

Fun Foods



Comfort Foods



Healthy Foods



Favorite Foods

ConAgra Foods®





Come and get it! The chorus of Moms and Dads calling kids home for dinner is etched into our memories. At ConAgra Foods, we're in the business of calling people home. Home to Fun Foods that make life more enjoyable and that put the "extra" into the ordinary. Home to Comfort Foods that evoke a sense of belonging and that bind us forever to those we love – over Sunday dinner at Grandma's, or lunch with friends before the big game. We're calling people home to



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Healthy Foods that keep us fit and feeling good by focusing on taste and nutrition. And, home to Favorite Foods that support our need to be on the go 24 hours a day, seven days a week.



Home to ConAgra Foods' brand powerhouse – with more than 35 famous food brands that line grocery shelves and stock pantries. Home to a company that is North America's No. 1 foodservice manufacturer and No. 2 provider of retail foods. Home to a company that is in the best position to serve and satisfy your food needs at home or away.





Whenever you eat, we're there. We serve virtually every eating occasion and every eating location, and by doing so we optimize our food know-how and manufacturing capabilities. We have focused business units serving retail and foodservice channels – from vending machines to drive-thrus, and from your kitchen to the finest white tablecloth restaurants. That's why ConAgra Foods is on the road to **Becoming America's Favorite Food Company.**

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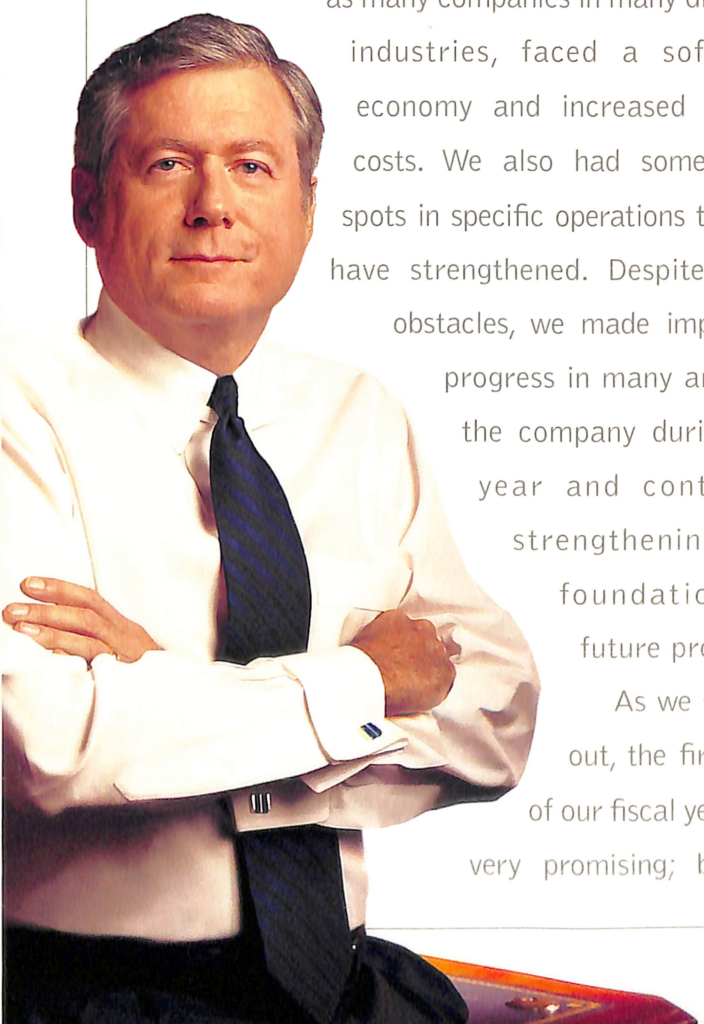
FINANCIAL HIGHLIGHTS

Dollars in millions except per share amounts	May 27, 2001	May 28, 2000
Net Sales	$27,194.2	$25,534.6
Gross Profit	$3,882.5	$3,351.7
Operating Profit	$1,858.0	$1,239.0
Income before income taxes and changes in accounting	$1,104.1	$617.6
Income before changes in accounting	$682.5	$382.3
Net income	$638.6	$382.3
Diluted income per share before changes in accounting	$1.33	$0.80
Diluted income per share	$1.24	$0.80
Cash earnings return on year-beginning common stockholders' equity (see page 6)	25.4%	15.6%
Common stock price at year end	$20.27	$22.94
Annualized common stock dividend rate at year end	$0.900	$0.814
Employees at year end	89,503	85,584
Excluding restructuring charges in fiscal 2000 (see pages 51-52)		
Gross Profit	$3,882.5	$3,574.5
Operating Profit	$1,858.0	$1,860.4
Income before income taxes and changes in accounting	$1,104.1	$1,239.0
Income before changes in accounting	$682.5	$767.6
Net income	$638.6	$767.6
Diluted income per share before changes in accounting	$1.33	$1.60
Diluted income per share	$1.24	$1.60
Cash earnings (excluding changes in accounting) return on year-beginning common stockholders' equity (see page 6)	26.9%	29.0%

Operating profit is before interest expense, goodwill amortization, general corporate expense and income taxes. Although we believe "cash earnings" enhances a reader's understanding of our results of operations, this measure, when reviewed individually, is not necessarily a better measure of results as compared to conventionally computed measures (e.g., net earnings, net cash flows, etc.).

ConAgra Foods®

We're energized and hard at work to develop a richer business model by reshaping our business mix and our asset base.



Fiscal 2001 was a challenging year. We, as well as many companies in many different industries, faced a softening economy and increased energy costs. We also had some weak spots in specific operations that we have strengthened. Despite these obstacles, we made important progress in many areas of the company during the year and continued strengthening our foundation for future progress.

As we started out, the first half of our fiscal year was very promising; but, as we moved into the second half of our fiscal year, which coincided with the start of calendar 2001, we experienced some major shifts in the economy and in our business. Energy costs skyrocketed, and the economy slid. Our trade customers got a wake-up call, so they purchased product at a slower rate and made do with less inventory. Our crop inputs distribution business showed weaker orders, declining margins and delinquent accounts. In addition to that, we noticed a few soft spots in other areas, most notably in the retail food sector. As a result, our overall financial performance for fiscal 2001 was not our best.

We aggressively pursued a plan of investment in new products, advertising, promotion and trade marketing to improve our market positions and create future sales opportunities. Investments like these are typical for branded consumer products

companies building for growth, and while we expect a future benefit, the increased level of investment in fiscal 2001 negatively impacted profits this year. These combined factors as well as changes in accounting principles resulted in EPS of $1.24 – certainly less than what we had hoped when we started the fiscal year.

Although our year-end financial results did not meet our expectations, we positioned ConAgra Foods for future performance. We completed the acquisition of Chef Boyardee, PAM, Gulden's, Bumble Bee, and several other brands relatively early in the fiscal year, furthering our progress in moving our business mix more toward branded and value-added items.

ConAgra Foods is focused on action to improve performance no matter what the business climate.

We introduced many new products in our food business, like Homestyle Bakes from Banquet, Jolly Rancher Gels, Orville Redenbacher's Chocolate Sensations, Act II Corn-on-the-Cob Popcorn, new Healthy Choice items, new Marie Callender's items, Hunt's Family Favorites, Butterball gravy, broth and stuffing, Armour Guaranteed Tender Pork, Treasure Cave Gorgonzola Cheese Crumbles, Reddi-wip Light, and many, many others. We supported these strongly to establish and grow our relationships with customers and consumers.

We grew several key brands and product lines, and showed profit growth in some important areas of the business. We continued organizing our resources around customer service channels to better serve our customers, and we received recognition for being an excellent supplier to several of our biggest customers. We also changed leadership in some areas to make our team stronger. These and our other actions reflect the effort of building a stronger foundation for future opportunities.

While we're making important headway, there is more to be done. We're resolved to do more than simply wait out an unpleasant business environment. We're focused on action that will improve performance in good times or in bad, which means that, in addition to the strategic directives we have under way, we are focusing on four main areas for fiscal 2002:

- Quality sales growth that drives quality earnings,
- An intense focus on customer service channels to satisfy multiple customer needs via product groupings and menu selling activities,
- Organizational alignments connecting manufacturing, marketing, and sales, which include adding strength to our bench, and
- Debt reduction, largely through improved working capital management.

As a result, we expect fiscal 2002 to show EPS growth over fiscal 2001; however, we expect the year-over-year gains to be achieved only in the second half of fiscal 2002. Recognizing that we had a strong performance in the first half of fiscal 2001, EPS for the first half of fiscal 2002 should fall short of the EPS generated in the first half of fiscal 2001.

For those of you who have been following our company closely, you know that we are on a journey to become America's Favorite Food Company. That journey involves an evolution of business mix and requires significant commitment in terms of realignment of resources, retooling, reorganization, hard work and a blend of urgency and patience. As a team, we are more than willing to make this commitment because we believe it will reward our shareholders in the long term.

As we make this journey, we are encouraged by the significant resources we have to work with: we are North America's largest foodservice manufacturer and marketer and second-largest retail food supplier. We are picking up momentum with our stable of 35 famous food brands, which represents a significant amount of progress since we acquired our first major brand, Banquet, in 1980. We hope to have even more famous brands as we grow in the future and continue to expand the branded and value-added portion of our business mix. We have increased our presence in Canada and Mexico. We are one of the strongest EBITDA (earnings before interest, taxes, depreciation and amortization) generators in the food industry, which means that we have the financial strength to shape our future. We've also assembled a management team that is dedicated to taking those actions, even if dramatic and substantially different from past practices, that will generate value for our shareholders over the long term.

Another substantial opportunity for us is to utilize our resources to serve the specialized needs of retail food, foodservice, and agricultural ingredient customers. We are rallying around these customers with dedicated people, assets, products and strategies to capitalize on the specific growth and service opportunities that each customer presents. For example, retail, foodservice, and ingredient customers have very specific and distinct needs, so serving them in a way that addresses their needs is a growth opportunity for us. Through channel focus we are harnessing our collective strength while utilizing the category capabilities of our specialized business units.

We're transforming ConAgra Foods to capitalize on value-added opportunities in the food industry, and we're aspiring to become the preferred supplier for foodservice, retail, and ingredient customers and consumers. We're energized and hard at work to develop a richer business model by satisfying customers and consumers with innovative and distinctive products while reshaping our business mix, product mix, and our asset base. We believe ConAgra Foods will be the food company to watch in the years ahead.

Thank you for your interest in ConAgra Foods, and I look forward to reporting on our progress as we move forward.

Sincerely,



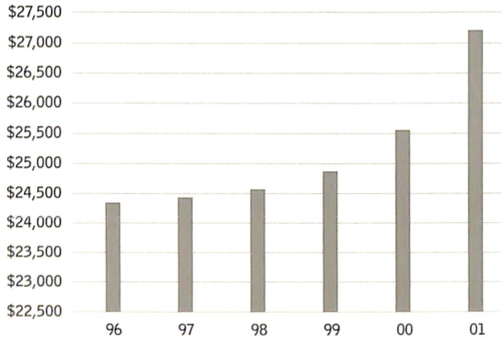
Bruce Rohde
Chairman and Chief Executive Officer

ConAgra Foods®

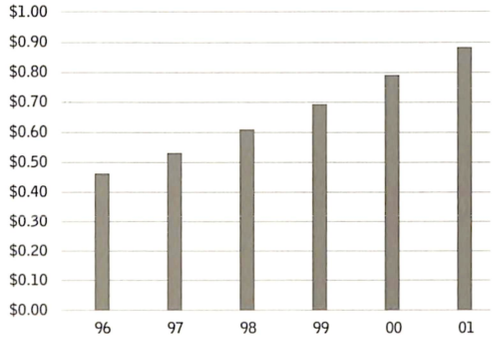
Financial Performance Highlights

The sales and dividends graphs shown below present financial results as reported for those years. The EPS graphs shown below present our results in two different ways: first, as reported, which match our audited financial statements, and second, excluding unusual items such as restructuring charges and changes in accounting principles. While we believe that results as reported are the easiest way to understand our performance, some readers find the results excluding unusual items useful for their review.

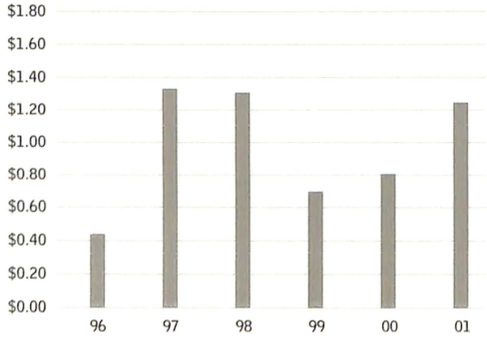
SALES
(in millions of dollars)



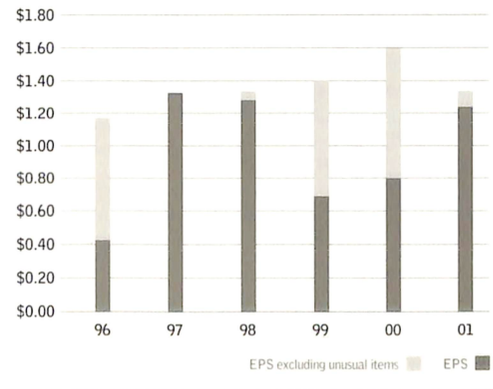
DIVIDENDS
(in dollars per share)



DILUTED EPS AS REPORTED
(in dollars per share)



DILUTED EPS EXCLUDING UNUSUAL ITEMS
(in dollars per share)



ConAgra Foods®

Making a Richer Business Model

ConAgra Foods is committed to managing its business to create value for shareholders over the long term. This will be evidenced by growth in sales and volumes, adjustments in business mix, appropriate levels of investment for future growth, expanding margins, gains in earnings, and improving returns on invested capital. While changing market and economic conditions, as well as changes in the company's portfolio, may alter some or all aspects of the company's financial performance from year to year, over the long term the company expects its results to reflect a strong business managed for long-term success.

RETURN ON COMMON EQUITY

There is strong linkage between return on common equity and return on invested capital. One of ConAgra Foods' key financial objectives over the long term is to average more than a 20 percent after-tax cash earnings return on year-beginning common stockholders' equity, and to earn more than a 15 percent return in any given year. We measure our return on shareholder equity by incorporating a financial concept called "cash earnings"—net earnings plus goodwill amortization. We add back goodwill amortization in our determination of cash earnings because goodwill amortization does not represent a true annual economic cash cost. We use the cash earnings concept in our financial objective for return on common equity.

Return on Common Equity

	As Reported	*Excluding Unusual Items**
1996	10.7%	24.3%
1997	29.7%	29.7%
1998	26.7%	27.3%
1999	14.2%	26.1%
2000	15.6%	29.0%
2001	25.4%	26.9%
Average	20.4%	27.2%

** In determining the return on common equity, excluding unusual items, as shown in the right-hand column of the above table, the 1996, 1999 and 2000 cash earnings exclude restructuring plan charges of $356.3 million, $337.9 million and $385.3 million, after tax, respectively, and the 1998 and 2001 cash earnings exclude cumulative one-time, non-cash charges of $14.8 million and $43.9 million, after tax, respectively, for required accounting changes.*

EARNINGS

Trend-line earnings are expected to reflect above-average opportunities in the segments in which we compete. The company has a long-term history of profits, as the Return on Common Equity table on the previous page demonstrates. However, there are years when the company experiences strong year-over-year EPS growth and other years when the company experiences more modest growth or even EPS declines. This is largely due to variances in market conditions and business cycles for each of the company's business units. Presently, near-term economic and industry conditions suggest that earnings for the company may reflect a single-digit rate of annual EPS growth, but over the long term, the company targets stronger growth in EPS given the company's growth opportunities.

FINANCING

ConAgra Foods' primary financing objective is to maintain a conservative balance sheet which provides flexibility to pursue the company's growth objectives.

Current Ratio: The company will generally maintain a current ratio greater than 1.0, which will result in current assets being greater than current liabilities. On occasion the company has the opportunity to lock in attractive costs of long-term debt. If the company refinances short-term debt into long-term debt, long-term debt as a percent of total capital will increase, and there will be a corresponding improvement in the current ratio.

Debt: The company normally utilizes senior long-term debt at a rate not exceeding 30 percent of total capital. In addition to long-term debt, the company utilizes short-term debt to finance working capital requirements.

ConAgra Foods' policy has been to temporarily exceed the self-imposed 30 percent limit for a major strategic purpose that is intended to create value for shareholders. In management's view, the fiscal 2001 acquisition of International Home Foods, which substantially increased the company's earnings potential and its debt level, represented such an opportunity. The company also considers it appropriate to exceed the 30 percent limit in the case of refinancing short-term debt into long-term debt, provided that long-term rates are such that it is advantageous for the company to structure its financing in that manner. In the event of a large acquisition or specific financing opportunity, the company expects senior long-term debt to be no more than 50 percent of total capital.

DIVIDENDS

Dividends have long been a priority of the company and represent an important component of shareholder returns and a key element of the company's capital allocation process. The company has paid 102 consecutive quarterly dividends. ConAgra Foods plans to increase common stock dividends at a rate which reflects growth in earnings while supporting the company's investment for the future. ConAgra Foods expects to pay out 30-35 percent of earnings growth as increases in dividends and to use the remainder of earnings to invest for the future.



