

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

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## UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549  
FORM 10-Q/A

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended February 25, 2001  
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

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

Commission File Number 1-7275

### CONAGRA FOODS, INC.

(Exact name of registrant, as specified in charter)

**Delaware**

(State or other jurisdiction of incorporation or  
organization)

**47-0248710**

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

**One ConAgra Drive, Omaha, Nebraska**

(Address of Principal Executive Offices)

**68102-5001**

(Zip Code)

**(402) 595-4000**

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

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

Number of shares outstanding of issuer's common stock, as of March 25, 2001 was 537,085,602.

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**Part I Financial Information**  
**Item 1. Condensed Consolidated Financial Statements**  
**ConAgra Foods, Inc. and Subsidiaries**

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## Introductory Note

The purpose of this Form 10-Q/A is to restate quarterly condensed consolidated financial statements for the thirteen and thirty-nine weeks ended February 25, 2001 and February 27, 2000 for ConAgra Foods, Inc. ("ConAgra" or the "Company"). The Company issued a press release on May 23, 2001, which it filed as an exhibit to a Form 8-K dated the same date, relating to its intention to restate certain of its financial statements. The Company's Form 8-K dated May 23, 2001 has background information on the restatements. The Company has filed a Form 10-K/A for its fiscal year ended May 28, 2000 which includes restated financial statements for the years covered by that report. In addition, this Form 10-Q/A has also been restated for the changes in accounting policy described below.

The matters relating to the Company's United Agri Products, Inc. subsidiary ("UAP") referenced in the restated Form 10-K/A have a financial statement impact for the periods covered by this 10-Q/A associated with two areas: (1) revenue recognition for deferred delivery sales and vendor rebates; (2) accruals for bad debt reserves. The principal effects of the restatement are as follows:

*Deferred Delivery Sales and Vendor Rebates* For the thirteen weeks ended February 27, 2000, increase expenses and decrease income before income taxes by \$30 million. For the thirteen weeks ended February 25, 2001, increase expenses and decrease income before income taxes by \$13 million. For the thirty-nine weeks ended February 27, 2000, increase revenue by \$163 million, increase expenses by \$173 million and decrease income before income taxes by \$10 million. For the thirty-nine weeks ended February 25, 2001, increase revenue by \$324 million, increase expenses by \$324 million, with no impact on income before income taxes.

*Accruals for Bad Debt Reserves* There is no financial statement impact associated with bad debt reserves for the thirteen and thirty-nine weeks ended February 27, 2000. For the thirteen and thirty-nine weeks ended February 25, 2001, decrease expenses and increase income before income taxes by \$29 million.

The principal effects of these changes on the accompanying financial statements are presented in Note 9 to the Company's condensed consolidated financial statements. Certain reclassifications have been made to amounts previously reported in the Company's Form 10-Q for the quarter ended February 25, 2001 to conform with recently issued accounting literature. See Note 9.

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 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 as discussed in Note 8 to the Company's condensed consolidated financial statements.

For purposes of this Form 10-Q/A, and in accordance with Rule 12b-15 under the Securities and Exchange Act of 1934, as amended, the Company has amended and restated in its entirety each item of the Company's Form 10-Q for the quarterly period ended February 25, 2001, which has been affected by the restatement. This Form 10-Q/A does not reflect events occurring after the filing of the original Form 10-Q, or modify or update those disclosures in any way, except as required to reflect the effects of this restatement and the cumulative effects of changes in accounting adopted in the fourth quarter of fiscal 2001.

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

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**Part I Financial Information**  
**Item 1. Condensed Consolidated Financial Statements**  
**ConAgra Foods, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Earnings**  
**(in millions except per share amounts)**  
**(unaudited)**

Thirteen weeks ended

Thirty-nine weeks ended

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|                                                                           | Thirteen weeks ended      |                      | Thirty-nine weeks ended   |                      |
|---------------------------------------------------------------------------|---------------------------|----------------------|---------------------------|----------------------|
|                                                                           | February 25,<br>2001      | February 27,<br>2000 | February 25,<br>2001      | February 27,<br>2000 |
|                                                                           | (As Restated, see Note 9) |                      | (As Restated, see Note 9) |                      |
| Net sales                                                                 | \$ 6,398.0                | \$ 5,876.0           | \$ 20,756.6               | \$ 19,384.8          |
| Costs and expenses                                                        |                           |                      |                           |                      |
| Cost of goods sold                                                        | 5,457.0                   | 5,085.8              | 17,783.0                  | 16,846.8             |
| Selling, general and administrative expenses                              | 622.0                     | 480.5                | 1,740.5                   | 1,554.6              |
| Interest expense                                                          | 130.9                     | 80.8                 | 323.2                     | 234.5                |
| Restructuring/Impairment charges                                          |                           | 27.7                 |                           | 61.4                 |
|                                                                           | 6,209.9                   | 5,674.8              | 19,846.7                  | 18,697.3             |
| Income before income taxes and cumulative effect of changes in accounting | 188.1                     | 201.2                | 909.9                     | 687.5                |
| Income taxes                                                              | 72.3                      | 76.8                 | 348.8                     | 261.4                |
| Income before cumulative effect of changes in accounting                  | 115.8                     | 124.4                | 561.1                     | 426.1                |
| Cumulative effect of changes in accounting                                |                           |                      | (43.9)                    |                      |
| Net income                                                                | \$ 115.8                  | \$ 124.4             | \$ 517.2                  | \$ 426.1             |
| Income per share basic                                                    |                           |                      |                           |                      |
| Income before cumulative effect of changes in accounting                  | \$ .22                    | \$ .26               | \$ 1.11                   | \$ .90               |
| Cumulative effect of changes in accounting                                |                           |                      | (.09)                     |                      |
| Net income                                                                | \$ .22                    | \$ .26               | \$ 1.02                   | \$ .90               |
| Income per share diluted                                                  |                           |                      |                           |                      |
| Income before cumulative effect of changes in accounting                  | \$ .22                    | \$ .26               | \$ 1.10                   | \$ .89               |
| Cumulative effect of changes in accounting                                |                           |                      | (.09)                     |                      |
| Net income                                                                | \$ .22                    | \$ .26               | \$ 1.01                   | \$ .89               |

For the thirteen weeks and thirty-nine weeks ended February 27, 2000, other restructuring-related items included accelerated depreciation of \$19.6 million and \$84.4 million, respectively, and inventory markdowns of \$7.7 million and \$41.4 million, respectively, included in cost of goods sold; and \$18.8 million and \$30.3 million, respectively, of accelerated depreciation and restructuring plan implementation costs of \$10.8 million and \$18.6 million, respectively, included in selling, general and administrative expenses. For the thirteen weeks and thirty-nine weeks ended February 27, 2000, restructuring and restructuring-related charges were \$84.6 million and \$236.1 million, respectively.

