On February 11, 2009, the Bankruptcy Court issued an order granting the Company's motion to impose certain restrictions on trading in shares of the Company's common stock in order to preserve valuable tax attributes. This order established notification procedures and certain restrictions on transfers of common stock or options to purchase the common stock of the Company. The trading restrictions apply retroactively to January 17, 2009, the date the motion was filed, to investors beneficially owning at least 4.75% of the outstanding shares of common stock of the Company. For these purposes, beneficial ownership of stock is determined in accordance with special US tax rules that, among other things, apply constructive ownership concepts and treat holders acting together as a single holder. In addition, in the future, the Company may request that the Bankruptcy Court impose certain trading restrictions on certain debt of, and claims against, the Company.

Going Concern Matters

The accompanying Consolidated Financial Statements have been prepared assuming that the Company will continue as a going concern. However, there is substantial doubt about the Company's ability to continue as a going concern based on the factors previously discussed. The Consolidated Financial Statements do not include any adjustments related to the recoverability and classification of recorded assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern. The Company's ability to continue as a going concern is dependent upon, among other things, the ability of the Company to return to historic levels of profitability and, in the near term, restructure its obligations in a manner that allows it to obtain confirmation of a plan of reorganization by the Bankruptcy Court.

Management is addressing the Company's ability to return to profitability by conducting profitability reviews at certain facilities in an effort to reduce inefficiencies and manufacturing costs. During the first nine months of 2009, the Company closed seven processing complexes, closed two distribution centers and reduced or consolidated production at various other facilities throughout the US. These actions will ultimately result in a reduction of approximately 6,390 production positions and 440 non–production positions.

On November 7, 2008, the Board of Directors appointed a Chief Restructuring Officer ("CRO") for the Company. The appointment of a CRO was a requirement included in the waivers received from the Company's lenders on October 27, 2008. The CRO assists the Company with cost reduction initiatives, restructuring plans development and long–term liquidity improvement. The CRO reports to the Board of Directors of the Company.

In order to emerge from bankruptcy, the Company will need to obtain alternative financing to replace the DIP Credit Agreement and to satisfy the secured claims of its pre–bankruptcy creditors.

Business Segments

Subsequent to the sale of our turkey operations, we operate in two reportable business segments as (1) a producer and seller of chicken products and (2) a seller of other products. The following table presents certain information regarding our segments:

	Three Months Ended		Nine Months Ended	
	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
	(In thousands)			
Net sales to customers:				
Chicken:				
United States	$ 1,516,468	$ 1,829,163	$ 4,579,725	$ 5,280,272
Mexico	126,270	154,165	371,386	402,475
Total chicken	1,642,738	1,983,328	4,951,111	5,682,747
Other Products:				
United States	127,422	214,135	377,790	648,431
Mexico	6,653	10,013	23,005	24,445
Total other products	134,075	224,148	400,795	672,876
	$ 1,776,813	$ 2,207,476	$ 5,351,906	$ 6,355,623
Operating income (loss):				
Chicken:				
United States	$ 72,976	$ (65,425)	$ (94,731)	$ (241,081)
Mexico	18,046	6,964	21,900	(848)
Total chicken	91,022	(58,461)	(72,831)	(241,929)
Other products:				
United States	16,487	18,366	20,661	74,601
Mexico	1,087	1,015	4,819	2,980
Total other products	17,574	19,381	25,480	77,581
Asset impairment	—	—	—	(12,022)
Restructuring items, net	—	(3,451)	(1,987)	(9,120)
	$ 108,596	$ (42,531)	$ (49,338)	$ (185,490)
Depreciation and amortization(a)(b)(c)				
Chicken:				
United States	$ 51,245	$ 54,292	$ 159,203	$ 158,624
Mexico	2,383	2,587	7,207	7,831
Total chicken	53,628	56,879	166,410	166,455
Other products:				
United States	3,475	3,565	11,251	9,465
Mexico	58	62	171	187
Total other products	3,533	3,627	11,422	9,652
	$ 57,161	$ 60,506	$ 177,832	$ 176,107

(a) Includes amortization of capitalized financing costs of $1.8 million, $1.7 million, $5.1 million and $3.8 million recognized in the third quarter of 2009, the third quarter of 2008, the first nine months of 2009 and the first nine months of 2008, respectively.

(b) Includes amortization of intangible assets of $2.5 million, $2.5 million, $7.6 million and $7.7 million recognized in the third quarter of 2009, the third quarter of 2008, the first nine months of 2009 and the first nine months of 2008, respectively.

