



Campbell Soup Company  
2012 Annual Report

# Focus Forward: Consumer First





### What's new?

Take a look on the shelves, and you'll see our portfolio in a whole new light. We're contemporizing our brands and bringing more innovative products to appeal to today's consumers, and the next generation, all around the world.





**Denise M. Morrison**  
President and Chief Executive Officer

## **Fellow Shareowners, A year ago we shared with you a new strategic vision for Campbell. It is a vision designed to build long-term value for our shareowners by driving sustainable, profitable net sales growth.**

We told you that our business will continue to be centered in our three core categories — Simple Meals, Healthy Beverages and Baked Snacks — but we will have broader category platforms, with investments focused in high-growth segments and geographies. We also told you that we will be a more agile and innovative company, resolutely focused on the consumer... a company more responsive to new consumer needs, demographic and generational change, and the evolution of the global culture of food.

And we outlined three central strategies for realizing our vision:

- First, to stabilize and then profitably grow our North America Soup and Simple Meals business;
- Second, to expand our International presence; and
- Third, to continue to drive growth in Healthy Beverages and Baked Snacks.

A year later, how much progress have we made in advancing this new vision? More than you may have expected, but less than we had hoped. In this past year, we've registered important accomplishments, though we've also encountered unexpected headwinds and challenges.

- Fiscal 2012 was a year of investment for Campbell. We stated at the outset that we would accept lower operating profits to fund investments in brand-building and accelerated innovation across our portfolio. Our investment spending contributed to a decline in adjusted earnings per share of 4 percent to \$2.44\* in fiscal 2012, compared with adjusted EPS of \$2.54\* the previous year.
- Last year we made significant strides in stabilizing the profitability of our U.S. Simple Meals business. We've

\*These amounts are adjusted for certain transactions not considered to be part of the ongoing business. For a reconciliation of non-GAAP financial measures, see page 15.

meaningfully reduced less profitable trade spending. We've also begun to rebuild our powerful innovation pipeline, with a redesigned process that delivers accelerated speed-to-market. In fiscal 2012, we introduced 41 new soup and simple meal items, up from seven the year before. Our new products are reaching demographic groups with which Campbell has historically been under-represented, penetrating new day-parts and expanding into new packaging formats. In fiscal 2013, we expect to launch more than 50 new items in the U.S. While we're also taking important steps to maintain the vitality of our relationships with our core consumers, many of our new products are focused on developing our business with groups such as Millennials and Hispanics, and on achieving greater penetration in value channels.

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**“Our new products are reaching demographic groups with which Campbell has historically been under-represented, penetrating new day-parts and expanding into new packaging formats.”**

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- Some of our other businesses provided clear bright spots in our performance in fiscal 2012. For example, we drove double-digit sales growth in *Goldfish* crackers, which now hold a leading market position in the category. North America Foodservice also delivered solid sales and earnings growth, led by sales gains in retail fresh soups sold in the perimeter of the store.
- At the beginning of fiscal 2013, we acquired Bolthouse Farms, a vertically integrated food and beverage company that focuses on developing, manufacturing and marketing fresh carrots and other proprietary, high value-added natural, healthy products. We believe this acquisition presents a compelling opportunity to create shareowner value. The combination of our V8 beverage portfolio with Bolthouse Farms' U.S. and Canadian market-leading super-premium refrigerated beverages will create one of the largest Healthy Beverage platforms in the food industry. Bolthouse Farms also provides an ideal

complement to our strong existing presence in the center of the store, and the foundation for Campbell to become a leader in the rapidly growing, \$12-billion packaged fresh category. Among other things, Bolthouse Farms brings us a leading market position in retail fresh carrots in the U.S. and Canada, a growing presence in refrigerated salad dressings, a terrific track record of innovation and expansion opportunities that are on-trend with consumers and closely aligned with our strategies.

- We've made encouraging progress in some of the faster-growing developing markets in which we currently operate, including Indonesia, Malaysia and Mexico, and in our export markets. Our Indonesian business posted strong net sales growth last year through innovation in its core brands. Our business in Latin America also delivered solid sales performance, and is now moving forward with plans to accelerate product and packaging innovation and to expand distribution into adjacent geographies. We continue to actively explore multiple avenues for expanding our international platforms, both organically and through external development, in a number of attractive markets in Asia and Latin America.

But we also had some significant shortfalls in fiscal 2012. In our U.S. Soup business, our condensed soups and broths performed in line with our expectations, but our ready-to-serve soups did not. Our advertising campaign, while effective across the soup portfolio, was less effective for our ready-to-serve soup business. We plan to correct this in fiscal 2013 with a new NFL-themed *Chunky* soup campaign. In our U.S. Beverages business, we drove solid consumption growth but suffered significant margin erosion, due mainly to cost inflation. At Pepperidge Farm, our fresh bakery products faced intense pressure as a result of industry consolidation, with soft volumes and heavy price discounting across the category. And in our International business, we underestimated the impact of what proved to be fairly seismic changes in the consumer economy in Australia.