See notes to the condensed consolidated financial statements.

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|                                    | Thirteen weeks ended      |                      | Thirty-nine weeks ended   |                      |
|------------------------------------|---------------------------|----------------------|---------------------------|----------------------|
|                                    | February 25,<br>2001      | February 27,<br>2000 | February 25,<br>2001      | February 27,<br>2000 |
|                                    | (As Restated, see Note 9) |                      | (As Restated, see Note 9) |                      |
| Net income                         | \$ 115.8                  | \$ 124.4             | \$ 517.2                  | \$ 426.1             |
| Other comprehensive income/(loss): |                           |                      |                           |                      |
| Currency translation adjustment    | 17.8                      | (9.2)                | (6.5)                     | (13.6)               |
| Comprehensive income               | \$ 133.6                  | \$ 115.2             | \$ 510.7                  | \$ 412.5             |

See notes to the condensed consolidated financial statements.

4

**ConAgra Foods, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
(dollars in millions except per share amounts)  
(unaudited)

|                                                                                 | February 25,<br>2001      | May 28,<br>2000 | February 27,<br>2000 |
|---------------------------------------------------------------------------------|---------------------------|-----------------|----------------------|
|                                                                                 | (As Restated, see Note 9) |                 |                      |
| ASSETS                                                                          |                           |                 |                      |
| Current assets                                                                  |                           |                 |                      |
| Cash and cash equivalents                                                       | \$ 24.4                   | \$ 157.6        | \$ 17.4              |
| Receivables, less allowance for doubtful accounts of \$132.0, \$62.8 and \$82.2 | 1,986.2                   | 1,241.5         | 1,902.5              |
| Inventories                                                                     | 5,149.0                   | 4,056.0         | 4,243.4              |
| Prepaid expenses                                                                | 507.8                     | 404.8           | 297.7                |
| Total current assets                                                            | 7,667.4                   | 5,859.9         | 6,461.0              |
| Property, plant and equipment                                                   | 7,143.7                   | 6,441.8         | 6,771.4              |
| Less accumulated depreciation                                                   | (3,163.7)                 | (2,857.8)       | (3,018.6)            |
| Property, plant and equipment, net                                              | 3,980.0                   | 3,584.0         | 3,752.8              |
| Brands, trademarks and goodwill, net                                            | 4,770.2                   | 2,366.0         | 2,404.2              |
| Other assets                                                                    | 657.1                     | 386.7           | 422.9                |
|                                                                                 | \$ 17,074.7               | \$ 12,196.6     | \$ 13,040.9          |

**LIABILITIES AND STOCKHOLDERS' EQUITY**

|                     |            |            |            |
|---------------------|------------|------------|------------|
| Current liabilities |            |            |            |
| Notes payable       | \$ 3,176.1 | \$ 1,255.5 | \$ 2,406.3 |

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|                                                                                                                                 | February 25,<br>2001 | May 28,<br>2000    | February 27,<br>2000 |
|---------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------|----------------------|
| Current installments of long-term debt                                                                                          | 79.3                 | 20.6               | 19.0                 |
| Accounts payable                                                                                                                | 2,136.8              | 2,042.5            | 2,125.6              |
| Advances on sales                                                                                                               | 255.9                | 912.7              | 168.2                |
| Other accrued liabilities                                                                                                       | 1,577.5              | 1,234.1            | 1,327.4              |
| <b>Total current liabilities</b>                                                                                                | <b>7,225.6</b>       | <b>5,465.4</b>     | <b>6,046.5</b>       |
| Senior long-term debt, excluding current installments                                                                           | 3,411.4              | 1,816.8            | 1,871.7              |
| Other noncurrent liabilities                                                                                                    | 1,179.0              | 750.7              | 806.2                |
| Subordinated debt                                                                                                               | 750.0                | 750.0              | 750.0                |
| Preferred securities of subsidiary company                                                                                      | 525.0                | 525.0              | 525.0                |
| Commitments and contingencies                                                                                                   |                      |                    |                      |
| <b>Common stockholders' equity</b>                                                                                              |                      |                    |                      |
| Common stock of \$5 par value, authorized 1,200,000,000 shares;<br>issued 565,289,796, 524,137,617 and 524,129,789              | 2,826.4              | 2,620.7            | 2,620.6              |
| Additional paid-in capital                                                                                                      | 678.3                | 147.5              | 38.3                 |
| Retained earnings                                                                                                               | 1,530.8              | 1,345.3            | 1,486.3              |
| Foreign currency translation adjustment                                                                                         | (109.6)              | (103.1)            | (79.5)               |
| Less treasury stock, at cost, common shares 28,421,384, 31,925,505<br>and 31,883,927                                            | (676.6)              | (760.2)            | (759.3)              |
|                                                                                                                                 | <b>4,249.3</b>       | <b>3,250.2</b>     | <b>3,306.4</b>       |
| Less unearned restricted stock and value of 13,075,636, 15,246,068<br>and 15,602,138 common shares held in Employee Equity Fund | (265.6)              | (361.5)            | (264.9)              |
| <b>Total common stockholders' equity</b>                                                                                        | <b>3,983.7</b>       | <b>2,888.7</b>     | <b>3,041.5</b>       |
|                                                                                                                                 | <b>\$ 17,074.7</b>   | <b>\$ 12,196.6</b> | <b>\$ 13,040.9</b>   |

See notes to the condensed consolidated financial statements.