(c) Excludes depreciation costs incurred by our discontinued turkey business of $0.7 million during the nine months ended June 28, 2008. Our discontinued turkey business did not incur depreciation costs during the third quarter of 2009, the third quarter of 2008 or the first nine months of 2009.

The following table presents certain items as a percentage of net sales for the periods indicated:

	Percentage of Net Sales			
	Three Months Ended		Nine Months Ended	
	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Net sales	100.0%	100.0 %	100.0 %	100.0 %
Cost of sales	89.7%	97.6 %	96.3 %	97.9 %
Asset impairment	—%	— %	— %	0.2 %
Gross profit	10.3%	2.4 %	3.7 %	1.9 %
Selling, general and administrative ("SG&A") expenses	4.2%	4.2 %	4.6 %	4.7 %
Restructuring charges, net	—%	0.2 %	— %	0.1 %
Operating income (loss)	6.1%	(2.0) %	(0.9) %	(2.9) %
Interest expense	2.2%	1.6 %	2.3 %	1.6 %
Reorganization items, net	0.9%	— %	1.2 %	— %
Income (loss) from continuing operations before income taxes	3.0%	(3.5) %	(4.3) %	(4.4) %
Income (loss) from continuing operations	3.0%	(2.2) %	(4.4) %	(3.0) %
Net income (loss)	3.0%	(2.4) %	(4.4) %	(3.1) %

Results of Operations

Third Quarter 2009 Compared to Third Quarter 2008

Net sales. Net sales for the third quarter of 2009 decreased $430.7 million, or 19.5%, from the third quarter of 2008. The following table provides net sales information:

Source	Third Quarter 2009	Change from Third Quarter 2008 Amount	Percent	
	(In thousands, except percent data)			
Chicken:				
United States	$ 1,516,468	$ (312,695)	(17.1) %	(a)
Mexico	126,270	(27,895)	(18.1) %	(b)
Total chicken	1,642,738	(340,590)	(17.2) %	
Other products:				
United States	127,422	(86,713)	(40.5) %	(c)
Mexico	6,653	(3,360)	(33.6) %	
Total other products	134,075	(90,073)	(40.2) %	
Total net sales	$ 1,776,813	$ (430,663)	(19.5) %	

(a) US chicken sales generated in the third quarter of 2009 decreased 17.1% from US chicken sales generated in the third quarter of 2008. Sales volume decreased 17.0% primarily because of previously announced production cutbacks and subsequent reorganization efforts. Net revenue per pound sold decreased 0.1% from the prior year.

(b) Mexico chicken sales generated in the third quarter of 2009 decreased 18.1% from Mexico chicken sales generated in the third quarter of 2008. Sales volume decreased 11.3% from the prior year because of production cutbacks. Net revenue per pound sold decreased 7.8% from the prior year primarily because of the devaluation of the Mexican peso against the US dollar in 2009.

(c) US sales of other products generated in the third quarter of 2009 decreased 40.5% from US sales of other products generated in the third quarter of 2008 mainly as the result of reduced sales volumes on protein conversion products. The decrease in protein conversion products sales volumes resulted primarily from the ongoing impact of a fire suffered at the Mt. Pleasant, Texas protein conversion facility in late 2008 and subsequent reorganization efforts. Protein conversion is the process of converting poultry byproducts into raw materials for grease, animal feed, biodiesel and feed–stock for the chemical industry.

Gross profit. Gross profit increased by $130.2 million, or 244.7%, from $53.2 million in the third quarter of 2008 to $183.4 million in the third quarter of 2009. The following table provides gross profit information.

Components	Third Quarter 2009	Change from Third Quarter 2008 Amount	Change from Third Quarter 2008 Percent	Percent of Net Sales Third Quarter 2009	Percent of Net Sales Third Quarter 2008	
	(In thousands, except percent data)					
Net sales	$ 1,776,813	$ (430,663)	(19.5) %	100.0%	100.0%	
Cost of sales	1,593,399	(560,866)	(26.0) %	89.7%	97.6%	(a)
Gross profit	$ 183,414	$ 130,203	244.7 %	10.3%	2.4%	(b)

(a) Cost of sales incurred by the US operations during the third quarter of 2009 decreased $521.4 million from cost of sales incurred by the US operations during the third quarter of 2008. This decrease occurred primarily because of production cutbacks, decreased feed ingredient purchases and decreased feed ingredient prices during the quarter partially offset by an aggregate net gain of $97.2 million recognized by the Company during the third quarter of 2008 on derivative financial instruments. The Company did not participate in any derivative financial instrument transactions in the third quarter of 2009. Cost of sales incurred by the Mexico operations during the third quarter of 2009 decreased $39.5 million from cost of sales incurred by the Mexico operations during the third quarter of 2008 primarily because of decreased net sales and decreased feed ingredient costs.