Making it fun. Keeping it easy. ConAgra Foods puts the 'extra' into the ordinary at every eating location and occasion.



Dress up your favorite dessert with Reddi-wip. Share a bucket of popcorn at the movies. Savor the meaty taste of a Slim Jim at a basketball "Hoop-it-up" tournament. What could be easier – or more fun? We set the scene for fun with brands such as Slim Jim, Orville Redenbacher's, Sliders, Snack Pack, Crunch 'n Munch, Reddi-wip, Jolly Rancher Gels and Kid Cuisine. Maybe you're enjoying a Hebrew National Hot Dog with Gulden's mustard riding on top. Or, it could be the kids



squeezing out a juicy, refreshing Slider on a hot afternoon. From our Hunt's Snack Packs, Sliders and Jolly Rancher Gels to Orville Redenbacher's Gourmet Popcorn, Slim Jims and Crunch 'n Munch, we make the fun foods consumers crave.

At ConAgra Foods, we connect our products with consumers' lives. At the ballpark, Chicago Cubs slugger Sammy Sosa connects with kids when he endorses Hunt's Snack Pack and helps raise funds for ConAgra Foods *Feeding Children Better* program. On the NASCAR circuit, Chef Boyardee and Van Camp's Beanee Weenees are fueling connections between America's fastest-growing sport and some of the best fun foods around.

ConAgra Foods makes food that makes life more fun. And that's extraordinary.

ConAgra Foods makes more than 80,000 miles of Slim Jims every year, enough to wrap around the equator nearly three and a half times.




8
We Proudly Serve Only
Orville Redenbacher's



ConAgra Foods. Comfortable. Comforting. Bringing people together to create memories and keep traditions growing.



The many brands of ConAgra Foods have been making memories for years. Whether it's Peter Pan Peanut Butter and Knott's Berry Farm Jam sandwiches Mom helped us make after school or Manwich Sloppy Joes we wolfed down before running out the door for the Friday night football game, ConAgra Foods has been there, creating the sights, smells, sounds and tastes that help us remember when.



Comfort foods evoke memories and stir anticipation, running like a thread through our lives and tying us to the people and places we cherish most.

Thanksgiving dinners with Butterball turkey on the table and the Lions and Cowboys and Bears on TV. Saturday nights, stretched out on the recliner, a video on the screen and a freshly popped, buttery bowl of Orville Redenbacher's in our laps. The aroma of sizzling Swift Premium Brown 'N Serve sausage wafting through the house before breakfast on the weekends.

It's comforting to know that ConAgra Foods is setting America's table and helping make America's best memories.



The Butterball Turkey Talk-Line was one of America's first consumer help lines. Over the past 20 years, the Talk-Line's staff has helped nearly 200,000 callers each holiday season. Now that's talking turkey!




HEALTHY CHOICE
Chicken Parmigiana
CHICKEN
9g FAT 320 CALORIES
NET WT 11 OZ (311g) KEEP FROZEN COOK THOROUGHLY



Health. Food. ConAgra Foods feels good about pairing the two and making a Healthy Choice ever since.

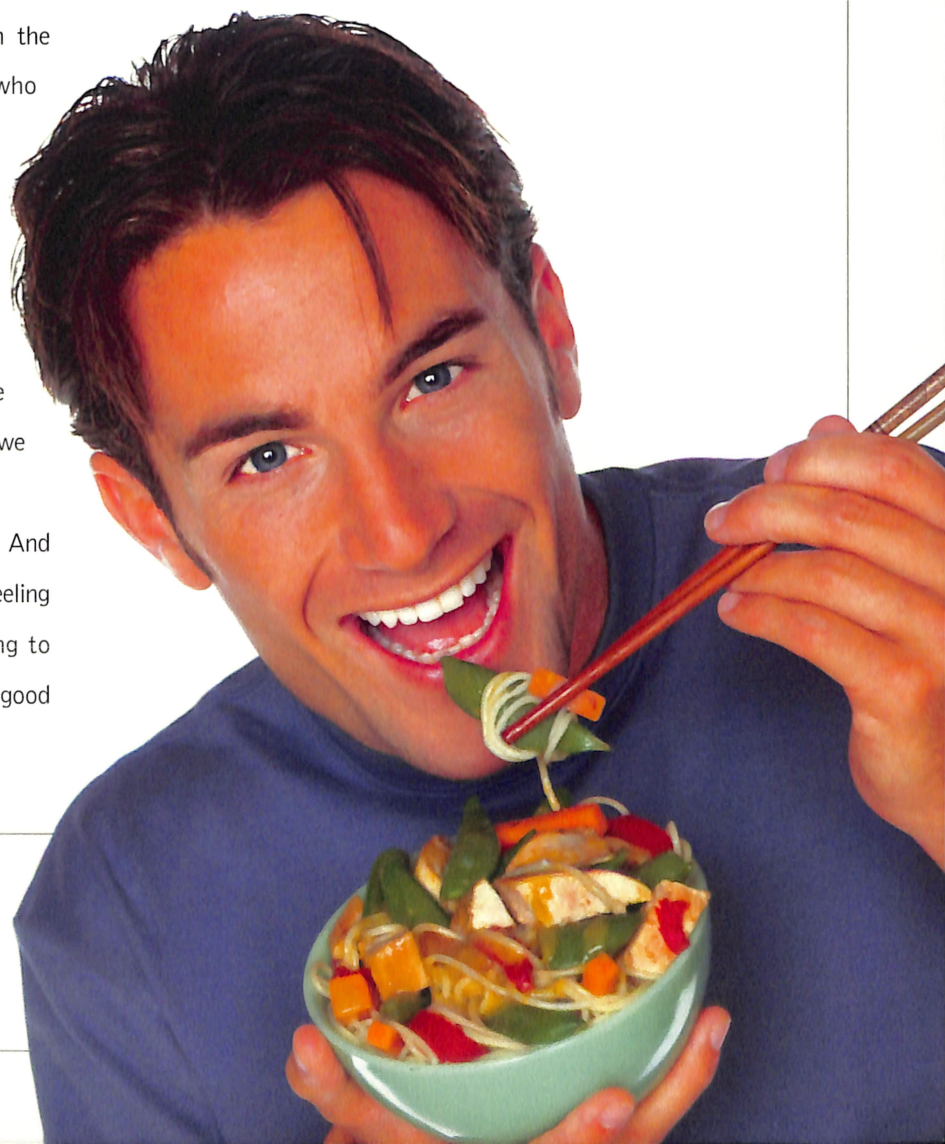


ConAgra Foods connects with the full, active lifestyles of people who want – and require – a nutritional balance of fat, cholesterol and sodium, or even alternative protein menu options, if that's what they prefer. Thank goodness we connect all this with great taste and exceptional convenience. From our Healthy Choice brand of meals, entrées, soups, breads and ice cream to our Lightlife line of Smart Dogs, Tofu Pups and Gimme Lean Sausage, we offer an array of healthful choices.

When you have your health, you have everything. And ConAgra Foods wants you to have it all. After all, isn't feeling good what feeling healthy is all about? If you're trying to balance a career, family and exercise, we have the feel-good foods that will support your healthful lifestyle.



Lightlife Foods introduced the first fat-free and cholesterol-free hot dog in 1993. Today, Smart Dogs are one of Lightlife's best sellers.




UBS



America's favorite foods? ConAgra Foods has 'em. When you're on the go and working up an appetite, we're everywhere you need us.



Food for the man in the moon? You bet! Believe it or not, each year we produce enough French fries, if laid end to end, to make just over 73 trips to the moon, a mere 238,857 miles away. In fact, we go the extra mile to deliver America's favorite foods...to McDonald's, where we supply fries. To Taco Bell, where we supply tortillas. To Burger King and Wendy's, where we supply burgers. To KFC, El Pollo Loco and Chick-fil-A, where we supply...well, you get the picture. We're the go-to company for most of America's favorite eateries.

Our favorite foods can be found in the grocery aisle too, with brands such as Armour Stars, Marie Callender's and Wolfgang Puck's. Whenever you eat your favorite foods at home or away, there's a good chance ConAgra Foods is setting the table. To become America's Favorite Food Company, you have to have America's favorite foods – and we do.



America's passion for the hot dog means 27 million will be sold at major league ballparks this season. ConAgra Foods' brands such as Hebrew National, Armour Stars and Eckrich are the official dogs served at several venues.





ConAgra Foods provides value-added basic food ingredients to feed a hungry world.

Food starts with basics such as corn, flour, oats and spices, and we add value to basic food ingredients for a variety of customers.

Advances in information and food technologies allow us to add value to our most basic businesses every day.

New technology and new equipment have raised the sophistication of our production capabilities to a higher level. We can custom-formulate flours to the most exacting specifications, ensuring reliable performance for our customers. Our GardenFrost Dehydro*frozen* and Soft*frozen* vegetables, as well as spices, take advantage of proprietary processes to preserve fresh texture, color and flavor, save valuable preparation time and make it possible to develop more uses for products than ever before.



Perhaps some of the most important components we supply are the information needs our customers use to be successful. Whether we're providing site-specific weather data, or other crop management tools to producers through United Agri Products' online service, or putting bakery customers in touch with ConAgra Food Ingredients Company products and ordering histories over the Web, we're making it easier for our customers to succeed.

We understand that in today's global business environment, it's not enough to be the least-cost supplier of high-quality basic food ingredients and products. It's the value we add and the service we provide that differentiate us from our competitors.



ConAgra Flour Milling Company mills enough flour each year to produce 40 loaves of bread for every man, woman and child in the United States – nearly 11.5 billion loaves in all.



Feeding Children Better
BECAUSE NO CHILD SHOULD GROW HUNGRY

For those of us living in America, especially in our nation's breadbasket, it is unthinkable that anyone should go hungry...especially children. Yet, U.S. Department of Agriculture statistics point out that 12 million American kids are fighting hunger each year. Studies show that hunger is a root cause for many of the problems young people face today, ranging from problems concentrating in school to conduct after school.

We have made progress with this effort. We've already funded more than 60 Kids Cafes in the United States, with a total of 100 cafes scheduled to open by the end of 2002.



In addition to the Kids Cafe program, ConAgra Foods is donating trucks to nearly half of the 200 food banks in the United States to improve the way food is procured and distributed. This program has the potential to reclaim nearly 200 million pounds of food available for donation to the hungry every year, which is otherwise lost due to logistical hurdles.

Millions of children go hungry in America. ConAgra Foods is working to find solutions through our Feeding Children Better program.

As a food leader in North America, ConAgra Foods considers this problem a meaningful challenge. As a result, ConAgra Foods kicked off a national initiative in 2000 called *Feeding Children Better*. It is a multiyear, multimillion dollar commitment to attack child hunger.

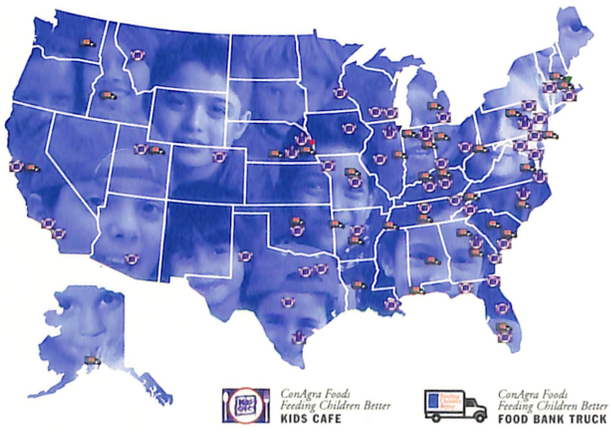
Our efforts are aimed at getting food directly to children through a cooperative effort with America's Second Harvest and local food banks through Kids Cafes – safe havens where kids can get nourishing meals, snacks, safety and care.



As part of our *Feeding Children Better* program, we have teamed up with the Ad Council, the leading resource for public service advertising in the United States, to make childhood hunger the focal point of a national awareness campaign. ConAgra Foods has funded the creation and production of a series of gripping television messages that have already begun airing across the United States.

ConAgra Foods has embraced this effort, knowing that by feeding hungry children, we can give them more options to succeed.

FEEDING CHILDREN BETTER PROGRAM ACROSS THE NATION



Kids Cafe
A PROGRAM OF AMERICA'S SECOND HARVEST

ConAgra Foods has committed to opening at least 100 new Kids Cafes by the end of 2002. More than 60 cafes are already funded.


Chow Mein Noodles
Hunt's
Meat
HEALTHY CHOICE
BREAD
Honey Wheat
Soft Multigrain
Nutrition Facts
LUCKY
Baked Beans
24-15 OZ. CANS
Snack Pack



ConAgra Foods Sustainable Development program promotes and supports business practices that conserve and protect our natural resources and our environment. The diligent efforts of thousands of our employees have led to very significant and measurable conservation gains.

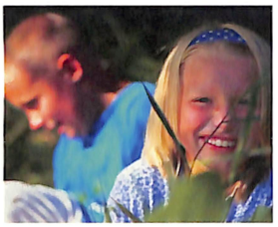
Our Sustainable Development projects revolve around three primary actions: conserve, protect and get involved. They include water and energy conservation, prevention of air pollution, waste reduction and recycling and land management protection and enhancement.



Over the past year, our Sustainable Development projects collectively made quite an impact. Employees who participated in the program:

- saved 448.3 million gallons of water,
- reduced landfill waste by nearly 14,000,000 pounds,
- cut electrical use by 35.7 million kilowatts, and
- cut natural gas use by 86.7 million square cubic feet.

Being good stewards of the planet – earth, water and air quality – is an important priority at ConAgra Foods.



Through an annual awards and employee recognition program, ConAgra Foods and its employees live by a guiding principle, "Do well by doing good." For example, one of our Golden Valley Microwave Foods plants located in Edina, Minnesota, used creative problem-solving technology and innovation to reduce its water use by 70 percent annually.

As is often the case, the result of such actions reached beyond our facility to touch an entire community. These actions made a significant reduction in the city of Edina's total water demands and earned recognition from the Minnesota Council of Environmental Services.

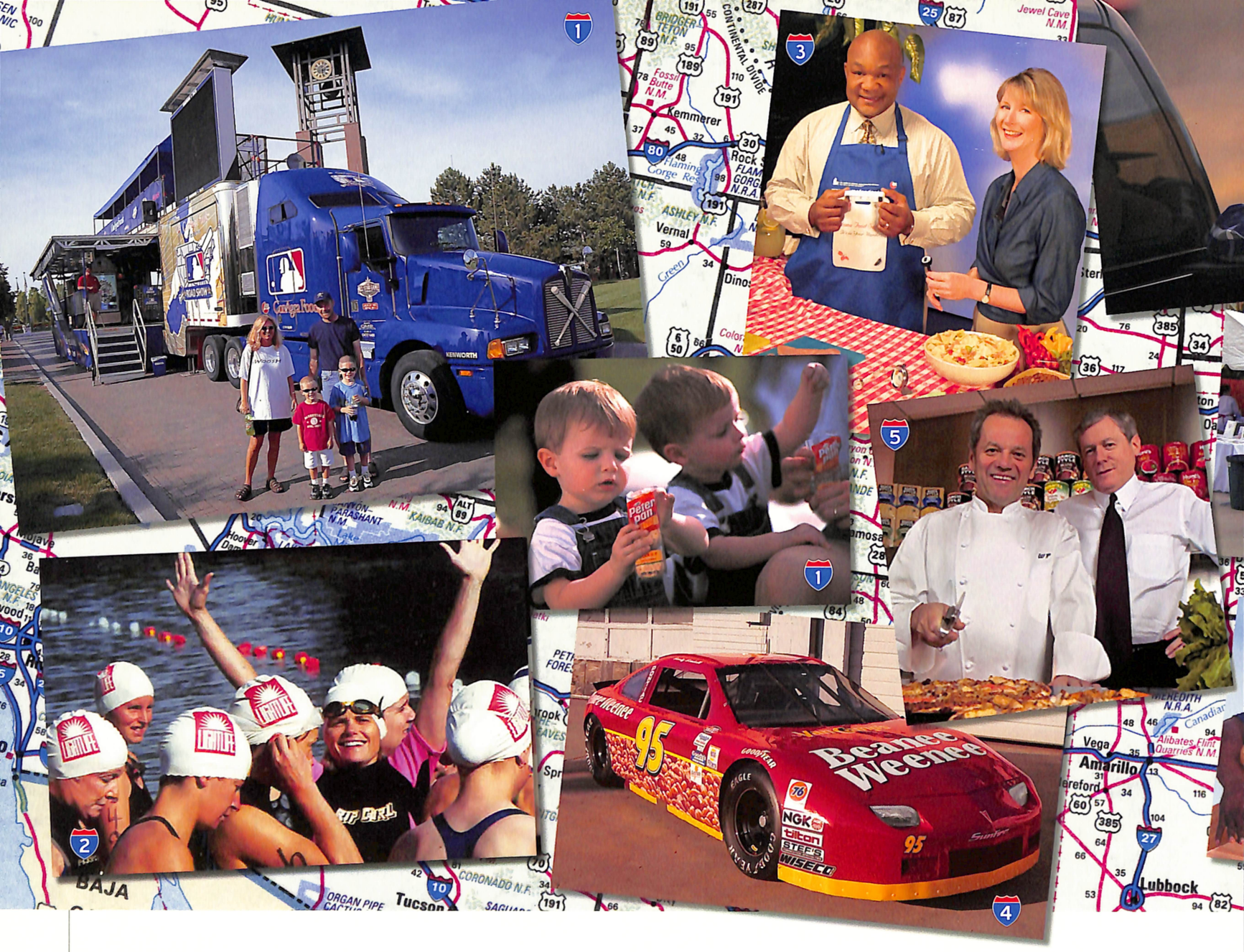
The Environmental Protection Agency (EPA) has named 13 ConAgra Foods' plants charter members of the National Environmental Achievement Track. To qualify, facilities must be willing to commit to specific environmental goals over a three-year period.