**ConAgra Foods, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
(in millions)  
(unaudited)

|                                                                                   | Thirty-nine weeks ended |                      |
|-----------------------------------------------------------------------------------|-------------------------|----------------------|
|                                                                                   | February 25,<br>2001    | February 27,<br>2000 |
| Cash flows from operating activities:                                             |                         |                      |
| Net income                                                                        | \$ 517.2                | \$ 426.1             |
| Adjustments to reconcile net income to net cash provided by operating activities: |                         |                      |

(As Restated, see Note 9)

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|                                                                                                                 | Thirty-nine weeks ended |           |
|-----------------------------------------------------------------------------------------------------------------|-------------------------|-----------|
| Depreciation and other amortization                                                                             | 377.6                   | 338.9     |
| Goodwill amortization                                                                                           | 64.1                    | 47.8      |
| Restructuring/impairment charges and other restructuring-related charges<br>(includes accelerated depreciation) |                         | 236.1     |
| Cumulative effect of changes in accounting                                                                      | 43.9                    |           |
| Other noncash items (includes nonpension postretirement benefits)                                               | 78.1                    | 60.6      |
| Change in assets and liabilities before effects from business acquisitions                                      | (2,120.3)               | (2,044.4) |
| Net cash flows from operating activities                                                                        | (1,039.4)               | (934.9)   |
| Cash flows from investing activities:                                                                           |                         |           |
| Additions to property, plant and equipment                                                                      | (383.6)                 | (333.7)   |
| Payment for business acquisitions                                                                               | (1,107.2)               | (374.8)   |
| Sale of businesses and property, plant and equipment                                                            | 72.1                    | 46.0      |
| Notes receivable and other items                                                                                | 7.0                     | (29.8)    |
| Net cash flows from investing activities                                                                        | (1,411.7)               | (692.3)   |
| Cash flows from financing activities:                                                                           |                         |           |
| Net short-term borrowings                                                                                       | 1,920.5                 | 1,550.8   |
| Proceeds from issuance of long-term debt                                                                        | 1,663.7                 | 71.4      |
| Repayment of long-term debt                                                                                     | (12.7)                  | (16.8)    |
| Cash dividends paid                                                                                             | (335.0)                 | (278.6)   |
| Repayment of acquired company's debt                                                                            | (1,114.3)               |           |
| Other items                                                                                                     | 195.7                   | 255.0     |
| Net cash flows from financing activities                                                                        | 2,317.9                 | 1,581.8   |
| Net change in cash and cash equivalents                                                                         | (133.2)                 | (45.4)    |
| Cash and cash equivalents at beginning of period                                                                | 157.6                   | 62.8      |
| Cash and cash equivalents at end of period                                                                      | \$ 24.4                 | \$ 17.4   |

See notes to the condensed consolidated financial statements.

**ConAgra Foods, Inc. and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**For the Thirty-nine Weeks ended February 25, 2001**  
(columnar dollars in millions except per share amounts)

**1. Accounting Policies**

The unaudited interim financial information included herein reflects normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the results of operations, financial position, and cash flows for the periods presented. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the ConAgra Foods, Inc. (the "Company") fiscal 2000 annual report on Form 10-K/A.

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The results of operations for any interim period are not necessarily indicative of the results to be expected for other interim periods or the full year.

Certain prior year amounts have been reclassified in order to conform with current year classifications.

**Changes in Accounting Policy** 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 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 to finished product passes upon shipment to customers, to recognition of revenue for these sales when title and risk of loss are transferred to customers upon delivery. Previously, the Company had recognized revenue in accordance with its interpretation of Statement of Financial Accounting Concepts No. 5, *Revenue and Recognition in Measurement in Financial Statements of Business Enterprises*.

As indicated in Note 9, deferred delivery transactions at the Company's subsidiary, United Agri Products, Inc. ("UAP"), were determined not to comply with accounting requirements for revenue recognition and have been recorded in the period in which transfer of title and risk of loss occur and goods are delivered to the customer.

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 8.

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.

## 2. Acquisitions

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. 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.

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The Company's unaudited pro forma results of operations for the thirty-nine weeks ended February 25, 2001 and February 27, 2000, assuming the acquisition of IHF occurred as of the beginning of the periods presented are as follows:

|                          | Thirty-nine weeks ended |                      |
|--------------------------|-------------------------|----------------------|
|                          | February 25,<br>2001    | February 27,<br>2000 |
| Net sales                | \$ 21,194.7             | \$ 20,754.9          |
| Net income               | 527.9                   | 478.9                |
| Income per share diluted | 1.01                    | .92                  |

### 3. Operation Overdrive

During the fourth quarter of fiscal 2000, the Company completed a restructuring plan in connection with its previously announced initiative, "Operation Overdrive." The restructuring plan was aimed at eliminating overcapacity, streamlining operations and improving future profitability through margin expansion and expense reductions. The pre-tax charge of the plan approximated \$1.1 billion with \$621.4 million and \$440.8 million recognized in fiscal 2000 and 1999, respectively.

8

Included in the Company's results of operations for the thirteen weeks ended February 27, 2000 are restructuring plan charges of \$84.6 million (\$52.5 million net of tax) as follows:

|                                         | Packaged<br>Foods | Refrigerated<br>Foods | Agricultural<br>Products | Total          |
|-----------------------------------------|-------------------|-----------------------|--------------------------|----------------|
| Accelerated depreciation                | \$ 37.1           | \$ 1.3                | \$                       | \$ 38.4        |
| Inventory markdowns                     | .4                | 3.2                   | 4.1                      | 7.7            |
| Restructuring plan implementation costs | 4.0               | 5.1                   | 1.7                      | 10.8           |
| Restructuring/Impairment charges        | 10.5              | 2.1                   | 15.1                     | 27.7           |
| <b>Total</b>                            | <b>\$ 52.0</b>    | <b>\$ 11.7</b>        | <b>\$ 20.9</b>           | <b>\$ 84.6</b> |

Included in the Company's results of operations for the thirty-nine weeks ended February 27, 2000 are restructuring plan charges of \$236.1 million (\$146.4 million net of tax) as follows:

|                                         | Packaged<br>Foods | Refrigerated<br>Foods | Agricultural<br>Products | Total           |
|-----------------------------------------|-------------------|-----------------------|--------------------------|-----------------|
| Accelerated depreciation                | \$ 104.5          | \$ 10.2               | \$                       | \$ 114.7        |
| Inventory markdowns                     | 15.0              | 3.2                   | 23.2                     | 41.4            |
| Restructuring plan implementation costs | 6.7               | 9.5                   | 2.4                      | 18.6            |
| Restructuring/Impairment charges        | 23.1              | 14.8                  | 23.5                     | 61.4            |
| <b>Total</b>                            | <b>\$ 149.3</b>   | <b>\$ 37.7</b>        | <b>\$ 49.1</b>           | <b>\$ 236.1</b> |

Restructuring plan charges reflected in the Company's Consolidated Statements of Earnings for the thirteen weeks and thirty-nine weeks ended February 27, 2000 are as follows: accelerated depreciation of \$19.6 million and \$84.4 million, respectively, are included in cost of goods sold; accelerated depreciation of \$18.8 million and \$30.3 million, respectively, are included in selling, general and administrative expenses; inventory markdowns are included in cost of goods sold; plan implementation costs (primarily third-party consulting costs) are included in selling, general and administrative expenses; and restructuring/impairment charges are reflected as such and result from asset impairments, employee related costs and contractual termination costs. Asset impairment charges were primarily reflected in the Company's Refrigerated Foods and Agricultural Products segments.