(b) Gross profit as a percent of net sales generated in the third quarter of 2009 increased 7.9 percentage points from gross profit as a percent of sales generated in the third quarter of 2008 primarily because of the cost–savings impact of production cutbacks and decreased feed ingredient costs experienced during the quarter.

Operating income (loss). Operating income results increased by $151.1 million, or 355.3%, from an operating loss of $42.5 million incurred in the third quarter of 2008 to operating income of $108.6 million generated in the third quarter of 2009. The following tables provide operating income (loss) information.

Source	Third Quarter 2009	Change from Third Quarter 2008 Amount	Change from Third Quarter 2008 Percent
	(In thousands, except percent data)		
Chicken:			
United States	$ 72,976	$ 138,401	211.5 %
Mexico	18,046	11,082	159.1 %
Total chicken	91,022	149,483	255.7 %
Other products:			
United States	16,487	(1,879)	(10.2) %
Mexico	1,087	72	7.1 %
Total other products	17,574	(1,807)	(9.3) %
Restructuring items, net	—	3,451	100.0 %
Total operating income	$ 108,596	$ 151,127	355.3 %

Components	Third Quarter 2009	Change from Third Quarter 2008 Amount	Percent	Percent of Net Sales Third Quarter 2009	Third Quarter 2008	
	(In thousands, except percentages)					
Gross profit	$ 183,414	$ 130,203	244.7 %	10.3%	2.4 %	
SG&A expenses	74,818	(17,473)	(18.9) %	4.2%	4.2 %	(a)
Restructuring items, net	—	(3,451)	(100.0) %	—%	0.2 %	(b)
Operating income	$ 108,596	$ 151,127	355.3 %	6.1%	(2.0) %	(c)

(a) SG&A expenses incurred by the US operations during the third quarter of 2009 decreased 17.0% from SG&A expenses incurred by the US operations during the third quarter of 2008 primarily because of reductions in employee compensation and related benefit costs resulting from restructuring actions taken in 2008 and 2009.

(b) The Company incurred severance and other facility closure costs related to restructuring actions taken in the third quarter of 2008.

(c) Operating income as a percent of net sales generated in the third quarter of 2009 increased 8.1 percentage points from operating loss as a percent of sales incurred in the third quarter of 2008 primarily because of the improvement in gross profit performance and the positive impact of 2009 restructuring actions on SG&A expenses.

Interest expense. Interest expense increased 9.4% to $38.8 million in the third quarter of 2009 from $35.5 million in the third quarter of 2008 primarily because of increased borrowings and increased interest rates recognized on several of the non-public credit facilities. As a percent of net sales, interest expense in the third quarter of 2009 increased to 2.2% from 1.6% in the third quarter of 2008.

Reorganization items. The Company incurred net reorganization costs of $16.8 million in the third quarter of 2009. Costs included severance and other costs related to post-petition facility closures and RIF actions, professional fees charged for post-petition reorganization services, asset impairment costs related to a closed processing complex in Dalton, Georgia and a loss recognized on the sale of the Company's interest in a hog farming joint venture. These costs were partially offset by a gain recognized on the sale of the Company's closed processing complex in Farmerville, Louisiana.

Income taxes. The Company recorded income tax expense of $0.6 million for the three months ended June 27, 2009, compared to an income tax benefit of $28.5 million for the three months ended June 28, 2008. The income tax benefit decreased over prior year as a result of the Company's decision to record a valuation allowance against net deferred tax assets, including net operating losses and credit carryforwards, in the US and Mexico.

Loss from operation of discontinued business. The Company incurred a loss from the operation of its discontinued turkey business of $7.1 million ($4.4 million, net of tax) in the third quarter of 2008. Net sales generated by the discontinued turkey business in the third quarter of 2008 were $14.8 million. There were no net sales or operating results generated by the discontinued turkey business in the third quarter of 2009.