ConAgra Foods Sustainable Development

In addition, the ConAgra Foods Foundation awarded grants to winning ConAgra Foods operations whose employees then selected a local community environmental program or project for a contribution. Some employees decided to fund local environmental educational programs that teach children about water conservation, or gave scholarships to students who plan a career in environmental management, or made donations to help "green up" local parks by donating dollars to plant trees.



So the real winners of ConAgra Foods Sustainable Development program are not only our employees who make good things happen, but also the communities that benefit from our environmental stewardship, shareholders who gain from our company's sound business practices, and consumers and customers who value companies that satisfy their needs while conserving natural resources.



On the Road to Becoming America's Favorite Food Company. ConAgra Foods is driven to connect with consumers and that's where you'll find us — where America eats. Our journey to become the value-added leader of the food industry takes us all over the country — to where consumers enjoy life — at concert halls, baseball games, racetracks and even in your backyard. ConAgra Foods is there





providing great-tasting snacks, appetizers, entrées and desserts. Across the country, we're connecting our food with peoples' lives, building strong relationships with our consumers along the way. If you're hungry, we're not hard to find. Just look for the many great brands and all the excitement that are part of ConAgra Foods.

1 *Major League Baseball's Road Show, sponsored by ConAgra Foods, visits cities nationwide strengthening America's love of the game.*

2 *Lightlife Triathlon in Greenfield, Mass.*

3 *Grill expert George Foreman helps encourage Americans to adopt home food safety practices.*

4 *Beanee Weenee NASCAR race car.*

5 *Celebrated chef Wolfgang Puck and ConAgra Foods CEO Bruce Rohde partner to create gourmet eating experiences.*

6 *Pemmican Beef Jerky sponsors the George Strait Country Music Festival.*

7 *Lightlife soy tent at the Boston Marathon.*

8 *Baseball star Sammy Sosa "pitches" Chef Boyardee and other ConAgra Foods brands.*

9 *Food Network's Bobby Flay, Butterball's official Thanksgrilling chef.*

10 *On the road with ConAgra Foods* Feeding Children Better *program.*

11 *Two Armour Stars: Barry Bonds & Alex Rodriguez.*

12 *Hebrew National's MOM Squad promotes kosher products and* Feeding Children Better.

13 *The Eckrich Fun House made a stop at the Indy 500 Motor Speedway.*


ConAgra Foods
ONE CONAGRA DRIVE
World
Headquarters

CONAGRA FOODS AT A GLANCE

ConAgra Foods®

DID YOU KNOW?

...more than 33 million Americans enjoyed Butterball turkey during the most recent winter holiday season.

...ConAgra Foods processed approximately 2.2 billion shrimp last year.

...ConAgra Foods produces an average of almost 100 slices of bacon a second.

...ConAgra Foods' spices, seasonings and flavor systems find their way into 2.5 billion pounds of food products a year.

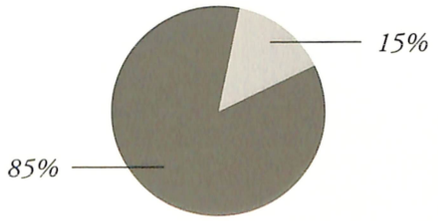
...it takes more than two billion ears of corn a year to produce enough Act II popcorn to satisfy consumer demand.

The company's food portfolio includes many different types of products that add value for customers. ConAgra Foods has some commodity food operations, but the majority of the profits from the company's food business (Packaged Foods and Refrigerated Foods reporting segments) are derived from the sale of branded goods and value-added items:

SOURCE OF FOOD BUSINESS PROFITS: FISCAL 2001

The company's food business operating profit totaled $1.6 billion in fiscal 2001.

- More than 85 percent of the company's food business profits come from branded goods and value-added items.
- Less than 15 percent of the company's food business profits come from commodity operations.



All of the profits from the company's fresh beef, pork and poultry operations, which are part of the company's food business, are considered to come from commodity operations in this analysis.

PACKAGED FOODS

- **Packaged Foods net sales grew 14% to $8.7 billion in fiscal 2001 as we acquired Chef Boyardee, Gulden's, Libby's, PAM and other brands in the fiscal year. Operating profit, excluding restructuring charges in fiscal 2000, grew 5% to reach $1.1 billion.**
- **To build for the future, we introduced several new products and significantly increased our investment to support our market positions in the retail and foodservice channels.**



Our Packaged Foods segment includes a variety of shelf-stable grocery, frozen, dairy and foodservice products.

Dollars in Millions	2001	2000	1999
Net Sales	$8,682	$7,611	$7,395
Operating Profit	$1,139	$777	$940
Operating Profit, excluding restructuring charges	$1,139	$1,087	$979
Assets	$7,741	$4,621	$4,759

SHELF-STABLE FOODS

Principal Activities: Production and marketing of primarily shelf-stable foods for grocery and special market customers.

Major Brands: 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®, Rosarita®, Gebhardt®, Wolf Brand®, Pemmican®, Penrose®, Andy Capp's®, Chef Boyardee®, Butterball®, Homestyle Bakes®, Dennison's®, Luck's®, Ro*Tel®, Gulden's®, Bumble Bee®, Libby's® and Ranch Style®.

FROZEN FOODS

Principal Activities: Production and marketing of frozen foods for grocery, foodservice and special market customers such as club stores, super centers, military commissaries and convenience stores.

Major Brands: Healthy Choice®, Banquet®, Marie Callender's®, Kid Cuisine®, MaMa Rosa's®, The Max®, Patio®, Chun King®, La Choy®, Wolfgang Puck's®, Pogo® and Del Maestro®.

FOODSERVICE PRODUCTS

Principal Activities: Production and marketing of potato products, Mexican food products, hand-held dough-based products, value-added raw and fully cooked beef, pork, poultry and seafood items, tomato products, oils, toppings, snack foods and pasta products primarily for foodservice markets.

Major Brands: Lamb Weston®, Fernando's®, Casa de Oro®, Zoll Foods, ConAgra Signature Meats®, Swift®, Pierce®, Country Pride®, Singleton®, Meridian®, Hunt's®, Wesson®, Rosarita®, Peter Pan®, Swiss Miss®, Knott's Berry Farm®, PAM® and Chef Boyardee®.

DAIRY FOODS

Principal Activities: Production and marketing of branded cheeses, tablespreads, egg alternative products and dessert toppings for retail, foodservice and industrial markets.

Major Brands: Parkay®, Blue Bonnet®, Fleischmann's®, Move Over Butter®, Egg Beaters®, County Line®, Reddi-wip® and Treasure Cave®.



REFRIGERATED FOODS

- **Fiscal 2001 net sales were $13.2 billion, up 3%. Operating profit was $438 million, down versus last year, excluding restructuring charges in fiscal 2000.**
- **As part of a strategy to generate higher margins in this business segment, we are aggressively seeking opportunities to differentiate our meat offerings in the marketplace.**



ConAgra Foods' Refrigerated segment includes processed meats such as deli meats, hot dogs, sausages, as well as the fresh beef, fresh pork and fresh poultry businesses.

Dollars in Millions	2001	2000	1999
Net Sales	$13,212	$12,881	$11,882
Operating Profit	$438	$323	$11
Operating Profit, excluding restructuring charges	$438	$491	$369
Assets	$3,945	$3,666	$3,407



REFRIGERATED FOODS

Principal Activities: Production and marketing of fresh and branded processed meat and meat alternatives, beef and pork products, and chicken and turkey products for grocery, foodservice, institutional and special market customers.

Major Brands: Butterball®, Healthy Choice®, Armour®, Eckrich®, Swift Premium®, Decker®, Ready Crisp®, Cook's®, Hebrew National®, Monfort®, Country Pride®, To-Ricos®, Texas BBQ®, Brown 'N Serve®, Golden Star® and Lightlife®.





AGRICULTURAL PRODUCTS

- **Fiscal 2001 net sales were $5.3 billion, up 5%. Operating profit was down slightly compared to last year, excluding restructuring charges in fiscal 2000.**
- **Our Food Ingredients and Trade Group businesses grew profits last year, while United Agri Products profits were down compared to last year.**

Agricultural Products includes basic grain processing and merchandising, food ingredient processing and milling, as well as crop inputs and yield-enhancement services.



Dollars in Millions	2001	2000	1999
Net Sales	$5,300	$5,043	$5,567
Operating Profit	$281	$139	$268
Operating Profit, excluding restructuring charges	$281	$283	$311
Assets	$3,745	$3,152	$3,516

FOOD INGREDIENTS

Principal Activities: Manufacturing and distribution of a variety of ingredients to food and beverage processors.

Major Businesses: Flour milling, specialty food ingredients, vegetable processing, manufacturing, oat and corn milling, dry edible bean processing and merchandising, and barley malting.



UNITED AGRI PRODUCTS

Principal Activities: Distribution of crop inputs (seeds, fertilizer products, crop protection chemicals and information systems) in the United States, Argentina, Bolivia, Canada, Chile, Ecuador, France, Mexico, Peru, South Africa, Taiwan and the United Kingdom.

Major Brands: Clean Crop®, ACA®, Awaken®, mPower^{3TM} (eMerge®), Savage®, Shotgun®, Saber®, Starane, Signature™ and Loveland Industries.

TRADE GROUP

Principal Activities: Origination, marketing, merchandising and trading of agricultural and energy commodities and byproducts, as well as providing related risk management services.

Primary Commodities: Grain, oilseeds, livestock, edible beans, fertilizers, natural gas, electric power, crude oil and refined products.

NET SALES AND OPERATING PROFIT BY SEGMENT

Dollars in millions	**2001**	2000 Excluding Restructuring Plan Charges	2000 As Reported	1999 Excluding Restructuring Plan Charges	1999 As Reported	1998	1997
Packaged Foods							
Net Sales	**$ 8,681.7**	$ 7,610.9	$ 7,610.9	$ 7,395.3	$ 7,395.3	$ 7,192.5	$ 7,054.2
Percent of Total	**31.9%**	29.8%	29.8%	29.8%	29.8%	29.3%	28.9%
Operating Profit*	**$ 1,139.2**	$ 1,086.9	$ 777.4	$ 979.2	$ 940.2	$ 968.3	$ 884.4
Percent of Total	**61.3%**	58.4%	62.7%	59.0%	77.2%	62.2%	56.7%
Refrigerated Foods							
Net Sales	**$13,212.1**	$12,880.8	$12,880.8	$ 11,881.7	$ 11,881.7	$ 11,713.8	$ 11,769.4
Percent of Total	**48.6%**	50.4%	50.4%	47.8%	47.8%	47.7%	48.2%
Operating Profit*	**$ 437.8**	$ 490.9	$ 322.9	$ 369.2	$ 10.6	$ 230.1	$ 358.2
Percent of Total	**23.6%**	26.4%	26.1%	22.2%	0.9%	14.8%	23.0%
Agricultural Products							
Net Sales	**$ 5,300.4**	$ 5,042.9	$ 5,042.9	$ 5,567.4	$ 5,567.4	$ 5,638.3	$ 5,584.1
Percent of Total	**19.5%**	19.8%	19.8%	22.4%	22.4%	23.0%	22.9%
Operating Profit*	**$ 281.0**	$ 282.6	$ 138.7	$ 311.0	$ 267.8	$ 359.0	$ 316.7
Percent of Total	**15.1%**	15.2%	11.2%	18.8%	21.9%	23.0%	20.3%
Total							
Net Sales	**$ 27,194.2**	$25,534.6	$25,534.6	$24,844.4	$24,844.4	$24,544.6	$ 24,407.7
Operating Profit*	**1,858.0**	1,860.4	1,239.0	1,659.4	1,218.6	1,557.4	1,559.3
Interest expense	**423.3**	303.8	303.8	316.6	316.6	300.7	279.2
General corporate expense	**236.4**	254.2	254.2	197.0	197.0	163.4	178.6
Goodwill amortization	**94.2**	63.4	63.4	69.4	69.4	67.8	69.0
Income before income taxes and cumulative effect of changes in accounting	**$ 1,104.1**	$ 1,239.0	$ 617.6	$ 1,076.4	$ 635.6	$ 1,025.5	$ 1,032.5

* Operating profit is profit before interest expense, goodwill amortization, general corporate expense and income taxes.

Eleven-Year Results

Five-year results, shown first, include restatements to reflect acquisitions accounted for as poolings-of-interests in prior years. Eleven-year results are not restated to reflect acquisitions accounted for as poolings-of-interests in prior years.

Dollars in millions except per-share amounts	**2001***	2000	1999	1998	1997
		For the fiscal years ended May			
For the Year (restated for poolings-of-interests)					
Net sales	**$ 27,194.2**	$ 25,534.6	$ 24,844.4	$ 24,544.6	$ 24,407.7
Income before cumulative effect of changes in accounting	**$ 682.5**	$ 382.3 **	$ 330.2 ***	$ 632.3	$ 630.9
Net income	**$ 638.6**	$ 382.3 **	$ 330.2 ***	$ 617.5	$ 630.9
Basic earnings per share					
Income before cumulative effect of changes in accounting	**$ 1.33**	$ 0.80 **	$ 0.70 ***	$ 1.36	$ 1.35
Net income	**$ 1.24**	$ 0.80 **	$ 0.70 ***	$ 1.33	$ 1.35
Diluted earnings per share					
Income before cumulative effect of changes in accounting	**$ 1.33**	$ 0.80 **	$ 0.69 ***	$ 1.33	$ 1.32
Net income	**$ 1.24**	$ 0.80 **	$ 0.69 ***	$ 1.30	$ 1.32
Cash dividends declared per share of common stock	**$ 0.8785**	$ 0.7890	$ 0.6918	$ 0.6050	$ 0.5275
At Year End (restated for poolings-of-interests)					
Total assets	**$ 16,480.8**	$ 12,196.6	$ 12,081.5	$ 11,781.5	$ 11,440.3
Senior long-term debt (noncurrent)	**$ 3,359.5**	$ 1,816.8	$ 1,793.1	$ 1,753.5	$ 1,628.5
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

* On August 24, 2000, ConAgra Foods acquired International Home Foods.