Our experiences in fiscal 2012 have helped us crystallize our thinking about how we must improve the execution of our growth strategies.



## Bolthouse Farms: A Fresh Revolution

Campbell's acquisition of Bolthouse Farms brings a new platform for growth and is complementary to our core capabilities in both vegetable nutrition and healthy beverages.



During its 95-year history, Bolthouse Farms has built leading positions in the U.S. and Canada in retail fresh carrots and super-premium beverages, including smoothies, coffee and protein drinks. In addition, it has a growing presence in refrigerated salad dressings, with creamy yogurt dressings and olive oil vinaigrettes.

Bolthouse Farms is perhaps best-known for transforming the produce aisle with value-added baby carrots. In select markets this year are *Bolthouse Farms Baby Carrot ShakeDowns* in single-serve pouches with natural seasoning for nutritious snacking.

- First and foremost, we know we must focus more sharply on leveraging all of the drivers of consumer demand — positioning, product, placement, promotion and price. In fiscal 2013, we will balance these drivers in a manner tailored to each individual business and category, to optimize the growth of each business while making the best use of our marketing resources. While the right balance will vary by category, you can expect to see disciplined execution of the fundamentals across all of the businesses in our portfolio.
- We must maintain our commitment to innovation as a key driver for expanding our product platforms around the world into higher-growth segments and categories. Across our businesses, you'll see new product platforms, new packaging and new flavors. Our new products respond to the needs and tastes of fast-growing consumer groups — from our delicious new *Campbell's Skillet Sauces* in a pouch, for restaurant-style meals in less than 15 minutes... to Pepperidge Farm's new *Jingos!* crackers, uniquely seasoned to respond to Millennials' quest for bold flavors... to our ethnic-inspired, ready-to-eat *Campbell's Go* platform. You'll see products with new flavor profiles created to resonate with Hispanic consumers, and new Beverage product and packaging options designed to address the needs of value-minded shoppers.
- Finally, in fiscal 2013 we will intensify our focus on international expansion, broadening our category platforms in our existing international markets and exploring external development opportunities to build scale in fast-growing categories in new geographies that offer the greatest opportunities for Campbell. This year we expect to accelerate the momentum in our businesses in Indonesia, Malaysia and Mexico; evolve our business model in China; and continue to expand our export businesses in Europe, Asia and the Middle East.

While we have more to do, we believe Campbell has come a long way in the space of 12 months. Among other things, we have a much clearer understanding today than we did a year ago about how we must manage our portfolio and where we must look for growth. We know that our existing U.S. Soup business is an immensely valuable and powerful engine, but one which, standing alone, will not deliver the levels of overall growth we need to reach our long-term targets. We know that higher levels of growth will come from other segments, other categories and other parts of the world. And we are acutely aware of the many ways the consumer landscape is changing. So while we must — and we will — give meticulous attention to flawless execution of the fundamentals in our core business in North America, we must also shift our company's center of gravity by pursuing the most promising avenues for growth in the categories in which we are best equipped to win. This is precisely what we intend to do.

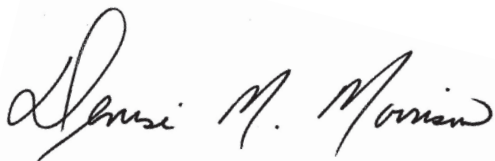
A year after we embarked on this journey, we are not yet a different company. But we're clearly making progress, and thinking very differently about Campbell's future than we did a year ago. In fiscal 2013, we expect to return

to growth in our base business. The addition of Bolthouse Farms will contribute to both our top-line and bottom-line growth. And we are focused closely on the work we must do now to deliver our long-term targets on a sustainable basis.

We are confident that our new strategic vision provides the right direction for our company. We know we have the plans, the leadership, the capabilities and the determination to drive durable and rewarding change for our shareowners. As I promised last year, we are building a company with a broader and stronger agenda for growth.

Thank you for your support as we create a bright future for Campbell.

Best,



**Denise M. Morrison**  
President and CEO



## CHAIRMAN'S MESSAGE

Fiscal 2012 was an important year of transition at Campbell Soup Company. To lay the foundation for sustained, profitable growth, Campbell made significant investments in brand-building and set in motion a new innovation process through which it is developing a pipeline of exciting new products centered on key consumer insights and critical demographic trends. Management spearheaded a thoughtful re-examination of the role of each of the businesses in the company's portfolio in North America. Late in the fiscal year, Campbell announced its acquisition of Bolthouse Farms, which will provide the company with significant presence and a new platform for expansion in the rapidly growing market for packaged fresh foods, and complement its existing Healthy Beverages business. The Board is delighted to welcome *Bolthouse Farms* to the Campbell family of iconic brands.