Certain assets to be disposed of that were not immediately removed from operations were depreciated on an accelerated basis over their remaining useful lives. Inventory markdowns represented losses to write down the carrying value of non-strategic inventory resulting from the

closure of facilities and discontinuation of certain products.

Approximately 8,450 employees received notification of their termination as a result of the restructuring plan, primarily in manufacturing and operating facilities. In addition, other exit costs

9

(consisting of lease termination and other contractual termination costs) occurred as a result of the restructuring plan. Such activity is as follows:

|                            | Severance |           | Other Exit Costs |
|----------------------------|-----------|-----------|------------------|
|                            | Amount    | Headcount |                  |
| 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                   | (29.4)    | (2,770)   | (24.9)           |
| Balance, February 25, 2001 | \$ 23.1   | 430       | \$ 11.8          |

Included in the February 25, 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.

#### 4. Income per share

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

|                                                                 | Thirteen weeks ended |               | Thirty-nine weeks ended |               |
|-----------------------------------------------------------------|----------------------|---------------|-------------------------|---------------|
|                                                                 | Feb. 25, 2001        | Feb. 27, 2000 | Feb. 25, 2001           | Feb. 27, 2000 |
| <b>Net Income</b>                                               | \$ 115.8             | \$ 124.4      | \$ 517.2                | \$ 426.1      |
| <b>Income per share basic</b>                                   |                      |               |                         |               |
| Weighted average shares outstanding basic                       | 523.3                | 476.5         | 507.5                   | 475.3         |
| <b>Income per share diluted</b>                                 |                      |               |                         |               |
| Weighted average shares outstanding basic                       | 523.3                | 476.5         | 507.5                   | 475.3         |
| Add shares contingently issuable upon exercise of stock options | 4.0                  | 2.3           | 3.1                     | 3.4           |
| Weighted average shares outstanding diluted                     | 527.3                | 478.8         | 510.6                   | 478.7         |

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The sum of the income per share reported for fiscal 2001 quarters does not equal the income per share reported for the thirty-nine weeks ended of fiscal 2001 due to rounding.

10

### 5. Inventories

The major classes of inventories are as follows:

|                                             | Feb. 25,<br>2001  | May 28,<br>2000   | Feb. 27,<br>2000  |
|---------------------------------------------|-------------------|-------------------|-------------------|
| Hedged commodities                          | \$ 1,535.0        | \$ 1,305.7        | \$ 1,292.1        |
| Food products and livestock                 | 1,790.6           | 1,350.7           | 1,434.3           |
| Agricultural chemicals, fertilizer and feed | 1,092.0           | 940.6             | 810.8             |
| Other, principally ingredients and supplies | 731.4             | 459.0             | 706.2             |
|                                             | <u>\$ 5,149.0</u> | <u>\$ 4,056.0</u> | <u>\$ 4,243.4</u> |

### 6. 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 42 Superfund, proposed Superfund or state-equivalent sites. Beatrice has paid or is in the process of paying its liability share at 33 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.

### 7. Business Segments

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.

11

| Thirteen weeks ended |                      |
|----------------------|----------------------|
| February 25,<br>2001 | February 27,<br>2000 |

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|                                                                           | Thirteen weeks ended |            |
|---------------------------------------------------------------------------|----------------------|------------|
| Sales to unaffiliated customers                                           |                      |            |
| Packaged Foods                                                            | \$ 2,314.6           | \$ 1,891.4 |
| Refrigerated Foods                                                        | 3,164.4              | 3,137.6    |
| Agricultural Products                                                     | 919.0                | 847.0      |
| Total                                                                     | \$ 6,398.0           | \$ 5,876.0 |
| Intersegment sales                                                        |                      |            |
| Packaged Foods                                                            | \$ 12.1              | \$ 9.8     |
| Refrigerated Foods                                                        | 105.0                | 96.0       |
| Agricultural Products                                                     | 53.0                 | 43.5       |
| Intersegment elimination                                                  | 170.1                | 149.3      |
|                                                                           | (170.1)              | (149.3)    |
| Total                                                                     | \$                   | \$         |
| Net sales                                                                 |                      |            |
| Packaged Foods                                                            | \$ 2,326.7           | \$ 1,901.2 |
| Refrigerated Foods                                                        | 3,269.4              | 3,233.6    |
| Agricultural Products                                                     | 972.0                | 890.5      |
| Intersegment elimination                                                  | (170.1)              | (149.3)    |
| Total                                                                     | \$ 6,398.0           | \$ 5,876.0 |
| Operating profit (loss)*                                                  |                      |            |
| Packaged Foods                                                            | \$ 279.3             | \$ 235.6   |
| Refrigerated Foods                                                        | 78.1                 | 98.8       |
| Agricultural Products                                                     | (1.8)                | 18.6       |
| Total operating profit                                                    | 355.6                | 353.0      |
| Interest expense                                                          | 130.9                | 80.8       |
| General corporate expenses                                                | 19.1                 | 55.1       |
| Goodwill amortization                                                     | 17.5                 | 15.9       |
| Income before income taxes and cumulative effect of changes in accounting | \$ 188.1             | \$ 201.2   |

\*Included in the thirteen weeks ended February 27, 2000 are before-tax restructuring/impairment charges and other restructuring-related charges of \$84.6 million. The charges are included in operating

profit as follows: \$52.0 million in Packaged Foods; \$11.7 million in Refrigerated Foods; and \$20.9 million in Agricultural Products.