** 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.

Dollars in millions except per-share amounts

For the Year (not restated for poolings-of-interests)
Net sales
Income before income taxes and cumulative effect of changes in accounting
Income before cumulative effect of changes in accounting
Net income
Basic earnings per share
Income before cumulative effect of changes in accounting
Net income
Diluted earnings per share
Income before cumulative effect of changes in accounting
Net income
Cash dividends declared per share of common stock
Market price per share of common stock
High
Low
Last
Weighted average shares outstanding – basic (in millions)
Weighted average shares outstanding – diluted (in millions)
Additions to property, plant and equipment, including acquisitions
Depreciation and amortization
At Year End (not restated for poolings-of-interests)
Total assets
Current assets
Current liabilities
Working capital
Property, plant and equipment, net
Capital investment
Senior long-term debt (noncurrent)
Subordinated long-term debt (noncurrent)
Preferred securities of subsidiary company
Redeemable preferred stock
Common stockholders' equity
Stockholders' equity
Common stockholders' equity per share

For the fiscal years ended May

2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
$27,194.2	$25,534.6	$24,844.4	$24,165.6	$23,964.6	$23,899.3	$23,425.8	$23,095.8	$21,194.3	$21,236.5	$19,528.3
$ 1,104.1	$ 617.6 *	$ 635.6 **	$ 1,005.6	$ 1,006.2	$ 408.6 ***	$ 825.9	$ 720.0	$ 631.4	$ 587.7	$ 515.2
$ 682.5	$ 382.3 *	$ 330.2 **	$ 618.5	$ 608.0	$ 188.9 ***	$ 495.6	$ 437.1	$ 391.5	$ 372.4	$ 311.2
$ 638.6	$ 382.3 *	$ 330.2 **	$ 603.7	$ 608.0	$ 188.9 ***	$ 495.6	$ 437.1	$ 270.3	$ 372.4	$ 311.2
$ 1.33	$ 0.80 *	$ 0.70 **	$ 1.37	$ 1.35	$ 0.40 ***	$ 1.04	$ 0.91	$ 0.80	$ 0.76	$ 0.72
$ 1.24	$ 0.80 *	$ 0.70 **	$ 1.34	$ 1.35	$ 0.40 ***	$ 1.04	$ 0.91	$ 0.54	$ 0.76	$ 0.72
$ 1.33	$ 0.80 *	$ 0.69 **	$ 1.34	$ 1.32	$ 0.39 ***	$ 1.02	$ 0.90	$ 0.79	$ 0.75	$ 0.71
$ 1.24	$ 0.80 *	$ 0.69 **	$ 1.31	$ 1.32	$ 0.39 ***	$ 1.02	$ 0.90	$ 0.53	$ 0.75	$ 0.71
$ 0.8785	$ 0.7890	$ 0.6918	$ 0.6050	$ 0.5275	$ 0.4600	$ 0.4013	$ 0.3475	$ 0.3000	$ 0.2600	$ 0.2225
$ 26.19	$ 28.13	$ 34.38	$ 38.75	$ 30.75	$ 23.57	$ 17.25	$ 14.69	$ 17.13	$ 18.13	$ 16.25
$ 17.50	$ 15.06	$ 22.56	$ 27.00	$ 20.69	$ 16.25	$ 14.13	$ 11.50	$ 11.38	$ 12.25	$ 9.84
$ 20.27	$ 22.94	$ 26.06	$ 29.25	$ 30.25	$ 21.00	$ 16.13	$ 14.25	$ 12.57	$ 12.94	$ 15.17
511.6	475.7	470.0	451.8	451.3	451.3	453.0	453.3	460.5	455.8	403.2
514.3	478.6	476.7	461.3	459.0	458.9	487.2	486.3	465.9	463.8	410.7
$ 890.0	$ 828.5	$ 763.2	$ 637.3	$ 729.4	$ 1,016.1	$ 557.2	$ 498.6	$ 392.7	$ 378.9	$ 1,159.9
592.9	536.5	499.8	446.3	413.8	407.9	375.8	368.4	348.7	319.3	250.8
$16,480.8	$12,196.6	$12,081.5	$11,675.8	$11,265.6	$11,196.6	$10,801.0	$10,721.8	$ 9,988.7	$ 9,758.7	$ 9,420.3
7,362.6	5,859.9	5,591.5	5,460.4	5,193.5	5,566.9	5,140.2	5,143.3	4,486.7	4,371.2	4,342.9
6,935.6	5,465.4	5,366.1	5,059.7	4,985.2	5,193.7	3,964.9	4,752.8	4,272.6	4,081.3	4,087.4
427.0	394.5	225.4	400.7	208.3	373.2	1,175.3	390.5	214.1	289.9	255.5
3,884.7	3,584.0	3,614.2	3,395.8	3,242.5	2,820.5	2,796.0	2,586.3	2,388.2	2,276.8	1,941.5
9,545.2	6,731.2	6,715.4	6,616.1	6,280.5	6,002.9	6,836.1	5,969.0	5,716.1	5,677.4	5,332.9
3,359.5	1,816.8	1,793.1	1,737.4	1,605.7	1,512.9	1,770.0	1,440.8	1,393.2	1,694.4	1,663.0
750.0	750.0	750.0	750.0	750.0	750.0	750.0	766.0	766.0	430.0	430.0
525.0	525.0	525.0	525.0	525.0	525.0	525.0	100.0	–	–	–
–	–	–	–	–	–	354.9	355.6	355.9	356.0	356.1
3,983.2	2,888.7	2,864.1	2,762.4	2,464.7	2,255.5	2,495.4	2,226.9	2,054.5	2,232.3	1,817.4
3,983.2	2,888.7	2,864.1	2,762.4	2,464.7	2,255.5	2,850.3	2,582.5	2,410.4	2,588.3	2,173.5
$ 7.60	$ 6.06	$ 6.08	$ 6.02	$ 5.48	$ 4.97	$ 5.52	$ 4.93	$ 4.51	$ 4.81	$ 4.34

* 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.

Per-share results reflect the following common stock splits: three-for-two in 1991 and two-for-one in 1997 (calendar years).

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 beginning on page 41. Years cited in this discussion refer to ConAgra Foods' fiscal years.

2001 vs. 2000

Business Segment Highlights

Dollars in millions	FY 2001 Net Sales		FY 2001 Operating Profit		
	$	% Change from FY 2000	$	% Change from FY 2000 excluding FY 2000 Restructuring Charges	% Change from FY 2000
Packaged Foods	$ 8,681.7	14%	$ 1,139.2	5%	47%
Refrigerated Foods	13,212.1	3%	437.8	(11%)	36%
Total Food Business	**21,893.8**	**7%**	**1,577.0**	**–**	**43%**
Agricultural Products	5,300.4	5%	281.0	(1%)	103%
ConAgra Foods Total	**$27,194.2**	**7%**	**$1,858.0**	**–**	**50%**

The business environment for the second half of fiscal 2001 reflected higher energy costs and a slowing economy. The company believes that both of these factors negatively impacted operating results for its three reporting segments in fiscal 2001.

Packaged Foods sales grew 14% for the fiscal year to reach $8,682 million, largely the result of the acquisition of brands including Chef Boyardee, Gulden's mustard, Bumble Bee tuna, Libby's, PAM and Louis Kemp from International Home Foods, Inc. (IHF) on August 24, 2000. The company invested significantly in numerous new and existing products in the shelf stable and frozen foods business units as part of its strategy to improve future sales growth. Changing inventory levels among its customer base resulted in slower orders, and therefore lower company sales, than would be expected given improved consumer purchasing trends for some key items during the year.

Packaged Foods sales were also impacted by growth for several key brands and product lines, most notably the company's foodservice-focused business unit which offers french fries, specialty meats, seafood and tortillas to this customer channel. The popcorn and meat snacks businesses were among the strongest performing large shelf-stable grocery operations for the year, posting significant sales gains. The company's frozen foods business unit posted an overall sales decline for the year, largely due to lower volumes of higher-priced products in the mix of products sold. Although numerous new frozen products were introduced in fiscal 2001, many of them had not reached a sufficient level of distribution early enough in the fiscal year to substantially benefit fiscal 2001 sales performance. The company's dairy operations, which include aerosol whipped topping, cheese, egg alternatives and tablespreads, posted a decline in sales reflecting the discontinuation of certain commodity cheese operations late in fiscal 2000 as well as a poor performance from its tablespreads business. The poor performance of the tablespreads business resulted from a highly competitive environment as well as unfavorable pricing of products in relation to butter for a large portion of the fiscal year.

Excluding brands acquired in the IHF acquisition, the major Packaged Foods retail brands which posted sales gains this fiscal year were Act II, Slim Jim, Swiss Miss, Reddi-wip and Egg Beaters, while Hunt's, Banquet, Marie Callender's, Healthy Choice, Wesson, Peter Pan, Blue Bonnet and Parkay posted sales declines.

Refrigerated Foods sales grew 3% for the year to reach $13,212 million, reflecting gains for the processed meat, fresh pork and fresh poultry operations. Processed meats sales reflect growth for large brands including Butterball, Armour, Eckrich, Cook's, Swift and Hebrew National. Sales for the segment's processed meats business grew partly in response to recently introduced new products, increased marketing support for new and existing products and distribution gains for some items. Fresh beef sales declined modestly compared to fiscal 2000, partly due to a loss of capacity from a fire which destroyed the Garden City, Kansas, processing facility during the fiscal year.

Agricultural Products sales increased 5% to $5,300 million for the year, reflecting sales gains for United Agri Products (UAP) and the ConAgra Trade Group. Sales for UAP were higher in fiscal 2001, despite an increasingly competitive environment. Sales for the ConAgra Trade Group largely reflect increased activity and volatility in some key trading sectors.

Other than IHF, the company made several small acquisitions and dispositions during fiscal 2001, the effect of which was negligible on the growth of total sales.

The company's cost of goods sold was $23,312 million for the fiscal year, compared to $22,183 million in fiscal 2000. Cost of goods sold for fiscal 2000 includes $223 million of restructuring-related charges. Gross profit (sales less cost of goods sold) for fiscal 2001 was 16% higher than that of fiscal 2000, and 9% higher excluding restructuring-related charges in fiscal 2000. Gross margin (gross profit as a percent of sales)

improved to 14.3%, primarily due to an improved mix of higher-margin products as a result of the acquisition of IHF, compared with 13.1% in fiscal 2000 and 14.0% in fiscal 2000 excluding restructuring charges. Higher energy and other input costs impeded gross margin growth, as did lower volumes of higher-margin products in the mix of products sold at UAP and the frozen foods business units.

Selling, general and administrative expenses (SG&A) increased 12% to $2,355 million for fiscal 2001, compared to $2,108 million in fiscal 2000. Excluding restructuring-related charges in fiscal 2000 of $76 million, SG&A expenses for fiscal 2001 increased 16% primarily as a result of the acquisition of IHF and substantially increased marketing investment. Advertising and promotion expense increased at a double-digit rate, reflecting the company's commitment to building for the future. SG&A expenses were 9% of sales during fiscal 2001, as compared to 8% for fiscal 2000.

Packaged Foods operating profit (earnings before interest, goodwill amortization, general corporate expense and income taxes) increased from $777 million in fiscal 2000 to $1,139 million in fiscal 2001, due primarily to restructuring and restructuring-related charges ("restructuring charges") recognized in fiscal 2000 which did not recur in fiscal 2001. Excluding restructuring charges of $310 million in fiscal 2000, operating profit grew 5%, largely the result of the acquisition of brands including Chef Boyardee, Gulden's mustard, Bumble Bee tuna, Libby's, PAM, Louis Kemp, and others early in the fiscal year. The company's introduction of and investment in many new products in the shelf-stable and frozen foods business units slowed the growth of the Packaged Foods profit for the year. Changing inventory levels among the company's customer base, which resulted in slower orders, also resulted in lower profits than would be expected given improved consumer purchasing trends for some key items during the year.

Packaged Foods profit results were also impacted by growth for several key brands and product lines, as described above in the discussion of Packaged Foods sales. The company's frozen foods business unit and the company's dairy operations posted overall profit declines for the year, for the reasons provided above in the discussion of Packaged Foods sales.

Refrigerated Foods operating profit increased from $323 million in fiscal 2000 to $438 million in fiscal 2001 due to restructuring charges recognized in fiscal 2000 which did not recur in fiscal 2001. Excluding restructuring charges of $168 million in fiscal 2000, operating profit decreased 11%, resulting in part from increased marketing support for new and existing products. In addition, higher input costs for the company's fresh beef and pork operations, and difficult industry conditions for the fresh poultry operations also contributed to the segment's operating profit decrease. Fiscal 2000 showed unusually strong profits for the company's fresh beef and pork operations during that year, making difficult comparisons in those business units for most of fiscal 2001.

Agricultural Products operating profit increased from $139 million in fiscal 2000 to $281 million in fiscal 2001 due to restructuring charges recognized in fiscal 2000 which did not recur in fiscal 2001. Excluding restructuring charges of $144 million in fiscal 2000, operating profit declined 1%, despite profit gains for ConAgra Food Ingredients and the ConAgra Trade Group. Overall segment profitability declined due to lower profits for UAP, which was negatively impacted by lower volumes of higher-margin orders in the mix of customer orders and expansion-related overhead.

The company's total operating profit for fiscal 2001 was $1,858 million as compared to $1,239 million in fiscal 2000. Excluding restructuring charges of $621 million in fiscal 2000, operating profit in fiscal 2001 was essentially flat compared to fiscal 2000.

During fiscal 2001, the company achieved $180 million of pre-tax cost savings as a result of the restructuring plan undertaken in fiscal 1999 and 2000. These cost savings, positively impacting the company's cost of goods sold and selling, general and administrative expenses, were more than offset by increased marketing expense, increased energy costs and weakness in operating results for some of the company's businesses.

For fiscal 2001, interest expense was $423 million, an increase of 39% over fiscal 2000 amounts, primarily due to financing required for the acquisition of IHF as well as greater working capital requirements. Also as a result of the acquisition of IHF, amortization of intangibles grew to $130 million in fiscal 2001 compared to $80 million in fiscal 2000.

Income before income taxes and cumulative effect of changes in accounting was $1,104 million in fiscal 2001 as compared to $618 million in fiscal 2000. Excluding fiscal 2000 restructuring charges of $621 million, income before income taxes and cumulative effect of changes in accounting declined 11%. The cumulative effect of changes in accounting for fiscal 2001 was a $44 million after-tax charge resulting from the company's changes in accounting for revenue recognition relating to the shipping terms for certain of its product sales, recognition of sales incentives granted to retailers and recognition of consumer sales incentives. The effective tax rate for fiscal 2001 and fiscal 2000 was approximately 38%.

Fiscal 2001 income before cumulative effect of changes in accounting was $683 million, or $1.33 per diluted share, compared to fiscal 2000 diluted earnings per share of $.80 ($1.60 per diluted share excluding restructuring charges). Fiscal 2001 net income was $639 million, or $1.24 per diluted share, compared with diluted earnings per share of $.80 in fiscal 2000, and diluted earnings per share of $1.60 excluding restructuring charges.

On June 22, 2001, the company filed an amended annual report on Form 10-K for the fiscal year ended May 28, 2000. The filing includes restated financial information for fiscal years 1997, 1998, 1999 and 2000. The restatement, due to accounting and conduct matters at its United Agri Products, Inc. subsidiary, was based upon an investigation undertaken by the company and the Audit Committee of its Board of Directors. That investigation, and an informal inquiry by the staff of the Securities and Exchange Commission, are continuing. The restatement was principally related to revenue recognition for deferred delivery sales and vendor rebates, advance vendor rebates and bad debt reserves.

2000 vs. 1999

In 1999, ConAgra Foods announced Operation Overdrive, a series of initiatives designed to accelerate growth in sales and profit by aligning the company'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 of the company's business segments in 2000, most notably through cost savings and efficiency gains. A portion of the cost savings associated with Operation Overdrive has been reinvested, as planned, in ConAgra Foods' marketing programs in an effort to build for the future. ConAgra Foods expects this trend of increased marketing investment to continue in the foreseeable future.

Business Segment Highlights

Dollars in millions	FY 2000 Net Sales		FY 2000 Operating Profit Excluding Restructuring Charges		FY 2000 Operating Profit	
Segment	$	% Change From FY 1999	$	% Change From FY 1999	$	% Change From FY 1999
Packaged Foods	$ 7,610.9	3%	$ 1,086.9	11%	$ 777.4	(17%)
Refrigerated Foods	12,880.8	8%	490.9	33%	322.9	2,946%
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 Foods 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 the segment's french fry and specialty meat operations, both of which focus on the foodservice channel. Sales growth was also impacted by gains for the company's shelf-stable grocery snack products, including Slim Jim, Orville Redenbacher's, Act II and Hunt's Snack Pack, as well as some of the company's significant frozen foods brands, specifically Banquet and Marie Callender's. Segment sales growth was slowed by declines for Wesson, Healthy Choice and commodity cheese operations. Sales declines for commodity cheese were expected as ConAgra Foods divested commodity cheese assets during the fiscal year.

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 improved the segment's sales growth, as did the company's increased emphasis on value-added products and increased marketing investment. The best-performing brands for 2000 in the segment'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 UAP, the segment's largest sales contributor, were essentially flat for the year.

ConAgra Foods' 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, improved sales of higher-margin products, more efficient processes, and favorable industry conditions for the beef operations. Although all of the company's business segments reported an increase in gross margin, fresh beef and pork operations experienced the largest 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 Foods' gross margin has steadily grown over the last few years, reflecting improved sales of higher-margin products 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 the company's commitment to building for the future. SG&A expenses were 8% of sales during 2000, unchanged compared to 1999.

Packaged Foods operating profit for 2000 decreased 17% to $777 million due to increased restructuring and restructuring-related charges compared to fiscal 1999. Excluding restructuring and restructuring-related charges ("restructuring charges"), operating profit grew 11% to $1,087 million as the segment'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 commodity cheese operations slowed the rate of overall segment operating profit growth. In addition to sales gains and improved sales of higher-margin products, 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 charges. Excluding restructuring 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 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 charges. Excluding restructuring 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 UAP and the company's grain processing business increased for the year, primarily due to operating improvements.

ConAgra Foods' total operating profit for 2000 grew 2% to $1,239 million. Excluding restructuring charges, operating profit grew 12% to $1,860 million.

As part of Operation Overdrive, the company implemented restructuring initiatives that resulted in pre-tax total charges of $621 million and $441 million during 2000 and 1999, respectively. These restructuring initiatives were part of the company'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 Foods accelerated the implementation of the restructuring plan. Accordingly, ConAgra Foods incurred the final charges associated with its restructuring plan during 2000, thus completing its restructuring plan in 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 Foods' cost of goods sold and selling, general and administrative expenses 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 Foods' consolidated statements of earnings.

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 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 Agricultural Products segment. The $441 million charge is classified as restructuring and impairment charges in ConAgra Foods' 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. In addition, 31 production facilities were closed, 106 non-production facilities were closed, and 18 non-core businesses were divested.

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 income taxes declined 3% to $618 million in 2000 as a result of increased restructuring charges. Excluding restructuring charges, income before income taxes grew 15% to $1,239 million. The effective tax rate for 2000 was 38% both before and after the impact of restructuring 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.

Financial Condition and Cash Flow

Acquisition of International Home Foods—Management's discussion and analysis of the company's financial condition and cash flow for fiscal 2001 reflects the acquisition of IHF, which was completed on August 24, 2000. In this transaction, the company assumed approximately $1.1 billion of IHF debt, paid approximately $875 million in cash, which was financed with short-term credit facilities, and issued company common stock valued at approximately $850 million for a total purchase price of approximately $2.8 billion.

