report on Form 10-Q for the quarter ended February 23, 1997 | |
| 10.15 | Amendment dated February 16, 1998 to Bruce C. Rohde Employment Contract, incorporated herein by reference to Exhibit 10.19 of ConAgra's annual report on Form 10-K for the fiscal year ended May 31, 1998 | |
| 10.16 | C. M. Harper Deferred Compensation Agreement dated March 15, 1976, incorporated herein by reference to Exhibit 10.20 of ConAgra's annual report on Form 10-K for the fiscal year ended May 31, 1998 | |
| 10.17 | ConAgra Executive Incentive Plan incorporated herein by reference to Exhibit 10.21 of ConAgra's annual report on Form 10-K for the fiscal year ended May 30, 1999 | |
| 12 | Statement regarding computation of ratio of earnings to fixed charges and ratio of earnings to combined fixed charges and preferred stock dividends | 33 |
| 21 | Subsidiaries of ConAgra incorporated herein by reference to Exhibit 21 of ConAgra's annual report on Form 10-K for the fiscal year ended May 28, 2000 | |
| 23 | Consent of Deloitte & Touche LLP | 34 |
| 24 | Powers of Attorney | 35 |
| 27 | Financial Data Schedule | |

Pursuant to Item 601(b)(4) of Regulation S-K, certain instruments with respect to ConAgra's long-term debt are not filed with this Form 10-K. ConAgra will furnish a copy of any such long-term debt agreement to the Securities and Exchange Commission upon request.

Items 10.1 through 10.17 are management contracts or compensatory plans filed as exhibits pursuant to Item 14(c) of Form 10-K.

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