**Thirty-nine weeks ended**

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|                                                                                  | Thirty-nine weeks ended |                      |
|----------------------------------------------------------------------------------|-------------------------|----------------------|
|                                                                                  | February 25,<br>2001    | February 27,<br>2000 |
| <b>Sales to unaffiliated customers</b>                                           |                         |                      |
| Packaged Foods                                                                   | \$ 6,399.9              | \$ 5,654.7           |
| Refrigerated Foods                                                               | 9,955.5                 | 9,549.2              |
| Agricultural Products                                                            | 4,401.2                 | 4,180.9              |
| <b>Total</b>                                                                     | <b>\$ 20,756.6</b>      | <b>\$ 19,384.8</b>   |
| <b>Intersegment sales</b>                                                        |                         |                      |
| Packaged Foods                                                                   | \$ 36.5                 | \$ 34.3              |
| Refrigerated Foods                                                               | 273.1                   | 203.7                |
| Agricultural Products                                                            | 247.9                   | 208.8                |
|                                                                                  | 557.5                   | 446.8                |
| <b>Intersegment elimination</b>                                                  | <b>(557.5)</b>          | <b>(446.8)</b>       |
| <b>Total</b>                                                                     | <b>\$</b>               | <b>\$</b>            |
| <b>Net sales</b>                                                                 |                         |                      |
| Packaged Foods                                                                   | \$ 6,436.4              | \$ 5,689.0           |
| Refrigerated Foods                                                               | 10,228.6                | 9,752.9              |
| Agricultural Products                                                            | 4,649.1                 | 4,389.7              |
| <b>Intersegment elimination</b>                                                  | <b>(557.5)</b>          | <b>(446.8)</b>       |
| <b>Total</b>                                                                     | <b>\$ 20,756.6</b>      | <b>\$ 19,384.8</b>   |
| <b>Operating profit*</b>                                                         |                         |                      |
| Packaged Foods                                                                   | \$ 863.6                | \$ 644.1             |
| Refrigerated Foods                                                               | 341.2                   | 332.1                |
| Agricultural Products                                                            | 247.9                   | 186.1                |
| <b>Total operating profit</b>                                                    | <b>1,452.7</b>          | <b>1,162.3</b>       |
| Interest expense                                                                 | 323.2                   | 234.5                |
| General corporate expenses                                                       | 155.5                   | 192.5                |
| Goodwill amortization                                                            | 64.1                    | 47.8                 |
| <b>Income before income taxes and cumulative effect of changes in accounting</b> | <b>\$ 909.9</b>         | <b>\$ 687.5</b>      |

\*Included in the thirty-nine weeks ended February 27, 2000 are before-tax restructuring/impairment charges and other restructuring-related charges of \$236.1 million. The charges are included in operating profit as follows: \$149.3 million in Packaged Foods; \$37.7 million in Refrigerated Foods; and \$49.1 million in Agricultural Products.

**8. Changes in Accounting Policy**

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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    |
|                                    | <hr/>   |
|                                    | \$ 43.9 |
|                                    | <hr/>   |

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 the thirty-nine weeks ended February 25, 2001. Other than such cumulative effect, the effect of the changes on the thirteen week period ended February 25, 2001 was to increase income before cumulative effect of changes in accounting by \$7.3 million (\$.01 per diluted share). Other than such cumulative effect, the effect of the changes on the thirty-nine week period ended February 25, 2001 was to decrease income before cumulative effect of changes in accounting by \$3.3 million (\$.01 per diluted share).

The following pro forma amounts reflect the effect of retroactive application of the changes in 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 in fiscal 2000 had the new method been in effect, and related income taxes are shown below:

|                          | Thirteen weeks ended |               | Thirty-nine weeks ended |               |
|--------------------------|----------------------|---------------|-------------------------|---------------|
|                          | Feb. 25, 2001        | Feb. 27, 2000 | Feb. 25, 2001           | Feb. 27, 2000 |
| Net income               | \$ 115.8             | \$ 124.9      | \$ 561.1                | \$ 415.0      |
| Income per share diluted | \$ .22               | \$ .26        | \$ 1.10                 | \$ .87        |

### 9. Restatement and Reclassifications

Subsequent to the issuance of the Company's 2000 consolidated financial statements and the filing of its 2000 Annual Report on Form 10-K with the SEC, the Company's management determined that accounting and conduct matters at its United Agri Products, Inc. subsidiary ("UAP") principally related to revenue recognition for deferred delivery sales and vendor rebates, advance vendor rebates, and bad debt reserves would require restatement of such financial statements. As a result, the fiscal 2000 and 2001 third quarter condensed consolidated financial statements and related disclosures have been restated to reflect the following changes.

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

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

The effect of the restatement, and the cumulative effect of changes in accounting is shown in the table below:

|                                            | Thirteen weeks ended |                   | Thirty-nine weeks ended |                   |
|--------------------------------------------|----------------------|-------------------|-------------------------|-------------------|
|                                            | February 25, 2001    | February 27, 2000 | February 25, 2001       | February 27, 2000 |
| Net income as previously reported          | \$ 98.5              | \$ 143.4          | \$ 546.3                | \$ 432.5          |
| Impact of restatement for:                 |                      |                   |                         |                   |
| Deferred delivery sales and vendor rebates | (8.3)                | (19.0)            | (.2)                    | (6.4)             |

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|                                                | Thirteen weeks ended |          | Thirty-nine weeks ended |          |
|------------------------------------------------|----------------------|----------|-------------------------|----------|
| Bad debt reserves                              | 18.3                 |          | 18.3                    |          |
| Current period effect of changes in accounting | 7.3                  |          | (3.3)                   |          |
| Cumulative effect of changes in accounting     |                      |          | (43.9)                  |          |
| Net income as restated                         | \$ 115.8             | \$ 124.4 | \$ 517.2                | \$ 426.1 |

As a result of the foregoing factors, the Company's fiscal 2000 and 2001 condensed consolidated financial statements have been restated from the amounts previously reported. The principal effects of these items on the accompanying financial statements are set forth below:

| Thirteen Weeks Ended                         |                            |                      |                            |                      |
|----------------------------------------------|----------------------------|----------------------|----------------------------|----------------------|
|                                              | February 25,<br>2001       | February 25,<br>2001 | February 27,<br>2000       | February 27,<br>2000 |
|                                              | As Previously<br>Reported* | As Restated          | As Previously<br>Reported* | As Restated          |
| Net sales                                    | \$ 6,394.2                 | \$ 6,398.0           | \$ 5,875.9                 | \$ 5,876.0           |
| Cost of goods sold                           | 5,443.8                    | 5,457.0              | 5,055.7                    | 5,085.8              |
| Selling, general and administrative expenses | 659.3                      | 622.0                | 480.5                      | 480.5                |
| Total costs and expenses                     | 6,234.0                    | 6,209.9              | 5,644.6                    | 5,674.8              |
| Income before income taxes                   | 160.2                      | 188.1                | 231.3                      | 201.2                |
| Income taxes                                 | 61.7                       | 72.3                 | 87.9                       | 76.8                 |
| Net income                                   | \$ 98.5                    | \$ 115.8             | \$ 143.4                   | \$ 124.4             |
| Net income per share basic                   | \$ .19                     | \$ .22               | \$ .30                     | \$ .26               |
| Net income per share diluted                 | \$ .19                     | \$ .22               | \$ .30                     | \$ .26               |