Capital Resources—The company'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	**2001**	2000	% Change
Working capital	**$ 427.0**	$ 394.5	8%
Property, plant and equipment, net	**3,884.7**	3,584.0	8%
Intangible assets, net	**4,840.2**	2,366.0	105%
Other noncurrent assets	**393.3**	386.7	2%
Total noncurrent assets	**9,118.2**	6,336.7	44%
Capital investment	**$ 9,545.2**	$ 6,731.2	42%

During 2001, capital investment increased $2.8 billion, or 42%, primarily as a result of the acquisition of IHF. Investments in property, plant and equipment, including acquisitions, totaled $890 million. The investments were offset by $462 million of depreciation expense and net asset retirements of $127 million.

Intangible assets are primarily brands and goodwill related to acquisitions. The brands represent valuable assets with significant marketplace acceptance. Intangible asset amortization was $130 million in 2001 and $80 million in 2000.

The company financed its capital investment as shown in the following table:

Capitalization

Dollars in millions	**2001**	2000	% Change
Senior long-term debt	**$ 3,359.5**	$ 1,816.8	85%
Other noncurrent liabilities	**927.5**	750.7	24%
Subordinated long-term debt	**750.0**	750.0	–
Subsidiary's preferred securities	**525.0**	525.0	–
Common stockholders' equity	**3,983.2**	2,888.7	38%
Total capitalization	**$ 9,545.2**	$ 6,731.2	42%

On September 15, 2000, the company issued $1.65 billion of senior notes, comprised of $600 million of 7.5% senior notes, due September 15, 2005, $750 million of 7.875% senior notes, due September 15,

2010, and $300 million of 8.25% senior notes, due September 15, 2030. The net proceeds were used to reduce outstanding borrowings under short-term credit facilities used, and the senior secured notes assumed, as part of the IHF acquisition.

Other noncurrent liabilities increased $177 million primarily as a result of the acquisition of IHF. Other noncurrent liabilities consist of postretirement health care and pension benefits, and, to a lesser extent, reserves for estimated legal and environmental liabilities Beatrice Company incurred before its acquisition by ConAgra Foods, and deferred income taxes. 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 Foods believes reserves are adequate.

The company considers purchasing shares of its common stock on the open market 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 2001, ConAgra Foods made no purchases of its common stock on the open market. Common stockholders' equity increased $1.1 billion in 2001 primarily 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 $125 million in 2001, compared to $691 million in 2000. The decrease in 2001 versus 2000 was primarily the result of lower net income (excluding non-cash restructuring charges recognized in fiscal 2000), higher receivables and inventory in the Agricultural Products and Packaged Foods reporting segments, and lower advances on sales in the Agricultural Products reporting segment. These changes were offset, in part, by higher accounts payable and accrued expenses, mainly in the Agricultural Products and Packaged Foods reporting segments. Depreciation and amortization increased $56 million in 2001 as compared to 2000, primarily as a result of the IHF acquisition.

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 amortization increased $37 million in 2000 as compared to 1999.

Cash used for investing activities was $1,568 million in 2001. The company invested $560 million in property, plant and equipment, and its investment in businesses acquired, net of disposals, totaled $982 million in 2001. This was primarily a result of the acquisition of IHF.

Cash used for investing activities was $811 million in 2000. ConAgra Foods 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 Foods 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 2002, the company expects to invest $525 million to $550 million in additions to property, plant and equipment of present businesses. Capital projects in 2001 and planned for 2002 are broadly based investments in modernization, efficiency and capacity expansion.

Cash provided by financing activities in 2001 was $1,484 million. The company increased short-term borrowings $1,422 million and long-term borrowings $1,664 million, largely as a result of the IHF acquisition. In 2001, the company repaid approximately $1,114 million of debt related to the IHF acquisition. The dividend rate per share was up 11% in 2001 over the prior year, and the remaining increase in cash dividends paid was caused by a larger number of shares outstanding, primarily issued for the IHF acquisition. No shares were repurchased in 2001.

Cash provided by financing activities in 2000 was $215 million. ConAgra Foods increased short-term borrowings $403 million and accounts receivable sold by $165 million. Cash dividends paid totaled $375 million, up 20% due to the dividend rate per share being up 14% in 2000 over the prior year and an increase of shares outstanding, mainly issued for acquisitions. No shares were repurchased in 2000.

Cash used for financing activities in 1999 was $215 million. The company issued $595 million of senior notes. Long-term debt repayments totaled $70 million in 1999, and ConAgra Foods 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 per share 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.

Financing Objectives—The company's primary financing objective is to maintain a conservative balance sheet that provides the flexibility to pursue its 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.

The company will generally maintain a current ratio greater than 1.0, which will result in current assets being greater than current liabilities. On occasion, the company has the opportunity to lock in attractive costs of long-term debt. If the company refinances short-term debt into long-term debt, long-term debt as a percent of total capital will increase, and there will be a corresponding improvement in the current ratio.

The company normally utilizes senior long-term debt at a rate not exceeding 30% of total capital. In addition to long-term debt, the company utilizes short-term debt to finance working capital requirements.

ConAgra Foods' policy has been to temporarily exceed the self-imposed 30% limit for a major strategic purpose that is intended to create value for shareholders. In management's view, the fiscal 2001 acquisition of IHF, which substantially increased the company's earnings potential and its debt level, represented such an opportunity. The company also considers it appropriate to exceed the 30% limit in the case of refinancing short-term debt into long-term debt, provided that long-term rates are such that it is advantageous for the company to structure its financing in that manner. In the event of a large acquisition or specific financing opportunity, the company expects senior long-term debt to be no more than 50% of total capital.

ConAgra Foods has access to a wide variety of financing markets. Public debt offerings and private debt placements provide long-term financing. At the end of 2001, ConAgra Foods' 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 2001, short-term borrowings continued at interest rates below the prime rate. Short-term debt averaged $3.4 billion in 2001 compared to $2.7 billion in 2000, excluding short-term borrowings classified as long-term. Higher working capital requirements for most of the year, due in part to the IHF acquisition, caused the increase in short-term debt. The company uses cancelable and noncancelable leases in its financing activities, particularly for transportation equipment. In 2001, cancelable lease expense was $167 million versus $189 million in 2000, and noncancelable lease expense was $120 million versus $97 million in 2000.

To maintain a conservative financial position, ConAgra Foods focuses on cash flow as well as its balance sheet. The company's plans generate 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 the company's leverage.

Asset Liquidity—Many of the company's businesses are current asset intensive. Inventory and accounts receivable were 1.7 and 1.5 times net property, plant and equipment at the end of 2001 and 2000, respectively. The seasonal nature and liquidity of the company's current asset investments result in significant use of short-term debt. From time to time, ConAgra Foods also obtains product financing for certain commodity inventories, classified as advances on sales, in the Consolidated Balance Sheets.

The company's current ratio (current assets divided by current liabilities) was 1.06 to 1 at the end of 2001 and 1.07 to 1 at the end of 2000. ConAgra Foods' consolidated current ratio is a composite of various current ratios appropriate for its individual businesses. The company focuses more on appropriate use of short-term debt and trade credit financing than on the absolute level of its current ratio. Some of the company's businesses are able to generate substantial trade credit that does not result in financing costs.

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

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

Commodities are subject to price fluctuations that may create price risk. Generally, it is the company's intent to hedge commodities in order to mitigate this price risk. While this may tend to limit the company'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 Foods has established policies that limit the amount of unhedged inventory positions permissible for its operating companies. Each operating company is limited to a dollar risk exposure, which is monitored to ensure compliance.

ConAgra Foods 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, the company 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 commodity instrument. The particular hedging instrument used by ConAgra Foods depends on a number of factors, including availability of appropriate derivative instruments. ConAgra Foods utilizes exchange-traded futures and options as well as non-exchange-traded derivatives, in which case the company monitors the amount of associated counterparty 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 the company'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

Dollars in millions	**2001**	2000
Processing Businesses		
Grains/Food		
High	**$ 60.1**	$ 38.0
Low	**28.6**	24.3
Average	**41.3**	30.2
Meats		
High	**90.9**	49.5
Low	**5.0**	22.8
Average	**30.4**	34.5
Trading Businesses		
Grains		
High	**32.3**	18.6
Low	**12.4**	11.1
Average	**19.2**	15.7
Meats		
High	**14.7**	7.6
Low	**0.3**	1.2
Average	**5.1**	3.1

Energy—ConAgra Foods' operating companies incur substantial energy costs in their manufacturing facilities and incur higher operating expenses as a result of increases in energy costs. The company takes positions in commodities used in its operations to partially offset adverse price movements in energy costs, primarily natural gas and electricity. In addition, ConAgra Foods' 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 Foods monitors the amount of associated counterparty 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

Dollars in millions	**2001**	2000
Energy		
High	**$ 7.9**	$ 5.6
Low	**0.7**	0.2
Average	**2.7**	2.0

Interest Rates—ConAgra Foods has used interest rate swaps to hedge adverse interest rate changes on a portion of its short-term debt. The company did not enter into any interest rate swaps in fiscal 2001. During 2000 these swaps effectively changed the interest rate on a portion of short-term debt from a variable rate to a fixed rate, thus reducing the company's exposure to interest rate risk. The average short-term debt covered by swaps was $380 million for 2000. A one hundred basis-point change in interest rates on average short-term borrowings would have impacted net interest expense by $24.7 million for 2000.

Foreign Operations—Transactions denominated in a currency other than an entity's functional currency are generally hedged to reduce market risk. ConAgra Foods principally uses non-exchange-traded contracts to effect this coverage. Market risk on such transactions is not material to the company's results of operations or financial position. ConAgra Foods' 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 the fourth quarter of fiscal 2001, in connection with the company's assessment of the guidance in Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition in Financial Statements*, and its consideration of recent Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) issues, the

company changed its methods of accounting for revenue recognition relating to the shipping terms for certain of its product sales, recognition of sales incentives granted to retailers and recognition of consumer sales incentives.

The company's method of accounting for revenue recognition, relating to the shipping terms for certain of its product sales, was changed from recognition when title and risk of loss to finished product passed upon shipment to customers, to recognition of revenue for these sales when title and risk of loss transfer to customers upon delivery. Previously, the company had recognized revenue in accordance with its interpretation of Statement of Financial Accounting Concepts No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises.*

The company's method of accounting for sales incentives provided to retailers was changed from recognition of expense over the period of expected future benefit, to recognition of the costs at the later of the date the related sale is recorded or the sales incentive is offered to the retailer.

The company's method of accounting for coupons and related consumer sales incentives was changed from recognition of expense over the expected redemption period of the sales incentive, to recognition of the costs as a reduction in net sales at the later of the date the related sale is recorded or the sales incentive is offered.

Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, is effective for the company in the first quarter of fiscal 2002. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivatives embedded in other contracts, and for hedging activities. Under SFAS No. 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. The standard requires that all derivatives be recorded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded in earnings or other comprehensive income, depending on whether the derivative is designated as part of a hedge transaction and, if so designated, the type of hedge transaction. The company estimates the adoption impact of this new standard will be a reduction of net income of $2 million and a reduction of other comprehensive income of $25 million in the company's first quarter of fiscal 2002. The adoption impact of the standard will be presented as a cumulative effect of change in accounting principle. Subsequent to adoption in fiscal 2002, the impact of the standard on the company's results will depend on the fair values of the company's derivatives and may result in increased volatility in the company's reported earnings.

Recently Issued Accounting Pronouncements

In accordance with the guidance provided in EITF 00-25, *Accounting for Consideration from a Vendor to a Retailer in Connection with the Purchase or Promotion of the Vendor's Products*, beginning in the first quarter of fiscal 2002, the company will classify the costs associated with sales incentives provided to retailers as a reduction in net sales. These costs are currently included in selling, general and administrative expenses. This reclassification will have no impact on reported income before income taxes and cumulative effect of changes in accounting, net income or income-per-share amounts.

In June 2001, the FASB approved the issuance of SFAS No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*. These standards, issued in July 2001, establish accounting and reporting for business combinations. SFAS No. 141 requires all business combinations entered into subsequent to June 30, 2001, to be accounted for using the purchase method of accounting. SFAS No. 142 provides that goodwill and other intangible assets with indefinite lives will not be amortized, but will be tested for impairment on an annual basis. These standards are effective for fiscal years beginning after December 15, 2001; however, early adoption is permitted. The company has not yet determined when it will adopt these standards. The company also has not quantified the impact resulting from the adoption of these standards.

Forward-Looking Statements

This report contains forward-looking statements in the Letter to Shareholders, business description and review sections, and Management's Discussion and Analysis 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.

CONSOLIDATED STATEMENTS OF EARNINGS

ConAgra Foods, Inc. and Subsidiaries

Dollars in millions except per-share amounts	For the fiscal years ended May 2001	2000	1999
Net sales	**$ 27,194.2**	$ 25,534.6	$24,844.4
Costs and expenses			
Cost of goods sold*	**23,311.7**	22,182.9	21,540.5
Selling, general and administrative expenses*	**2,355.1**	2,108.1	1,910.9
Interest expense	**423.3**	303.8	316.6
Restructuring/Impairment charges	**–**	322.2	440.8
	26,090.1	24,917.0	24,208.8
Income before income taxes and cumulative effect of changes in accounting	**1,104.1**	617.6	635.6
Income taxes	**421.6**	235.3	305.4
Income before cumulative effect of changes in accounting	**682.5**	382.3	330.2
Cumulative effect of changes in accounting	**(43.9)**	–	–
Net income	**$ 638.6**	**$ 382.3**	**$ 330.2**
Income per share – basic			
Income before cumulative effect of changes in accounting	**$ 1.33**	$ .80	$ .70
Cumulative effect of changes in accounting	**(.09)**	–	–
Net income	**$ 1.24**	**$ .80**	**$ .70**
Income per share – diluted			
Income before cumulative effect of changes in accounting	**$ 1.33**	$ .80	$ .69
Cumulative effect of changes in accounting	**(.09)**	–	–
Net income	**$ 1.24**	**$ .80**	**$ .69**

* 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.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

ConAgra Foods, Inc. and Subsidiaries

Dollars in millions	For the fiscal years ended May 2001	2000	1999
Net income	**$ 638.6**	**$ 382.3**	**$ 330.2**
Other comprehensive income (loss)			
Foreign currency translation adjustment	**(17.6)**	(37.2)	1.7
Comprehensive income	**$ 621.0**	**$ 345.1**	**$ 331.9**

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

CONSOLIDATED BALANCE SHEETS

ConAgra Foods, Inc. and Subsidiaries

Dollars in millions	May 27 2001	May 28 2000
Assets		
Current assets		
Cash and cash equivalents	**$ 198.1**	$ 157.6
Receivables, less allowance for doubtful accounts of $100.5 and $62.8	**1,605.4**	1,241.5
Inventories	**5,071.4**	4,056.0
Prepaid expenses	**487.7**	404.8
Total current assets	**7,362.6**	5,859.9
Property, plant and equipment		
Land	**125.4**	147.1
Buildings, machinery and equipment	**5,776.9**	5,430.3
Other fixed assets	**640.3**	537.0
Construction in progress	**308.5**	327.4
	6,851.1	6,441.8
Less accumulated depreciation	**(2,966.4)**	(2,857.8)
Property, plant and equipment, net	**3,884.7**	3,584.0
Brands, trademarks and goodwill, at cost less accumulated amortization of $878.7 and $748.3	**4,840.2**	2,366.0
Other assets	**393.3**	386.7
	$16,480.8	$12,196.6
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable	**$ 2,677.1**	$ 1,255.5
Current installments of long-term debt	**123.1**	20.6
Accounts payable	**2,289.8**	2,042.5
Advances on sales	**349.0**	912.7
Accrued payroll	**249.7**	258.9
Other accrued liabilities	**1,246.9**	975.2
Total current liabilities	**6,935.6**	5,465.4
Senior long-term debt, excluding current installments	**3,359.5**	1,816.8
Other noncurrent liabilities	**927.5**	750.7
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 565,337,949 and 524,137,617	**2,826.7**	2,620.7
Additional paid-in capital	**682.5**	147.5
Retained earnings	**1,534.8**	1,345.3
Accumulated other comprehensive income	**(120.7)**	(103.1)
Less treasury stock, at cost, common shares of 28,270,610 and 31,925,505	**(672.9)**	(760.2)
	4,250.4	3,250.2
Less unearned restricted stock and value of 12,787,862 and 15,246,068 common shares held in Employee Equity Fund	**(267.2)**	(361.5)
Total common stockholders' equity	**3,983.2**	2,888.7
	$16,480.8	$12,196.6