First Nine Months of 2009 Compared to First Nine Months of 2008

Net sales. Net sales for the first nine months of 2009 decreased $1,003.7 million, or 15.8%, from the first nine months of 2008. The following table provides net sales information:

Source	First Nine Months 2009	Change from First Nine Months 2008 Amount	Change from First Nine Months 2008 Percent	
	(In thousands, except percent data)			
Chicken:				
United States	$ 4,579,725	$ (700,547)	(13.3) %	(a)
Mexico	371,386	(31,089)	(7.7) %	(b)
Total chicken	4,951,111	(731,636)	(12.9) %	
Other products:				
United States	377,790	(270,641)	(41.7) %	(c)
Mexico	23,005	(1,440)	(5.9) %	
Total other products	400,795	(272,081)	(40.4) %	
Total net sales	$ 5,351,906	$ (1,003,717)	(15.8) %	

(a) US chicken sales generated in the first nine months of 2009 decreased 13.3% from US chicken sales generated in the first nine months of 2008. Sales volume decreased 14.1% primarily because of previously announced production cutbacks and subsequent reorganization efforts. Net revenue per pound sold increased 0.8% from the prior year primarily because of increased sales prices on a majority of product lines.

(b) Mexico chicken sales generated in the first nine months of 2009 decreased 7.7% from Mexico chicken sales generated in the first nine months of 2008. Sales volume decreased 2.0% from the prior year because of production cutbacks. Net revenue per pound sold decreased 5.9% from the prior year primarily because of the devaluation of the Mexican peso against the US dollar in 2009.

(c) US sales of other products generated in the first nine months of 2009 decreased 41.7% from US sales of other products generated in the first nine months of 2008 mainly as the result of reduced sales volumes protein conversion products partially offset by increased sales prices. The decrease in protein conversion products sales volumes resulted primarily from the ongoing impact of a fire suffered at the Mt. Pleasant, Texas protein conversion facility in late 2008 and subsequent reorganization efforts. Protein conversion is the process of converting poultry byproducts into raw materials for grease, animal feed, biodiesel and feed–stock for the chemical industry.

Gross profit. Gross profit increased by $75.3 million, or 61.3%, from $122.9 million in the first nine months of 2008 to $198.3 million in the first nine months of 2009. The following table provides gross profit information.

Components	First Nine Months 2009	Change from First Nine Months 2008 Amount	Change from First Nine Months 2008 Percent	Percent of Net Sales First Nine Months 2009	Percent of Net Sales First Nine Months 2008	
	(In thousands, except percent data)					
Net sales	$ 5,351,906	$ (1,003,717)	(15.8) %	100.0%	100.0%	
Cost of sales	5,153,646	(1,067,042)	(17.2) %	96.3%	97.9%	(a)
Asset impairment	—	(12,022)	(100.0) %	—%	0.2%	(b)
Gross profit (loss)	$ 198,260	$ 75,347	61.3 %	3.7%	1.9%	(c)

(a) Cost of sales incurred by the US operations during the first nine months of 2009 decreased $1,015.0 million from cost of sales incurred by the US operations during the first nine months of 2008. This decrease occurred primarily because of production cutbacks, decreased feed ingredient purchases and decreased feed ingredient prices during the first nine months of 2009 offset by an aggregate net loss of $21.4 million which the Company recognized during the first quarter of 2009 on derivative financial instruments executed in previous quarters to manage its exposure to changes in corn and soybean meal prices. The Company recognized an aggregate net gain of $110.4 million during the first nine months of 2008 on derivative financial instruments. Cost of sales incurred by the Mexico operations during the first nine months of 2009 decreased $52.0 million from cost of sales incurred by the Mexico operations during the first nine months of 2008 primarily because of decreased net sales and decreased feed ingredient costs.

(b) The Company recognized inventory and property, plant and equipment impairment costs related to restructuring actions taken in the first nine months of 2008.

(c) Gross profit as a percent of net sales generated in the first nine months of 2009 increased 1.8 percentage points from gross profit as a percent of sales generated in the first nine months of 2008 primarily because of the cost−savings impact of production cutbacks, decreased feed ingredient purchases and decreased feed ingredient prices experienced during the first nine months of 2009.