15

| Thirty-Nine Weeks Ended                                                    |                            |                      |                            |                      |
|----------------------------------------------------------------------------|----------------------------|----------------------|----------------------------|----------------------|
|                                                                            | February 25,<br>2001       | February 25,<br>2001 | February 27,<br>2000       | February 27,<br>2000 |
|                                                                            | As Previously<br>Reported* | As Restated          | As Previously<br>Reported* | As Restated          |
| Net sales                                                                  | \$ 20,432.0                | \$ 20,756.6          | \$ 19,221.4                | \$ 19,384.8          |
| Cost of goods sold                                                         | 17,458.6                   | 17,783.0             | 16,673.3                   | 16,846.8             |
| Selling, general and administrative expenses                               | 1,762.7                    | 1,740.5              | 1,554.6                    | 1,554.6              |
| Total costs and expenses                                                   | 19,545.6                   | 19,846.7             | 18,523.8                   | 18,697.3             |
| Income before income taxes and cumulative effect of changes in accounting  | 886.4                      | 909.9                | 697.6                      | 687.5                |
| Income taxes                                                               | 340.1                      | 348.8                | 265.1                      | 261.4                |
| Cumulative effect of changes in accounting                                 |                            | (43.9)               |                            |                      |
| Net income                                                                 | \$ 546.3                   | \$ 517.2             | \$ 432.5                   | \$ 426.1             |
| Income before cumulative effect of changes in accounting per share basic   | \$ 1.08                    | \$ 1.11              | \$ .91                     | \$ .90               |
| Income before cumulative effect of changes in accounting per share diluted | \$ 1.07                    | \$ 1.10              | \$ .90                     | \$ .89               |
| Net income per share basic                                                 | \$ 1.08                    | \$ 1.02              | \$ .91                     | \$ .90               |

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## Thirty-Nine Weeks Ended

|                                   |                         |             |                        |             |                         |             |        |  |
|-----------------------------------|-------------------------|-------------|------------------------|-------------|-------------------------|-------------|--------|--|
| Net income per share diluted      | \$ 1.07                 |             | \$ 1.01                |             | \$ .90                  |             | \$ .89 |  |
|                                   | As of February 25, 2001 |             | As of May 28, 2000     |             | As of February 27, 2000 |             |        |  |
|                                   | As Previously Reported  | As Restated | As Previously Reported | As Restated | As Previously Reported  | As Restated |        |  |
| Receivables                       | \$ 2,244.3              | \$ 1,986.2  | \$ 1,605.5             | \$ 1,241.5  | \$ 1,972.1              | \$ 1,902.5  |        |  |
| Inventories                       | 4,987.3                 | 5,149.0     | 3,788.4                | 4,056.0     | 4,245.4                 | 4,243.4     |        |  |
| Total assets                      | 17,201.3                | 17,074.7    | 12,293.0               | 12,196.6    | 13,112.5                | 13,040.9    |        |  |
| Retained earnings                 | 1,635.1                 | 1,530.8     | 1,420.7                | 1,345.3     | 1,537.2                 | 1,486.3     |        |  |
| Total common stockholders' equity | 4,088.0                 | 3,983.7     | 2,964.0                | 2,888.7     | 3,092.4                 | 3,041.5     |        |  |

\*

The "As Previously Reported" amounts reflect certain reclassifications, which have been made to the amounts previously reported in the Company's Form 10-Q for the thirteen weeks ended February 25, 2001 to conform with recently issued accounting literature. The principal effects of these include reclassification of shipping and handling costs from a reduction in net sales to cost of goods sold and reclassification of consumer sales incentives from selling, general and administrative expenses to a reduction of net sales. The effects of the reclassifications for the thirteen weeks ended February 25, 2001 and February 27, 2000 were to decrease net sales by \$35.1 million and increase net sales by \$78.1 million, increase cost of goods sold by \$38.6 million and \$275.5 million and decrease selling, general and administrative expenses by \$73.7 million and \$197.4 million, respectively. The effects of the reclassifications for the thirty-nine weeks ended February 25, 2001 and February 27, 2000 were to decrease net sales by \$5.1 million and increase net sales by \$227.1 million, increase cost of goods sold by \$327.8 million and \$814.2 million and decrease selling, general and administrative expenses by \$332.9 million and \$587.1 million, respectively. These reclassifications had no impact on previously reported income before income taxes and cumulative effect of changes in accounting, net income or income per share amounts.

16

Following is management's discussion and analysis of certain significant factors which affected the Company's financial condition and operating results for the periods included in the accompanying condensed consolidated financial statements. Results for the thirteen weeks and thirty-nine weeks ended February 25, 2001 are not necessarily indicative of results that may be attained in the future.

### Restatement

Subsequent to the issuance of the Company's 2000 consolidated financial statements and the filing of its 2000 Annual Report on Form 10-K with the Securities and Exchange Commission (the "SEC"), the Company's management determined that accounting and conduct matters at its United Agri Products, Inc. subsidiary ("UAP") principally related to revenue recognition for deferred delivery sales and vendor rebates, advance vendor rebates, and bad debt reserves would require restatement of such financial statements. The restatement also corrects an error relating to consolidation of intracompany profit on sales within UAP during fiscal 1998. As a result, the fiscal 2000 and 2001 third quarter condensed consolidated financial statements and related disclosures have been restated from the amounts previously reported for deferred delivery sales and vendor rebates and bad debt reserves. See Note 9. Fiscal 2000 and 2001 third quarter condensed consolidated financial statements were not impacted by the restatement resulting from advance vendor rebates.

In addition, in the fourth quarter of fiscal 2001, the Company changed its methods of accounting as of the beginning of fiscal 2001 for revenue recognition relating to shipping terms for certain of its product sales, sales incentives granted to retailers and consumer sales incentives. As a result, the fiscal 2001 third quarter condensed consolidated financial statements and related disclosures have been restated from the amounts previously reported. See Note 8. Furthermore, certain reclassifications have been made to amounts previously reported in the Company's Form 10-Q for the quarter ended February 25, 2001 to conform with recently issued accounting literature. See Note 9.

### Financial Condition (as restated)

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

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On August 24, 2000, the Company acquired all of the outstanding International Home Foods ("IHF") common stock and assumed options exercisable post-acquisition for shares of Company common stock for total consideration of approximately \$1.7 billion plus the assumption of approximately \$1.1 billion in debt. Primarily as a result of this acquisition, capital investment increased approximately \$3.1 billion as compared to May 28, 2000, consisting of a \$76.3 million working capital increase and a \$3,070.6 million increase in noncurrent assets. In addition, senior long-term debt increased approximately \$1.6 billion as compared to May 28, 2000, primarily as a result of the IHF acquisition.