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

CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY

ConAgra Foods, Inc. and Subsidiaries

	For the fiscal years ended May							
Columnar amounts in millions	Common Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	EEF* Stock and Other	Total
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				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				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**
Shares issued								
Stock option and incentive plans	.2	.9	.8			89.0		90.7
EEF*: stock option, incentive and other employee benefit plans			(54.2)				32.2	(22.0)
Fair market valuation of EEF shares			(54.7)				54.7	–
Acquisitions	41.0	205.1	643.2					848.3
Shares acquired for incentive plans			(.1)	.1		(1.7)	7.4	5.7
Foreign currency translation adjustment					(17.6)			(17.6)
Dividends declared								
Common stock, $.879 per share				(449.2)				(449.2)
Net income				638.6				638.6
Balance at May 27, 2001	**565.3**	**$ 2,826.7**	**$ 682.5**	**$ 1,534.8**	**$ (120.7)**	**$ (672.9)**	**$ (267.2)**	**$ 3,983.2**

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

* Employee Equity Fund (Note 12)

CONSOLIDATED STATEMENTS OF CASH FLOWS

ConAgra Foods, Inc. and Subsidiaries

	For the fiscal years ended May		
Dollars in millions	**2001**	2000	1999
Cash flows from operating activities			
Net income	**$ 638.6**	$ 382.3	$ 330.2
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and other amortization	**498.7**	473.1	430.4
Goodwill amortization	**94.2**	63.4	69.4
Restructuring and other restructuring-related charges (including accelerated depreciation)	**–**	621.4	440.8
Cumulative effect of changes in accounting	**43.9**	–	–
Other noncash items (includes nonpension postretirement benefits)	**175.5**	49.9	87.8
Change in assets and liabilities before effects from business combinations			
Receivables	**(410.8)**	69.9	(176.9)
Inventories and prepaid expenses	**(597.3)**	(325.3)	(149.5)
Accounts payable and accrued liabilities	**(318.2)**	(643.7)	147.3
Net cash flows from operating activities	**124.6**	**691.0**	**1,179.5**
Cash flows from investing activities			
Additions to property, plant and equipment	**(559.7)**	(539.3)	(662.3)
Payment for business acquisitions	**(1,107.2)**	(390.1)	(421.9)
Sale of businesses and property, plant and equipment	**125.3**	154.6	48.5
Notes receivable and other items	**(26.5)**	(36.6)	25.5
Net cash flows from investing activities	**(1,568.1)**	**(811.4)**	**(1,010.2)**
Cash flows from financing activities			
Net short-term borrowings	**1,421.5**	402.7	(22.7)
Proceeds from issuance of long-term debt	**1,663.7**	33.1	595.2
Repayment of long-term debt	**(21.7)**	(32.6)	(602.5)
Changes in amounts sold under the accounts receivable securitization, net	**(77.0)**	165.0	125.5
Cash dividends paid	**(452.4)**	(375.0)	(312.4)
Repayment of acquired company's debt	**(1,114.3)**	–	–
Other items	**64.2**	22.0	2.0
Net cash flows from financing activities	**1,484.0**	**215.2**	**(214.9)**
Net increase (decrease) in cash and cash equivalents	**40.5**	94.8	(45.6)
Cash and cash equivalents at beginning of year	**157.6**	62.8	108.4
Cash and cash equivalents at end of year	**$ 198.1**	**$ 157.6**	**$ 62.8**

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

Years ended May 27, 2001, May 28, 2000, and May 30, 1999
Columnar amounts in millions except per-share amounts

1. Summary of Significant Accounting Policies

Fiscal Year – The fiscal year of ConAgra Foods, Inc. ("ConAgra Foods" or the "company") ends the last Sunday in May. The fiscal years for the consolidated financial statements presented consist of 52-week periods for fiscal years 2001, 2000 and 1999.

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.

Long-Lived Assets and Intangible Assets – 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

Goodwill, brands and trademarks are amortized using the straight-line method, principally over a period of 40 years.

The company assesses the recoverability of long-lived assets and associated goodwill, as well as certain identifiable intangibles, whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. The company considers continued operating losses, or significant and long-term changes in business conditions, to be its primary indicators of potential impairment. When future undiscounted cash flows of assets are estimated to be insufficient to recover their related carrying value, an impairment loss is recognized based on the difference between the fair value and carrying value of the assets.

Recoverability of goodwill not associated with long-lived assets is evaluated based on 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.

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 marked-to-market and the related gains or losses are 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 carrying value of financial instruments approximates their fair value.

Revenue Recognition – Revenue is recognized when title and risk of loss are transferred to customers upon delivery based on terms of sale. 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 $278.6 million, $148.0 million and $147.3 million for fiscal 2001, 2000 and 1999, respectively.

Sales and cost of sales, if reported on a gross basis for these activities, would be increased by $12.0 billion, $7.7 billion and $4.9 billion for fiscal 2001, 2000 and 1999, respectively.

Comprehensive Income – Comprehensive income for all periods presented consists of net income and foreign currency translation adjustments. ConAgra Foods 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 the fourth quarter of fiscal 2001, in connection with the company's assessment of the guidance in Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition in Financial Statements*, and its consideration of recent Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) issues, the company changed its methods of accounting for revenue recognition relating to the shipping terms for certain of its product sales, recognition of sales incentives granted to retailers and recognition of consumer sales incentives.

The company's method of accounting for revenue recognition, relating to the shipping terms for certain of its product sales, was changed from recognition when title and risk of loss to finished product passed upon shipment to customers, to recognition of revenue for these sales when title and risk of loss transfer to customers upon delivery. Previously, the company had recognized revenue in accordance with its interpretation of Statement of Financial Accounting Concepts No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises.*

The company's method of accounting for sales incentives provided to retailers was changed from recognition of expense over the period of expected future benefit to recognition of the costs at the later of the date the related sale is recorded or the sales incentive is offered to the retailer.

The company's method of accounting for coupons and related consumer sales incentives was changed from recognition of expense over the expected redemption period of the sales incentive to recognition of the costs as a reduction in net sales at the later of the date the related sale is recorded or the sales incentive is offered. The effect of the changes in accounting for revenue recognition, recognition of sales incentives granted to retailers and recognition of consumer sales incentives is described in Note 3.

Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, is effective for the company in the first quarter of fiscal 2002. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivatives embedded in other contracts, and for hedging activities. Under SFAS No. 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. The standard requires that all derivatives be recorded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded in earnings or other comprehensive income, depending on whether the derivative is designated as part of a hedge transaction and, if so designated, the type of hedge transaction. The company estimates the adoption impact of this new standard will be a reduction of net income of $2 million and a reduction of other comprehensive income of $25 million. The adoption impact of the standard will be presented as a cumulative effect of change in accounting principle. Subsequent to adoption in fiscal 2002, the impact of the standard on the company's results will depend on the fair values of the company's derivatives and may result in increased volatility in the company's reported earnings.

Recently Issued Accounting Pronouncements – In accordance with the guidance provided in EITF 00-25, *Accounting for Consideration from a Vendor to a Retailer in Connection with the Purchase or Promotion of the Vendor's Products*, beginning in the first quarter of fiscal 2002, the company will classify the costs associated with sales incentives provided to retailers as a reduction in net sales. These costs are currently included in selling, general and administrative expenses. This reclassification will have no impact on reported income before income taxes and cumulative effect of changes in accounting, net income or income per share amounts.

In June 2001, the FASB approved the issuance of SFAS No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets.* These standards, issued in July 2001, establish accounting and reporting for business combinations. SFAS No. 141 requires all business combinations entered into subsequent to June 30, 2001, to be accounted for using the purchase method of accounting. SFAS No. 142 provides that goodwill and other intangible assets with indefinite lives will not be amortized, but will be tested for impairment on an annual basis. These standards are effective for fiscal years beginning after December 15, 2001; however, early adoption is permitted. The company has not yet determined when it will adopt these standards. The company also has not quantified the impact resulting from the adoption of these standards.

Use of Estimates – Preparation of financial statements in conformity with generally accepted accounting principles requires management to

make estimates and assumptions. These estimates and assumptions affect reported amounts of assets, liabilities, revenue and expenses as reflected in the financial statements. Actual results could differ from estimates.

Reclassifications – Certain reclassifications have been made to prior year amounts to conform to current year classifications. 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 in net sales.

2. Business Combinations

On August 24, 2000, the company acquired all of the outstanding shares of common stock and stock options of International Home Foods (IHF) in a transaction accounted for as a purchase business combination. IHF is a manufacturer, distributor and marketer of food products with brands such as Chef Boyardee, Gulden's mustard, Bumble Bee tuna, Libby's, PAM, Louis Kemp and others. As part of the acquisition, the company issued approximately 41 million shares of company common stock and assumed options to acquire approximately 5 million post-acquisition shares of company common stock, having an aggregate fair value of approximately $850 million. In addition, the company paid approximately $875 million in cash to the IHF shareholders and assumed approximately $1.1 billion of debt.

The company has preliminarily allocated the excess of the purchase price over the net assets acquired to brands, trademarks and goodwill. The purchase price allocation will be completed upon finalization of asset and liability valuations. In connection with this acquisition, the company expects to consolidate certain facilities and will include the associated costs as part of the purchase price allocation. The costs assigned to intangible assets arising from the transaction are being amortized on a straight-line basis over a period not exceeding 40 years.

On September 15, 2000, the company issued $1.65 billion of senior notes, comprised of $600 million of 7.5% senior notes, due September 15, 2005, $750 million of 7.875% senior notes, due September 15, 2010, and $300 million of 8.25% senior notes, due September 15, 2030. The net proceeds were used to reduce outstanding borrowings under short-term credit facilities accessed to finance a portion of the IHF acquisition. The short-term credit facilities had maturities with less than six months and carried interest rates between 6.7% and 6.8% per annum. In addition, as part of the IHF acquisition, the company assumed $385 million of IHF 10.375% senior secured notes due in 2006 and redeemed the notes on October 6, 2000.

The company's unaudited pro forma results of operations for the fiscal years ended May 27, 2001, and May 28, 2000, assuming the acquisition of IHF occurred as of the beginning of the periods presented are as follows:

	2001	2000
Net sales	**$ 27,632.3**	$ 27,368.7
Income before cumulative effect of changes in accounting	**690.3**	397.8
Net income	**646.4**	397.8
Income before cumulative effect of changes in accounting per share – diluted	**$ 1.31**	$ .76
Net income per share – diluted	**$ 1.23**	$ .76

The pro forma results above are not necessarily indicative of the operating results that would have actually occured if the acquisition had been in effect on the dates indicated, nor is it necessarily indicative of future operating results of the combined companies.

In the third quarter of fiscal 2000, ConAgra Foods 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.

In the first quarter of fiscal 1999, ConAgra Foods 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.

3. Changes In Accounting Policy

As indicated in Note 1, in the fourth quarter of fiscal 2001 the company changed its methods of accounting for revenue recognition relating to the shipping terms for certain of its product sales, recognition of sales incentives granted to retailers and recognition of consumer sales incentives effective the beginning of fiscal 2001.

The individual components of the cumulative effect of changes in accounting, net of tax, as of the beginning of fiscal 2001 are as follows:

Revenue recognition – shipping terms	$ 15.6
Retailer sales incentives	17.5
Consumer sales incentives	10.8
	$ 43.9

The $43.9 million cumulative effect of the changes in accounting for prior years (after reduction for income taxes of $26.9 million) is

included as a reduction in income for fiscal year ended May 27, 2001. Other than such cumulative effect, the effect of the changes on fiscal 2001 was not material.

The following pro forma amounts reflect the effect of retroactive application of the changes in methods of accounting had the new methods been in effect for the fiscal years presented, including the related income tax impact:

	2001	2000	1999
Net income	**$ 638.6**	$ 376.2	$ 326.8
Income per share – diluted	**$ 1.24**	$ .79	$ .69

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.

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

	2001	2000	1999
Net income			
Income before cumulative effect of changes in accounting	**$ 682.5**	$ 382.3	$ 330.2
Cumulative effect of changes in accounting	**(43.9)**	–	–
Net income	**$ 638.6**	$ 382.3	$ 330.2
Income per share – basic			
Weighted average shares outstanding	**511.6**	475.7	470.0
Income per share – diluted			
Weighted average shares outstanding – basic	**511.6**	475.7	470.0
Add shares contingently issuable upon exercise of stock options	**2.7**	2.9	6.7
Weighted average shares outstanding	**514.3**	478.6	476.7

At the ends of fiscal years 2001, 2000 and 1999, there were 16.7 million, 16.2 million and 8.9 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.

5. Receivables

The company has agreements to sell interests in pools of receivables, in an amount not to exceed $900 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. During fiscal 2001, the company sold interests in net new receivables worth approximately $162 million and used $239 million of net additional collections to reduce the facilities from $814 million at fiscal year-end 2000 to $737 million at fiscal year-end 2001.

6. Inventories

The major classes of inventories are as follows:

	2001	2000
Hedged commodities	**$ 1,499.0**	$ 1,305.7
Food products and livestock	**1,919.5**	1,350.7
Agricultural chemicals, fertilizer, and feed	**1,108.8**	940.6
Other, principally ingredients and supplies	**544.1**	459.0
	$ 5,071.4	$ 4,056.0

7. Credit Facilities and Borrowings

At May 27, 2001, the company has credit lines from banks which total approximately $5.1 billion, including: $1.8 billion of long-term revolving credit facilities maturing in September 2003; $2.2 billion of short-term revolving credit facilities maturing in September 2001; and uncompensated bankers' acceptance and money market loan facilities approximating $1.1 billion. From August 24, 2000, to September 18, 2000, the company utilized an additional $1.5 billion revolving credit facility to facilitate the acquisition of International Home Foods. 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 2001 fiscal year were $3,363.4 million. This excludes an average of $173.7 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 2001 was $4,585.7 million. Short-term borrowings were at rates below prime. The weighted average interest rate was 6.02% and 5.85%, respectively, for fiscal 2001 and 2000.

At May 27, 2001, and 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. The fiscal 2000 and 1999 financial statement impact of these agreements was not material.

8. Senior Long-Term Debt, Subordinated Debt and Loan Agreements

	2001	2000
Senior Debt		
Commercial paper backed by long-term revolving credit agreement	**$ 175.3**	$ 164.5
8.25% senior debt due in 2030	**297.6**	–
7.00% senior debt due in 2028	**396.7**	396.5
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)	**397.9**	397.8
7.875% senior debt due in 2010	**747.5**	–
9.875% senior debt due in 2006	**100.0**	100.0
7.5% senior debt due in 2005	**598.9**	–
5.50% senior debt due in 2002	**199.6**	199.3
9.87% to 9.95% unsecured senior notes due in various amounts through 2009	**30.5**	39.4
8.1% to 9.0% publicly issued unsecured medium-term notes due in various amounts through 2004	**12.0**	117.0
5.75% to 9.28% Industrial Development Revenue Bonds (collateralized by plant and equipment) due on various dates through 2017	**39.5**	46.2
Miscellaneous unsecured	**64.0**	56.1
Total senior debt	**$ 3,359.5**	$ 1,816.8
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
Total subordinated debt	**$ 750.0**	$ 750.0
Total long-term debt, excluding current installments	**$ 4,109.5**	$ 2,566.8

The aggregate minimum principal maturities of the long-term debt for each of the five fiscal years following May 27, 2001, are as follows:

2002	$ 123.1
2003	209.2
2004	188.0
2005	370.2
2006	708.5

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:

	2001	2000	1999
Long-term debt	**$ 284.8**	$ 198.4	$ 194.6
Short-term debt	**182.1**	139.5	166.5
Interest income	**(38.5)**	(28.6)	(37.6)
Interest capitalized	**(5.1)**	(5.5)	(6.9)
	$ 423.3	$ 303.8	$ 316.6

Net interest paid was $392.7 million, $299.9 million and $308.5 million in fiscal 2001, 2000 and 1999, respectively.

Short-term debt interest expense of $35.0 million, $31.4 million and $20.0 million in fiscal 2001, 2000 and 1999, 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 $4,232.6 million and $2,587.4 million as of May 27, 2001, and May 28, 2000, respectively. Based on current market rates primarily provided by outside investment bankers, the fair value of this debt at May 27, 2001, and May 28, 2000, was estimated at $4,324.7 million and $2,417.0 million, respectively. The company's long-term debt is generally not callable until maturity.

9. Other Noncurrent Liabilities

Other noncurrent liabilities consist of:

	2001	2000
Legal and environmental liabilities primarily associated with the company's acquisition of Beatrice Company (acquired in fiscal 1991)	**$ 140.1**	$ 165.2
Postretirement health care and pensions	**631.6**	596.7
Deferred taxes	**150.2**	–
Other	**71.5**	52.7
	993.4	814.6
Less current portion	**65.9**	63.9
	$ 927.5	$ 750.7

10. Preferred Securities of Subsidiary Company

ConAgra Capital, L.C., an indirectly controlled subsidiary of the company (ConAgra Foods indirectly owns 100% of the voting securities.), 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 2001 ranged from 5.2% to 6.2%.

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 fully and unconditionally guaranteed (as provided in the guarantee documents) by ConAgra Foods and, in certain limited circumstances, are exchangeable for debt securities of ConAgra Foods. The Securities are redeemable at the option of ConAgra Capital, L.C. (with ConAgra Foods' consent) in whole or in part, at $25 per security plus accumulated and unpaid distributions to the date fixed for redemption.

11. Capital Stock

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 were no preferred shares issued or outstanding as of May 27, 2001.

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 Foods' common stock.