Operating income (loss). Operating loss incurred decreased $136.2 million, or 73.4%, from $185.5 million for the first nine months of 2008 to $49.3 million for the first nine months of 2009. The following tables provide operating income (loss) information:

Source	First Nine Months 2009	Change from First Nine Months 2009 Amount	Change from First Nine Months 2009 Percent
	(In thousands, except percent data)		
Chicken:			
United States	$ (94,731)	$ 146,350	60.7 %
Mexico	21,900	22,748	2,682.5 %
Total chicken	(72,831)	169,098	69.9 %
Other products:			
United States	20,661	(53,940)	(72.3) %
Mexico	4,819	1,839	61.7 %
Total other products	25,480	(52,101)	(67.2) %
Asset impairment	—	12,022	100.0 %
Restructuring items, net	(1,987)	7,133	78.2 %
Total operating loss	$ (49,338)	$ 136,152	73.4 %

Components	First Nine Months 2009	Change from First Nine Months 2008 Amount	Change from First Nine Months 2008 Percent	Percent of Net Sales First Nine Months 2009	Percent of Net Sales First Nine Months 2008	
	(In thousands, except percent data)					
Gross profit	$ 198,260	$ 75,347	61.3%	3.7%	1.9%	
SG&A expenses	245,611	(53,672)	(17.9) %	4.6%	4.7%	(a)
Restructuring items, net	1,987	(7,133)	(78.2) %	—%	0.1%	(b)
Operating loss	$ (49,338)	$ 136,152	73.4%	(0.9) %	(2.9) %	(c)

(a) SG&A expenses incurred by the US operations during the first nine months of 2009 decreased 17.4% from SG&A expenses incurred by the US operations during the first nine months of 2008 primarily because of reductions in employee compensation and related benefit costs resulting from restructuring actions taken in 2008 and 2009.

(b) The Company incurred charges totaling $2.0 million, composed primarily of severance costs, related to restructuring actions taken in the first nine months of 2009 partially offset by the elimination of accrued severance costs in excess of actual severance costs incurred for several of the 2008 restructuring actions during the second quarter of 2009, the assumption of the Duluth, Georgia lease obligation by an outside party during the second quarter of 2009 and the elimination of accrued other restructuring costs in excess of actual other restructuring costs incurred for several of the 2008 restructuring actions during the second quarter of 2009. The Company incurred charges totaling $9.1 million, composed of severance and facility shutdown costs, related to restructuring actions taken in the first nine months of 2008.

(c) Operating loss as a percent of net sales incurred in the first nine months of 2009 decreased 2.0 percentage points from operating loss as a percent of sales incurred in the first nine months of 2008 primarily because of improvement in gross profit performance.

Interest expense. Interest expense increased 25.8% to $124.9 million in the first nine months of 2009 from $99.2 million in the first nine months of 2008 primarily because of increased borrowings and increased interest rates recognized on several of the non–public credit facilities. As a percent of net sales, interest expense in the first nine months of 2009 increased to 2.3% from 1.6% in the first nine months of 2008.

Miscellaneous, net. Consolidated miscellaneous income decreased from $4.6 million in the first nine months of 2008 to $4.0 million in the first nine months of 2009 primarily because of unfavorable currency exchange results due to a decrease in the average exchange rate between the Mexican peso and the US dollar during those two periods.

Reorganization items. The Company incurred reorganization costs of $65.4 million in the first nine months of 2009. These costs included (i) severance and other costs related to post–petition facility closures and RIF actions, (ii) financing fees associated with the DIP Credit Agreement, (iii) professional fees charged for post–petition reorganization services, (iv) fees related to the termination of the RPA, (v) asset impairment costs related to a closed processing complex in Dalton, Georgia and (vi) a loss recognized on the sale of the Company's interest in a hog farming joint venture. These costs were partially offset by a gain recognized on the sale of the Company's closed processing complex in Farmerville, Louisiana.

Income taxes. The Company recorded income tax expense of $3.2 million for the nine months ended June 27, 2009, compared to an income tax benefit of $85.5 million for the nine months ended June 28, 2008. The income tax benefit decreased over prior year as a result of the Company's decision to record a valuation allowance against net deferred tax assets, including net operating losses and credit carryforwards, in the US and Mexico.

Loss from operation of discontinued business. The Company generated income from the operation of its discontinued turkey business of $1.0 million ($0.6 million, net of tax) in the first nine months of 2009 compared to a loss of $7.2 million ($4.5 million, net of tax) incurred in the first nine months of 2008. Net sales generated by the discontinued turkey business in the first nine months of 2009 and the first nine months of 2008 were $25.8 million and $70.8 million, respectively.

Gain on disposal of discontinued business. In March 2008, the Company sold certain assets of its discontinued turkey business and recognized a gain of $1.5 million ($0.9 million, net of tax).