During the second quarter of fiscal 2001, 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 long-term debt objective is that senior long-term debt will not normally exceed 30% of total long-term debt plus equity. Long-term subordinated debt is treated as equity due to its preferred stock characteristics. The Company's policy has been that it would exceed this self-imposed

17

limit for a major strategic acquisition that is intended to create value for shareholders over the long term. In management's view, the fiscal 2001 acquisition of IHF represented such an opportunity.

### Operating Results (as restated)

A summary of the period to period increases (decreases) in the principal components of operations, both before and after restructuring and other restructuring-related charges ("restructuring charges") recognized in fiscal 2000, is shown below (dollars in millions, except per share amounts).

|                                                                           | Thirteen weeks ended<br>Feb. 25, 2001 and Feb. 27, 2000 |                                       | Thirty-nine weeks ended<br>Feb. 25, 2001 and Feb. 27, 2000 |                                       |
|---------------------------------------------------------------------------|---------------------------------------------------------|---------------------------------------|------------------------------------------------------------|---------------------------------------|
|                                                                           | As<br>Reported                                          | Excluding<br>Restructuring<br>Charges | As<br>Reported                                             | Excluding<br>Restructuring<br>Charges |
| Net sales                                                                 | \$ 522.0                                                | \$ 522.0                              | \$ 1,371.8                                                 | \$ 1,371.8                            |
| Costs and expenses                                                        |                                                         |                                       |                                                            |                                       |
| Cost of goods sold                                                        | 371.2                                                   | 398.5                                 | 936.2                                                      | 1,062.0                               |
| Selling, general and administrative expenses                              | 141.5                                                   | 171.1                                 | 185.9                                                      | 234.8                                 |
| Interest expense                                                          | 50.1                                                    | 50.1                                  | 88.7                                                       | 88.7                                  |
| Restructuring/Impairment charges                                          | (27.7)                                                  |                                       | (61.4)                                                     |                                       |
|                                                                           | <u>535.1</u>                                            | <u>619.7</u>                          | <u>1,149.4</u>                                             | <u>1,385.5</u>                        |
| Income before income taxes and cumulative effect of changes in accounting | (13.1)                                                  | (97.7)                                | 222.4                                                      | (13.7)                                |
| Income taxes                                                              | (4.5)                                                   | (36.6)                                | 87.4                                                       | 2.3                                   |
| Income before cumulative effect of changes in accounting                  | (8.6)                                                   | (61.1)                                | 135.0                                                      | (11.4)                                |
| Cumulative effect of changes in accounting                                |                                                         |                                       | (43.9)                                                     | (43.9)                                |
| Net income                                                                | <u>\$ (8.6)</u>                                         | <u>\$ (61.1)</u>                      | <u>\$ 91.1</u>                                             | <u>\$ (55.3)</u>                      |
| Income before cumulative effect of changes in accounting per share basic  | \$ (.04)                                                | \$ (.15)                              | \$ .21                                                     | \$ (.10)                              |

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|                                                                               | Thirteen weeks ended<br>Feb. 25, 2001 and Feb. 27, 2000 |          | Thirty-nine weeks ended<br>Feb. 25, 2001 and Feb. 27, 2000 |          |
|-------------------------------------------------------------------------------|---------------------------------------------------------|----------|------------------------------------------------------------|----------|
|                                                                               |                                                         |          |                                                            |          |
| Income before cumulative effect of changes in accounting<br>per share diluted | \$ (.04)                                                | \$ (.15) | \$ .21                                                     | \$ (.10) |
| Income per share basic                                                        | \$ (.04)                                                | \$ (.15) | \$ .12                                                     | \$ (.19) |
| Income per share diluted                                                      | \$ (.04)                                                | \$ (.15) | \$ .12                                                     | \$ (.19) |

In comparison to fiscal 2000 third quarter, the Company's fiscal 2001 third quarter diluted income per share was \$.22, a decrease of \$.04, or 15.4 percent; operating profit was \$355.6 million, an increase of \$2.6 million, or .7 percent; and net income was \$115.8 million, a decrease of \$8.6 million, or 6.9 percent. Excluding restructuring charges recognized in the third quarter of fiscal 2000, the Company's fiscal 2001 third quarter diluted income per share decreased \$.15, or 40.5 percent; operating profit decreased \$82.0 million, or 18.7 percent; and net income decreased \$61.1 million, or 34.5 percent.

For the first nine months of fiscal 2001, diluted income per share was \$1.01, an increase of \$.12, or 13.5 percent; operating profit was \$1,452.7 million, an increase of \$290.4 million, or 25.0 percent; and net income was \$517.2 million, an increase of \$91.1 million, or 21.4 percent. The sum of the income per share for fiscal 2001 first, second and third quarters does not equal the income per share reported for the first nine months of fiscal 2001 due to rounding. Excluding restructuring charges recognized in the first nine months of fiscal 2000, the Company's fiscal 2001 first nine months diluted income per

18

share decreased \$.18, or 15.0 percent; operating profit increased \$54.3 million, or 3.9 percent; and net income decreased \$55.3 million, or 9.7 percent.

In the Company's Packaged Foods segment, third quarter sales increased \$423.2 million, or 22.4 percent, over the same period in the prior year, while sales for the first nine months of fiscal 2001 increased \$745.2 million, or 13.2 percent, over the same period in the prior year. The segment's third quarter and first nine months' increase in sales resulted primarily from the broader portfolio of shelf stable products associated with the IHF acquisition (which occurred at the end of the Company's fiscal 2001 first quarter) as well as growth in the segment's foodservice-oriented business unit which includes french fry, specialty meat, seafood and tortilla operations. Continued adjustment in inventory levels by major trade customers slowed overall segment sales and profit growth, despite improved consumer purchases and market positions for several key products. Operating profit for the third quarter increased \$43.7 million, or 18.5 percent, as compared to the same period in fiscal 2000, while operating profit for the first nine months increased \$219.5 million, or 34.1 percent, as compared to the first nine months of fiscal 2000. These operating profit increases were favorably impacted by the sales growth cited above, and were offset, in part, by weaker results in the segment's frozen foods business unit, higher marketing investment within the segment's shelf stable and frozen foods business units, and higher energy-related costs across the entire segment. Fiscal 2001 third quarter and first nine months' increases in operating profit were also favorably impacted by restructuring plan charges recognized in fiscal 2000. Excluding restructuring plan charges recognized in fiscal 2000, third quarter operating profit decreased \$8.3 million, or 2.9 percent, over the third quarter of fiscal 2000, while operating profit for the first nine months of fiscal 2001 increased \$70.2 million, or 8.9 percent, as compared to the same period in fiscal 2000.