For financial reporting purposes the EEF is consolidated with ConAgra Foods. 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 Foods 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:

	2001	2000
Shares held (in millions)	**12.6**	15.2
Cost – per share	**$ 14.552**	$ 14.552
Cost – total	**183.9**	221.9
Fair market value – per share	**$ 20.27**	$ 22.9375
Fair market value – total	**256.1**	349.7

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 2001, 2000 and 1999, respectively, 175,000 shares, 126,000 shares and 195,825 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 2001, 2000 and 1999. Options become exercisable under various vesting schedules and generally expire 10 years after the date of grant. Option shares and prices are adjusted for common stock splits and changes in capitalization.

The changes in the outstanding stock options during the three years ended May 27, 2001, are summarized below:

	2001		2000		1999	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Beginning of year	**25.6**	**$ 23.30**	23.5	$ 22.86	23.6	$ 20.91
Granted	**11.6**	**15.76**	6.0	23.35	4.8	28.15
Exercised	**(6.1)**	**10.89**	(1.8)	13.41	(3.3)	14.70
Canceled	**(2.3)**	**24.27**	(2.1)	27.20	(1.6)	26.76
End of year	**28.8**	**$ 22.80**	25.6	$ 23.30	23.5	$ 22.86
Exercisable at end of year	**18.7**	**$ 22.63**	16.2	$ 21.56	14.4	$ 19.58

Options granted for fiscal 2001 include approximately 5 million options at an average exercise price of $10.00 issued in conjunction with the acquisition of IHF.

The following summarizes information about stock options outstanding as of May 27, 2001:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Options	Weighted Average Remaining Life	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
$ 4.87 - $ 12.69	1.1	2.7	$ 11.47	1.1	$ 11.47
13.00 - 20.00	10.0	6.0	18.21	6.8	17.46
20.06 - 23.50	7.2	8.4	22.28	2.9	22.52
24.19 - 29.00	7.1	6.7	26.38	5.2	26.00
29.50 - 36.81	3.4	6.4	33.69	2.7	33.71
$ 4.87 - $ 36.81	**28.8**	**6.7**	**$ 22.80**	**18.7**	**$ 22.63**

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 as 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, *Accounting for Stock-Based Compensation*, 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 2001, 2000 and 1999, respectively: risk-free interest rate of 5.17%, 6.33% and 4.29%; a dividend yield of 2.4%, 2.2% and 2.2%; expected volatility of 29.0%, 20.6% and 20.0%; and an expected option life of six years. The weighted average fair value of options granted in fiscal 2001, 2000 and 1999 was $5.75, $6.21 and $6.12, 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):

	2001	2000	1999
Pro forma net income	**$ 621.1**	$ 362.7	$ 316.1
Pro forma basic income per share	**1.21**	.76	.67
Basic income per share – as reported	**1.24**	.80	.70
Pro forma diluted income per share	**1.21**	.76	.66
Diluted income per share – as reported	**1.24**	.80	.69

At May 27, 2001, approximately 28.0 million shares were reserved for granting additional options and restricted or bonus stock awards.

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 27, 2001, the company has reserved one million Class E preferred shares for exercise of the Rights.

14. Operation Overdrive

During the fourth quarter of fiscal 1999, the company approved a restructuring plan spanning 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 initiatives were completed in the fourth quarter of fiscal 2000. The restructuring plan was aimed at eliminating overcapacity, streamlining operations and improving future profitability through margin improvement and expense reductions. 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:

	Packaged 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.

Accelerated depreciation is a result of not immediately removing from operations certain assets to be disposed of and depreciating these assets over their revised remaining estimated useful lives. 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:

in millions, except headcount	Severance Amount	Severance Headcount	Other Exit Costs
Fiscal 1999 activity:			
Charges to income	$ 45.1	3,160	$ 7.3
Utilized	(6.1)	(260)	–
Balance, May 30, 1999	$ 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)
Balance, May 28, 2000	$ 52.5	3,200	$ 36.7
Fiscal 2001 activity:			
Utilized	(31.0)	(2,800)	(28.1)
Balance, May 27, 2001	$ 21.5	400	$ 8.6

Included in the May 27, 2001, severance reserve balance are amounts owed to individuals who have been severed but are receiving their severance payments over a period of time rather than in the form of a lump-sum.

15. Pre-tax Income and Income Taxes

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

	2001	2000	1999
United States	**$ 1,010.6**	$ 541.5	$ 524.1
Foreign	**93.5**	76.1	111.5
	$ 1,104.1	$ 617.6	$ 635.6

The provision for income taxes includes the following:

	2001	2000	1999
Current			
Federal	**$ 299.3**	$ 255.6	$ 264.4
State	**30.9**	22.5	49.9
Foreign	**40.4**	33.3	24.5
	$ 370.6	$ 311.4	$ 338.8
Deferred			
Federal	**46.4**	(70.1)	(30.0)
State	**4.6**	(6.0)	(3.4)
Foreign	**–**	–	–
	51.0	(76.1)	(33.4)
	$ 421.6	$ 235.3	$ 305.4

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:

	2001	2000	1999
Computed U.S. federal income taxes	**$ 386.4**	$ 216.2	$ 222.5
State income taxes, net of U.S. federal tax benefit	**23.1**	11.0	29.4
Nondeductible amortization of goodwill and other intangibles	**24.7**	18.1	21.5
Export and jobs tax credits	**(20.4)**	(19.2)	(12.2)
Permanent differences due to restructuring/impairment charges	**–**	–	57.3
Other	**7.8**	9.2	(13.1)
	$ 421.6	$ 235.3	$ 305.4

Income taxes paid were $268.4 million, $441.5 million and $344.5 million in fiscal 2001, 2000 and 1999, respectively. The Internal Revenue Service has closed examinations of the company's tax returns through fiscal 1995. Certain tax authorities have proposed 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:

	2001		2000	
	Assets	Liabilities	Assets	Liabilities
Depreciation and amortization	**$ –**	**$ 532.7**	$ –	$ 462.3
Pension and other postretirement benefits	**208.1**	**–**	157.9	–
Other noncurrent liabilities which will give rise to future tax deductions	**148.4**	**–**	185.7	–
Accrued expenses	**58.5**	**–**	141.4	–
Restructuring/Impairment and restructuring-related charges	**262.4**	**–**	304.7	–
Other	**76.0**	**28.8**	83.1	136.2
	$ 753.4	**$ 561.5**	$ 872.8	$ 598.5

16. 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:

	2001	2000	1999
Cancelable	**$ 167.3**	$ 189.4	$ 154.8
Noncancelable	**119.6**	97.5	117.9
	$ 286.9	$ 286.9	$ 272.7

A summary of noncancelable operating lease commitments for fiscal years following May 27, 2001, is as follows:

	Type of property	
	Real and Other Property	Transportation Equipment
2002	$ 97.9	$ 10.1
2003	78.8	5.9
2004	66.2	3.2
2005	52.6	2.8
2006	34.7	2.4
Later years	124.1	1.2
	$ 454.3	$ 25.6

The company had letters of credit, performance bonds and other commitments and guarantees outstanding at May 27, 2001, aggregating to approximately $251 million.

17. Contingencies

In fiscal 1991, the company 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 the company 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 the company. The environmental proceedings include litigation and administrative proceedings involving Beatrice's status as a potentially responsible party at 41 Superfund, proposed Superfund or state-equivalent sites. Beatrice has paid or is in the process of paying its liability share at 35 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.

The company is a 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 the company's financial condition, results of operations or liquidity.

18. Derivative Financial Instruments

The company may use interest rate swaps to reduce the risk of changes in interest rates, 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 27, 2001, the company's energy subsidiary was party to natural gas price swaps with a net notional amount of $57.3 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 five years, while most have a duration of no more than two years. At May 28, 2000, the net notional amount of these financial instruments was $43.1 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 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 derivative instruments to hedge fixed purchase and sales commitments denominated in a foreign currency. The fair value of these foreign exchange positions was not material.

19. 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:

	2001	2000	1999
Pension Benefit Cost			
Service cost	**$ 52.3**	$ 55.7	$ 48.5
Interest cost	**109.7**	103.2	97.7
Expected return on plan assets	**(126.3)**	(114.6)	(101.4)
Amortization of prior service costs	**4.3**	4.3	3.8
Amortization of transition obligation	**(2.7)**	(2.7)	(2.7)
Recognized net actuarial loss	**(0.1)**	3.4	1.9
Curtailment (gain) loss and special benefits	**0.3**	3.3	–
Pension benefit cost – company plans	**37.5**	52.6	47.8
Pension benefit cost – multi-employer plans	**8.9**	9.4	9.1
Total pension benefit cost	**$ 46.4**	$ 62.0	$ 56.9
Actuarial Assumptions			
Discount rate	**7.50%**	6.75%	7.25%
Long-term rate of return on plan assets	**9.25%**	9.25%	8.75%
Long-term rate of compensation increase	**5.50%**	5.50%	5.50%

The change in projected benefit obligation, change in plan assets and funded status of the plans at February 28, 2001, and February 29, 2000:

	2001	2000
Change in Projected Benefit Obligation		
Projected benefit obligation at beginning of year	**$ 1,489.2**	$ 1,561.2
Service cost	**52.3**	55.7
Interest cost	**109.7**	103.2
Plan participants' contributions	**0.1**	0.1
Amendments	**3.1**	3.2
Actuarial loss (gain)	**(11.0)**	(156.4)
Curtailment/Settlement loss	**0.3**	2.4
Acquisitions	**19.3**	–
Other	**–**	0.5
Benefits paid	**(87.2)**	(80.7)
Projected benefit obligation at end of year	**$ 1,575.8**	$ 1,489.2

	2001	2000
Change in Plan Assets		
Fair value of plan assets at beginning of year	**$1,652.1**	$1,535.8
Actual return on plan assets	**49.7**	189.2
Employer contributions	**20.9**	16.9
Plan participants' contributions	**0.1**	0.1
Investment and administrative expenses	**(10.3)**	(9.4)
Acquisitions	**18.5**	–
Other	**(0.1)**	0.2
Benefits paid	**(87.2)**	(80.7)
Fair value of plan assets at end of year	**1,643.7**	1,652.1
Funded Status	**67.9**	162.9
Unrecognized actuarial gain	**(279.5)**	(355.3)
Unrecognized prior service cost	**21.6**	22.9
Unrecognized transition amount	**(3.8)**	(6.6)
Accrued benefit cost	**$ (193.8)**	$ (176.1)
Actuarial Assumptions		
Discount rate	**7.50%**	7.50%
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 28, 2001, and February 29, 2000, were:

	2001	2000
Projected benefit obligation	**$ 142.2**	$ 192.9
Accumulated benefit obligation	**131.5**	182.7
Fair value of plan assets	**65.0**	116.8

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 $100.0 million and $83.2 million at February 28, 2001, and February 29, 2000, respectively.

Certain employees of the company are covered under defined contribution plans. The expense related to these plans was $30.2 million, $31.1 million and $29.7 million in fiscal 2001, 2000 and 1999, 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:

	2001	2000	1999
Postretirement Benefit Cost			
Service cost	**$ 2.8**	$ 2.8	$ 2.8
Interest cost	**24.1**	22.1	24.7
Expected return on plan assets	**(0.6)**	(0.5)	(0.6)
Amortization of prior service cost	**(1.7)**	(2.1)	(0.1)
Amortization of transition obligation	**0.1**	0.1	0.1
Recognized net actuarial (gain) loss	**(5.5)**	(3.8)	(3.0)
Curtailment (gain) loss	**–**	(9.3)	–
	$ 19.2	$ 9.3	$ 23.9
Actuarial Assumptions			
Discount rate	**7.50%**	6.75%	7.25%
Long-term rate of return on plan assets	**13.70%**	13.70%	13.70%

The change in accumulated benefit obligation, change in plan assets and funded status of the plans at February 28, 2001, and February 29, 2000, were:

	2001	2000
Change in Accumulated Benefit Obligation		
Accumulated benefit obligation at beginning of year	**$ 315.3**	$ 350.7
Service cost	**2.8**	2.8
Interest cost	**24.1**	22.1
Plan participants' contributions	**2.4**	2.1
Actuarial (gain) loss	**19.8**	(15.7)
Acquisition	**26.1**	–
Benefits paid	**(37.5)**	(35.5)
Plan amendments	**(1.3)**	(11.2)
Accumulated benefit obligation at end of year	**$ 351.7**	$ 315.3
Change in Plan Assets		
Fair value of plan assets at beginning of year	**$ 5.1**	$ 5.3
Actual return on plan assets	**0.6**	0.7
Employer contributions	**34.5**	32.5
Plan participants' contributions	**2.4**	2.1
Benefits paid	**(37.5)**	(35.5)
Fair value of plan assets at end of year	**5.1**	5.1
Funded Status	**(346.6)**	(310.2)
Unrecognized net gain	**(78.9)**	(104.6)
Unrecognized transition amount	**–**	0.6
Unrecognized prior service cost	**(0.2)**	(1.2)
Accrued benefit cost	**$ (425.7)**	$ (415.4)
Actuarial Assumptions		
Discount rate	**7.50%**	7.50%

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
Total service and interest cost components	$ 2.8	$ (2.4)
Postretirement benefit obligation	32.2	(28.2)

The company generally intends to fund claims as reported.

20. Business Segments and Related Information

The company's business segments are aggregated into three reportable segments based upon similar economic characteristics, nature of products and services offered, nature of production processes, the type or class of customer and distribution methods. Packaged Foods includes companies that produce shelf-stable and frozen foods. Refrigerated Foods includes companies that produce and market branded processed meats, beef, pork, chicken and turkey. Both the Packaged Foods and Refrigerated Foods segments market food products in retail and foodservice channels. 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.

	2001	2000	1999
Sales to unaffiliated customers			
Packaged Foods	$ 8,681.7	$ 7,610.9	$ 7,395.3
Refrigerated Foods	13,212.1	12,880.8	11,881.7
Agricultural Products	5,300.4	5,042.9	5,567.4
Total	$ 27,194.2	$ 25,534.6	$ 24,844.4
Intersegment sales			
Packaged Foods	$ 52.5	$ 48.6	$ 38.2
Refrigerated Foods	385.0	341.4	213.1
Agricultural Products	293.3	272.9	288.0
	730.8	662.9	539.3
Intersegment elimination	(730.8)	(662.9)	(539.3)
Total	$ –	$ –	$ –
Net sales			
Packaged Foods	$ 8,734.2	$ 7,659.5	$ 7,433.5
Refrigerated Foods	13,597.1	13,222.2	12,094.8
Agricultural Products	5,593.7	5,315.8	5,855.4
Intersegment elimination	(730.8)	(662.9)	(539.3)
Total	$ 27,194.2	$ 25,534.6	$ 24,844.4
Operating profit (Note a)			
Packaged Foods	$ 1,139.2	$ 777.4	$ 940.2
Refrigerated Foods	437.8	322.9	10.6
Agricultural Products	281.0	138.7	267.8
Total operating profit	1,858.0	1,239.0	1,218.6
Interest expense	423.3	303.8	316.6
General corporate expenses	236.4	254.2	197.0
Goodwill amortization	94.2	63.4	69.4
Income before income taxes and cumulative effect of changes in accounting	$ 1,104.1	$ 617.6	$ 635.6
Identifiable assets			
Packaged Foods	$ 7,740.5	$ 4,621.2	$ 4,758.9
Refrigerated Foods	3,945.0	3,665.7	3,407.3
Agricultural Products	3,745.1	3,152.3	3,515.7
Corporate	1,050.2	757.4	399.6
Total	$ 16,480.8	$ 12,196.6	$ 12,081.5
Additions to property, plant and equipment — including businesses acquired			
Packaged Foods	$ 496.7	$ 227.2	$ 375.4
Refrigerated Foods	211.0	459.6	226.0
Agricultural Products	117.2	81.8	136.1
Corporate	65.1	59.9	25.7
Total	$ 890.0	$ 828.5	$ 763.2
Depreciation and amortization			
Packaged Foods	$ 309.7	$ 263.0	$ 241.1
Refrigerated Foods	189.8	184.7	193.7
Agricultural Products	75.2	73.3	63.2
Corporate	18.2	15.5	1.8
Total	$ 592.9	$ 536.5	$ 499.8

Note a: Fiscal 2000 includes before-tax restructuring and restructuring-related charges of $621.4 million (Note 14). 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 14). 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 $4.0 billion in fiscal year 2001 and $3.6 billion in fiscal years 2000 and 1999. 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.

21. Quarterly Results (Unaudited)

	Net Sales	Gross Profit	Net Income (Loss)	Income(Loss) Per Share* Basic	Income(Loss) Per Share* Diluted	Stock Market Price High	Stock Market Price Low	Dividends Declared Per Share
2001								
First	$ 7,076.7	$ 878.7	$ 120.2	$ .25	$ .25	$ 23.69	$ 18.25	$ .20350
Second	7,281.9	1,153.9	281.2	.54	.54	26.19	18.06	.22500
Third	6,398.0	941.0	115.8	.22	.22	26.19	18.75	.22500
Fourth	6,437.6	908.9	121.4	.23	.23	21.69	17.50	.22500
Year	**$ 27,194.2**	**$ 3,882.5**	**$ 638.6**	**$ 1.24**	**$ 1.24**	**$ 26.19**	**$ 17.50**	**$ .87850**
2000								
First	$ 6,795.0	$ 836.0	$ 130.4	$ .28 [1]	$ .27 [1]	$ 28.13	$ 24.06	$ .17850
Second	6,713.8	911.8	171.3	.36 [2]	.36 [2]	26.50	21.50	.20350
Third	5,876.0	790.2	124.4	.26 [3]	.26 [3]	24.63	15.88	.20350
Fourth	6,149.8	813.7	(43.8)	(.09) [4]	(.09) [4]	23.25	15.06	.20350
Year	**$ 25,534.6**	**$ 3,351.7**	**$ 382.3**	**$ .80 [5]**	**$ .80 [5]**	**$ 28.13**	**$ 15.06**	**$ .78900**

* The sum of the income per share reported for a fiscal year's quarters may not equal the income per share reported for the full fiscal year due to rounding.

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

Independent Auditors' Report

The Stockholders and Board of Directors
ConAgra Foods, Inc.

We have audited the accompanying consolidated balance sheets of ConAgra Foods, Inc. (the "company") and subsidiaries as of May 27, 2001, and May 28, 2000, 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 27, 2001. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements 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 27, 2001, and May 28, 2000, and the results of their operations and their cash flows for each of the three years in the period ended May 27, 2001, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, in 2001 the company changed its methods of accounting for revenue recognition relating to the shipping terms for certain of its product sales, retailer sales incentives and consumer sales incentives.

Deloitte & Touche LLP
July 13, 2001
Omaha, Nebraska

RESPONSIBILITIES

Our Guiding Principles

In the marketplace, we are committed to pursuing business objectives that reward our consumers, customers, shareholders and employees. While we often express these goals in financial terms, we recognize that the ways in which we operate our businesses are important to all of us.

This means that we place a high priority on managing our businesses in an ethical manner. Believing that everyone is both responsible and accountable, we foster and insist on ethical behavior throughout ConAgra Foods. Our employees should follow the spirit, as well as the letter, of the law and feel comfortable about bringing ethical concerns forward without fear of reprisal.

Just as we rely on the strength and integrity of our products, we also depend on, and value, the strength and integrity of the people who *are* ConAgra Foods.

Principal Officers

The principal officers of the company include, among others, those listed on pages 62 and 63 of this report. The principal officers are responsible for maintaining throughout the company a system of internal controls, which protects the assets of the company on a reasonable and economic basis. They also are responsible for maintaining records, which permit the preparation of financial statements that fairly present the financial condition and results of operations of the company in accordance with generally accepted accounting principles.

Audit Committee of the Board

The Audit Committee of ConAgra Foods' Board of Directors is composed solely of outside directors and recommends the appointment of the company's independent auditors. The Audit Committee meets regularly, and when appropriate separately, with the independent auditors, the internal auditors and financial management. Both the independent auditors and the internal auditors have unrestricted access to the Audit Committee.

BOARD OF DIRECTORS

Mogens C. Bay
Omaha, Nebraska.
Chairman and chief executive officer of Valmont Industries (products for water management and infrastructure). Director since 1996.

Gen. John T. Chain, Jr.
Fort Worth, Texas.
Chairman of the Thomas Group (international management consulting). Retired General, United States Air Force. Former Commander-in-Chief of the Strategic Air Command. Director since 2001.

Charles M. Harper
Omaha, Nebraska.
Former chairman and chief executive officer of RJR Nabisco Holdings Corp. ConAgra Foods chief executive officer 1976 – September 1992. Chairman of ConAgra Foods board 1981 – 1993. Director since 1975.

Dr. Alice B. Hayes
San Diego, California.
President of the University of San Diego. Director since 2001.

Robert A. Krane
Denver, Colorado.
Former consultant with KRA, Inc. Former president, chief executive officer and director of Central Bancorporation, Inc. (financial services). President, chief operating officer and director of Central Bancorporation, Inc. 1986 – 1988. Vice chairman and director of Norwest Corporation 1982 – 1985. Director since 1982.

Mark H. Rauenhorst
Minnetonka, Minnesota.
President and chief executive officer of Opus Corporation (commercial real estate development and construction). Director since 2001.

Carl E. Reichardt
San Francisco, California.
Former chairman and chief executive officer of Wells Fargo & Company and Wells Fargo Bank. Director since 1993.

Bruce Rohde
Omaha, Nebraska.
Chief executive officer of ConAgra Foods since September 1997; chairman of ConAgra Foods board of directors since September 1998.

Dr. Ronald W. Roskens
Omaha, Nebraska.
President of Global Connections, Inc. (international business consulting). Former president of the University of Nebraska. Director since 1992.

Marjorie M. Scardino
London, England.
Chief executive officer of Pearson plc (international media company). Director since 1994.

Walter Scott, Jr.
Omaha, Nebraska.
Chairman of board, Level 3 Communications (communications and information services). Chairman emeritus of Peter Kiewit Sons, Inc. (construction and mining). Director since 1986.

Kenneth E. Stinson
Omaha, Nebraska.
Chairman and chief executive officer of Peter Kiewit Sons, Inc. (construction and mining). Director since 1996.

Dr. Clayton K. Yeutter
Potomac, Maryland.
Of counsel with Washington, D.C., law firm Hogan & Hartson. Former U.S. Trade Representative and Secretary of Agriculture. Director 1980 – 1985 and since 1992.

BOARD COMMITTEES

Audit Committee
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Mogens C. Bay
Kenneth E. Stinson

Corporate Affairs Committee
Dr. Ronald W. Roskens, Chairman
Dr. Alice B. Hayes
Mark H. Rauenhorst
Marjorie M. Scardino

Executive Committee
Bruce Rohde, Chairman
Charles M. Harper
Carl E. Reichardt
Walter Scott, Jr.

Human Resources Committee
Carl E. Reichardt, Chairman
John T. Chain, Jr.
Walter Scott, Jr.
Dr. Clayton K. Yeutter

OFFICERS

CORPORATE OFFICERS

Bruce Rohde
Chairman, Chief Executive Officer and President

Control and Development

Dwight J. Goslee
Executive Vice President Operations Control and Development

Jay D. Bolding
Senior Vice President and Controller

John W. Neppl
Vice President Assistant Controller

Debra L. Keith
Vice President Taxes

Patrick J. Koley
Vice President Planning

Finance and Risk

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

Scott E. Messel
Vice President Treasurer

Vijay Singh
Vice President Risk Control

James P. Salvadori
Vice President Credit Services

Archie L. Meairs
Vice President Insurance and Loss Control

Human Resources and Administration

Owen C. Johnson
Executive Vice President Human Resources and Administration

Anita L. Wheeler
Vice President Executive Staffing and Development

Linda I. Workman
Vice President Employee Relations

David G. Pederson
Vice President Compensation

James G. Doyle
Vice President Real Estate and Facilities

Anthony M. Sanders
Vice President Human Resources Business Center

Information Systems

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Senior Vice President and Chief Information Officer

Gerrit J. Schutté
Vice President Technology Services

Steven P. Hansen
Vice President Business Applications

Communications and Corporate Marketing

Timothy P. McMahon
Senior Vice President Communications and Corporate Marketing

Richard L. Gady
Vice President Industry Affairs and Chief Economist

Brent A. Baglien
Vice President Government Affairs

Karen J. Lynn
Vice President Communications

Lynn L. Phares
President ConAgra Foods Foundation

Investor Relations

Chris Klinefelter
Vice President Investor Relations

Economic and Commodity Strategies

Michael D. Walter
Senior Vice President Commodity Procurement and Economic Strategy

William G. Lapp
Vice President Economic Research

Strategic Operations

Douglas A. Knudsen
President Retail Sales Development

Russell J. Bragg
Senior Vice President Operational Improvements

Stephen J. Tibey
Senior Vice President Supply Chain Management

Kevin W. Tourangeau
Senior Vice President Manufacturing Effectiveness

John M. Pooley
Vice President Strategic Sourcing

Kevin P. Adams
Vice President Integrated Financial Operations

Tracy J. Bargman
Vice President Product Innovation

Robert E. Baker
Vice President Market Strategy

Environment, Health and Safety

Philip J. James
Senior Vice President Environment, Health and Safety

Jon A. Vanderhoof, M.D.
Vice President Nutrition and Health Sciences

LEGAL COUNSEL

McGrath, North, Mullin & Kratz, P.C.

Omaha, Nebraska

General Counsel
David L. Hefflinger

Assistant General Counsels
Leo A. Knowles
Roger W. Wells

AGRICULTURAL PRODUCTS OFFICERS

United Agri Products Companies
Floyd McKinnerney
President and Chief Operating Officer

ConAgra Trade Group
Gregory A. Heckman
President and Chief Operating Officer

Agricultural Products
James D. Anderson
President

KBC – Edible Beans
David S. Levine
Senior Vice President

Energy Services
Kevin L. Grady
Executive Vice President and Managing Director

International Fertilizer
Brian D. Harlander
President

ConAgra Food Ingredients
Larry A. Carter
President and Chief Operating Officer

ConAgra Flour Milling Company
Darek M. Nowakowski
President

Gilroy Foods
Randall C. Stuewe
President

SpiceTec — USF
Mike Siemer
President

ConAgra Iberia Company
Jose Rocha Martins
President

ConAgra Malt
(50 percent owned)
Gary W. Mize
President

Pecom Agra
(50 percent owned)
Diego Barbero
Managing Director

PACKAGED FOODS OFFICERS

ConAgra Foodservice Company
Richard A. Porter
President and Chief Operating Officer

Lamb Weston
Robert S. Horowitz
President and Chief Operating Officer

ConAgra Seafood Companies
Jesse Gonzalez
President

ConAgra Signature Meats
Al Byers
President

ConAgra Poultry Foodservice
Jerry A. Dowd
President

Fernando's Casa de Oro Foods
Ronald G. Altman
President

Hunt-Wesson Foodservice Company
Jeff E. Wayne
President

ConAgra Retail Food Products Company
F. Martin Thrasher
President and Chief Operating Officer

ConAgra Grocery Products Companies
Raymond J. De Riggi
President and Chief Operating Officer

Dennis F. O'Brien
Executive Vice President and General Manager

ConAgra International Grocery
Glen A. Smith
President

Golden Valley Foods
John S. McKeon
President

GoodMark Foods
Richard C. Miller
President

Bumble Bee Seafood
Chris D. Lischewski
President

ConAgra Store Brands
Paul Lapadat
General Manager

ConAgra Frozen Prepared Foods
R. Dean Hollis
President and Chief Operating Officer

ConAgra Dairy Foods Company
Richard G. Scalise
President and Chief Operating Officer

Swissrose International
William S. Hennings
President

REFRIGERATED FOODS OFFICERS

ConAgra Refrigerated Prepared Foods
Timothy M. Harris
President and Chief Operating Officer

ASE Consumer Products Company
Steve Silk
President

Butterball Turkey Company
Robert A. Wright
President

Cook Family Foods
Eugene J. Dembkoski
President

ConAgra Meat Companies
ConAgra Beef Company
John N. Simons
President and Chief Operating Officer

Swift & Company
Dennis Henley
President and Chief Operating Officer

Australia Meat Holding Pty Ltd.
Don B. Ferguson
President
John Keir
Co-president

ConAgra Poultry Company
Blake D. Lovette
President and Chief Operating Officer

ConAgra Poultry Operations
David S. Purtle
President

To-Ricos
Hector L. Mattei
President

Professional Food Systems
J. Rolan Brevard
President

INVESTOR INFORMATION

Contacts

Investor Relations (402) 595-4154 (for analyst/investor inquiries)
ConAgra Foods Shareholder Services (800) 214-0349
Assistant Corporate Secretary (402) 595-4005
Corporate Communications (402) 595-5392 (for media/other inquiries)

Corporate Headquarters

ConAgra Foods, Inc.
One ConAgra Drive
Omaha, NE 68102-5001
(402) 595-4000

ConAgra Foods Stock

ConAgra Foods' common stock is listed on the New York Stock Exchange. Ticker symbol: CAG.

At the end of fiscal 2001, 537.1 million shares of common stock were outstanding, including 12.8 million shares held in the company's Employee Equity Fund. There were approximately 34,000 shareholders of record, approximately 31,000 holders via ConAgra Foods' 401(k) plan for employees, and more than 190,000 "street-name" beneficial holders whose shares are held in names other than their own—in brokerage accounts, for example. During fiscal 2001, 419 million shares were traded, a daily average of approximately 1.7 million shares.

The Series A, Series B, and Series C preferred securities of ConAgra Foods Capital, L.C. also are listed on the New York Stock Exchange. Ticker symbols: CAG PrA, CAG PrB, CAG PrC. For the current dividend rate of ConAgra Foods Capital's Series B adjustable rate preferred securities, call (800) 214-0349.

Common Stock Dividends

ConAgra Foods normally pays quarterly common stock dividends on March 1, June 1, September 1, and December 1. During fiscal 2001, ConAgra Foods declared dividends of 87.9¢. The current annual dividend rate is 90.0¢ per share. The company's dividend objective is on page 7 of this report.

ConAgra Foods has paid 102 consecutive quarterly common stock dividends. During fiscal 2001, the company began its 26th consecutive year of increased dividends per share.

Annual Meeting of Shareholders

ConAgra Foods' annual shareholders' meeting will be held on Thursday, September 27, 2001, at 1:30 p.m. at the Omaha Civic Auditorium Music Hall, 1804 Capitol Avenue, Omaha, Nebraska. See the proxy statement for additional information.

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News and Publications

Call ConAgra Foods Investor Information at (800) CAG-0244 to hear current company news or to request printed materials such as the Form 10-K. ConAgra Foods' stockholders also can obtain the annual report on Form 10-K at no charge by writing to: Assistant Corporate Secretary, One ConAgra Drive, Omaha, NE 68102-5001.

ConAgra Foods mails quarterly reports to shareholders of record. Street-name holders who would like to receive these reports may call (800) CAG-0244 and ask to be placed on our mailing list.

Access company news on the Internet for ConAgra Foods news releases at www.prnewswire.com.

Visit the ConAgra Foods Web site at www.conagrafoods.com for extensive information about ConAgra Foods—including news releases, selected sections of the annual report, charitable programs, and the company's environmental program—and links to ConAgra Foods brand Web sites.

Shareholder Services

Stockholders of record who have questions about or need help with their accounts may contact ConAgra Foods Shareholder Services, (800) 214-0349.

Through ConAgra Foods Shareholder Service Plan, stockholders of record may:

- Have stock certificates held by ConAgra Foods Shareholder Services for safekeeping and for facilitating sale or purchase of shares.
- Automatically reinvest some or all dividends in ConAgra Foods' common stock. About 60 percent of ConAgra Foods' stockholders of record participate in the dividend reinvestment plan.
- Purchase additional shares of ConAgra Foods' common stock through voluntary cash investments of $50 to $50,000 per calendar year.
- Have bank accounts automatically debited to purchase additional ConAgra Foods' shares.
- Automatically deposit dividends directly to bank accounts through Electronic Funds Transfer (EFT).

For more information, call ConAgra Foods Shareholder Services, (800) 214-0349.

Transfer Agent and Registrar

Wells Fargo Shareowner Services
161 N. Concord Exchange—P.O. Box 64856
St. Paul, MN 55164-0856
(800) 214-0349

Now go and get it. It's easy. And to make it even more convenient to pick up your favorite ConAgra Foods' products, just tear off the handy Shopping Guide on the right side of this page and take it with you wherever you buy and enjoy ConAgra Foods: at the ballpark, in movie theaters, on the grill, at your favorite restaurant, in the vending machine, at the supermarket or convenience store, in the family room...you name it. We serve every eating occasion and every eating location.

We are ConAgra Foods.







ConAgra Foods FUN FOODS

Orville Redenbacher's · Reddi wip · Hunt's SnackPack Pudding · Crunch 'n Munch · Lunch Makers · Kid Cuisine · Pemmican · Slim Jim · ACT II

ConAgra Foods COMFORT FOODS

Hunt's Manwich · Cook's · Chef Boyardee · Knott's Berry Farm · Parkay · Van Camp's · Butterball · Peter Pan · Swiss Miss

ConAgra Foods HEALTHY FOODS

Healthy Choice · egg beaters · Lightlife · All Natural Pam · Louis Kemp Seafood Co. · Country Pride Chicken

ConAgra Foods FAVORITE FOODS

Bumble Bee · Armour · Banquet · Hebrew National · Hunt's · Ro-Tel · Gulden's · La Choy · Eckrich · Rosarita · Marie Callender's · Wolf Chili



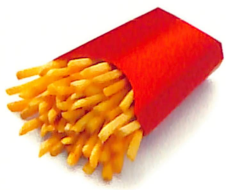
Fun Foods are made for people who want great taste and know how to enjoy life. Our brands put the "extra" into the ordinary.



Comfort Foods remind us of the meals Grandma used to make. These are brands we've known and trusted over the years.



Healthy Foods are for people hungry to stay fit and feel good. These brands taste great and are quick and easy to prepare.



Favorite Foods are for people who are on the go. Whenever you eat your favorite foods at home or away, ConAgra Foods is setting the table.



ConAgra Foods
One ConAgra Drive • Omaha, Nebraska 68102-5001