In the Company's Refrigerated Foods segment, third quarter sales increased \$26.8 million, or .9 percent, as compared to third quarter fiscal 2000. Operating profit for the third quarter decreased \$20.7 million, or 21.0 percent, as compared to the same period in fiscal 2000. Increased profitability for the segment's branded prepared meat business was more than offset by increased product input costs in the segment's fresh protein operations. For the first nine months of fiscal 2001, sales increased \$406.3 million, or 4.3 percent, while operating profit increased \$9.1 million, or 2.7 percent as compared to the first nine months of fiscal 2000. Fiscal 2001 third quarter and first nine months' changes in operating profit were negatively impacted by higher energy-related costs and were favorably impacted by restructuring plan charges recognized in fiscal 2000. Excluding restructuring plan charges recognized in fiscal 2000, third quarter operating profit decreased \$32.4 million, or 29.3 percent, over the third quarter of fiscal 2000, while operating profit for the first nine months of fiscal 2001 decreased \$28.6 million, or 7.7 percent, as compared to the comparable period in fiscal 2000.

In the Company's Agricultural Products segment, third quarter sales increased \$72.0 million, or 8.5 percent, as compared to third quarter fiscal 2000. For the first nine months of fiscal 2001, sales increased \$220.3 million, or 5.3 percent. Operating profit for the third quarter decreased \$20.4 million, or 109.7 percent, resulting in an operating loss of \$1.8 million. The operating loss was attributable to the segment's agricultural inputs distribution business. The lower profitability at the segment's agricultural inputs distribution business was due, in part, to issues affecting

the agricultural economy, including concerns among growers over biotechnology, changes in farm policy, and the impact of high natural gas prices on fertilizer cost and availability. The Company anticipates the current agricultural economy will continue to have a negative effect on the segment's fourth quarter operating results. Operating profit increased \$61.8 million, or 33.2 percent as compared to the first nine months of fiscal 2000. The third quarter and first nine months' changes in operating profit were also impacted by restructuring plan charges included in fiscal 2000's operating results. Excluding restructuring plan charges recognized in fiscal 2000, third quarter operating profit decreased \$41.3 million, or 104.6 percent, over the third quarter of fiscal 2000, while operating profit for the first nine months of fiscal 2001 increased \$12.7 million, or 5.4 percent, as compared to the comparable period in fiscal 2000.

19

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General corporate expense for the third quarter and first nine months of fiscal 2001 decreased \$36.1 million, or 65.5%, and \$37.0 million, or 19.2%, respectively. Both the third quarter and first nine months of fiscal 2001 were positively impacted by the Company's reduction of certain reserves by a total of \$35 million as a result of the resolution of certain litigation and reevaluation of reserves for other corporate matters.

On December 25, 2000, one of the Company's beef processing facilities located in Garden City, Kansas, suffered damage due to a fire. As a result, the facility will be shut down for an indeterminate period of time. The Company does not believe the shut down of the facility will have a material impact on its results of operations.

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. The Company is currently assessing the impact of the adoption of the standard on the Company's financial statements. 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.

20

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## **ConAgra Foods, Inc. and Subsidiaries**

### **Part I Financial Information**

#### **Item 3. Quantitative and Qualitative Disclosure About Market Risk**

There have been no material changes in the Company's market risk during the thirty-nine weeks ended February 25, 2001. For additional information, refer to the subsection "Market Risk" in "Management's Discussion & Analysis" set forth in Item 7 of the Company's Form 10-K/A for the fiscal year ended May 28, 2000.

21

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## **ConAgra Foods, Inc. and Subsidiaries**

### **Part II Other Information**

#### **Item 5. Other Information**

The unaudited pro forma combined condensed financial statements, which give effect to the acquisition of International Home Foods by the Company under the purchase method of accounting for the thirty-nine weeks ended February 25, 2001 and the fiscal year ended May 28, 2000, are attached hereto as Exhibit 99.1.

#### **Item 6. Exhibits and Reports on Form 8-K**

(A) Exhibits

12 Statement regarding computation of ratio of earnings to fixed charges

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99.1 The unaudited pro forma combined condensed financial statements, which give effect to the acquisition of International Home Foods by ConAgra Foods under the purchase method of accounting.

(B) Reports on Form 8-K

The Company filed a report on Form 8-K dated February 13, 2001 relating to its earnings outlook for the fiscal year ending May 27, 2001.

### CONAGRA FOODS, INC.

By: /s/ JAMES P. O'DONNELL

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

By: /s/ DWIGHT J. GOSLEE

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

By: /s/ JAY D. BOLDING

Jay D. Bolding  
*Senior Vice President, Controller*

Dated this 22<sup>nd</sup> day of June 2001.

22

### ConAgra Foods, Inc. and Subsidiaries Exhibit Index

| EXHIBIT | DESCRIPTION                                                                                                                                                                                 | PAGE |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 12      | Statement regarding computation of ratio of earnings to fixed charges                                                                                                                       | 26   |
| 99.1    | The unaudited pro forma combined condensed financial statements, which give effect to the acquisition of International Home Foods by ConAgra Foods under the purchase method of accounting. | 27   |

23

### QuickLinks

[Part I Financial Information Item 1. Condensed Consolidated Financial Statements ConAgra Foods, Inc. and Subsidiaries](#)  
[Part I Financial Information Item 1. Condensed Consolidated Financial Statements ConAgra Foods, Inc. and Subsidiaries Condensed Consolidated Statements of Earnings \(in millions except per share amounts\) \(unaudited\)](#)

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ConAgra Foods, Inc. and Subsidiaries Condensed Consolidated Statements of Comprehensive Income (in millions) (unaudited)

ConAgra Foods, Inc. and Subsidiaries Condensed Consolidated Balance Sheets (dollars in millions except per share amounts) (unaudited)

ConAgra Foods, Inc. and Subsidiaries Condensed Consolidated Statements of Cash Flows (in millions) (unaudited)

ConAgra Foods, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements For the Thirty-nine Weeks ended February 25, 2001 (columnar dollars in millions except per share amounts)

ConAgra Foods, Inc. and Subsidiaries Part I Financial Information

ConAgra Foods, Inc. and Subsidiaries Part II Other Information

ConAgra Foods, Inc. and Subsidiaries Exhibit Index