The Board is pleased with the substantial progress that was made last year. As Denise has emphasized in her message to you, we recognize that more work needs to be done to achieve the company's long-term growth targets. The leadership team has developed valuable insights on ways to improve the execution of the company's strategy for driving growth in our core business in North America, and meaningful plans for expanding Campbell's presence in new, higher-growth segments and geographies. We look forward to seeing that work advance in the new fiscal year.

The Board was pleased to welcome Tracey Travis, Executive Vice President and Chief Financial Officer of The Estée Lauder Companies Inc., to the Campbell Soup Company Board of Directors this year. I thank all of the members of the Campbell Board for their dedicated service on behalf of our shareowners.



**Paul R. Charron**  
Chairman of the Board



**FOCUS FORWARD: A CULTURE OF INNOVATION,  
A WORLD OF INSPIRATION**

**We're cooking up a culinary adventure with global tastes to make easy meals, at home or on-the-go. New packaging, merchandising and marketing strategies across all of our businesses are bringing exciting options to consumers.**



# Soup and Simple Meals

## Going beyond the can

Our soup innovation extends well beyond the can. Consumers can enjoy *Campbell's Gourmet Bisques* in aseptic cartons, *Campbell's Slow Kettle* premium soups in plastic tubs and *Campbell's Go* soups in microwavable pouches. With robust flavors and unique tastes, these soups target new consumers as well as new mealtime occasions.



### New flavors for those who love our classics

For U.S. kids, families and Baby Boomers, *Campbell's* condensed soups have always stood for value, variety and versatility. We're improving the taste of several recipes and adding Sun-Ripened Yellow Tomato soup. Our "It's Amazing What Soup Can Do" advertising reminds consumers of why they love *Campbell's* soups.

### Chunky gets its mojo back

Our *Chunky* brand is improving recipes, packaging and marketing to strengthen its connection with male consumers. We're adding three bold flavors in fiscal 2013: Chipotle Chicken and Corn Chowder, Kickin' Buffalo-Style Chicken, and Jammin' Jerk Chicken with Rice and Beans. A new label design highlights the hearty good-tasting ingredients. And we're bringing back our NFL-themed "Mama's Boy" campaign, going deep for a touchdown with popular New York Giants wide receiver Victor Cruz.

For female consumers who are working hard to eat natural, we've transitioned our *Select Harvest* franchise to *Campbell's* 100% Natural. New varieties include Creamy Gouda Bisque and Butternut Squash Bisque.

### New tastes and new packaging for new consumers

"Made with patience, not preservatives." *Campbell's* *Slow Kettle* premium soups, introduced in fiscal 2012, are made for adults who want a more sophisticated experience. Joining the lineup are Kickin' Crab and Sweet Corn Chowder, and Roasted Chicken and Chardonnay soup.

Passionate cooks can find inspiration in our smooth, velvety, chef-inspired *Campbell's* *Gourmet Bisques*, which feature rich, layered flavors such as Sweet Potato Tomatillo, and Thai Tomato Coconut.

For those with a restless, more daring spirit, we're launching *Campbell's* *Go* soups. Designed by Millennials for Millennials, these soups are contemporary in every sense — from microwavable pouches featuring edgy graphics and packaging copy, to exotic options such as Moroccan Style Chicken with Chickpeas and Golden Lentil with Madras Curry. An eye-catching marketing campaign includes both traditional and digital media.

### A fresh path for growth

Shoppers nationwide at a major U.S. club store can pick up fresh refrigerated soups such as Chicken Tortilla, Loaded Baked Potato and Broccoli Cheddar. Co-branded with the major club store's private-label brand and *Campbell's* *StockPot* brand, these ready-to-serve soups are part of a large, fast-growing segment.

### Satisfying a global appetite for soup

Australia's longtime favorite *Country Ladle* ready-to-serve soups are spicing things up with the new *Café Style* range including Moroccan Vegetable with Chickpeas, Simmered Pumpkin with Red Lentil and Spinach, and Vine Tomato with Spinach and Ricotta Ravioli. The stylish label reinforces the brand's premium positioning.



# 32 NEW U.S. SOUP ITEMS



### "Souper Chef"

"It's exciting to bring food trends from different countries to the mainstream in more convenient and creative ways," says Campbell North America Senior Executive Chef Thomas Frain.



## Now everyone is cooking

We are growing our presence in Simple Meals across the globe, offering new products to spice up at-home meal-making for time-pressed cooks. Launching in the U.S. is a line of *Campbell's* Skillet Sauces in pouches to make restaurant-inspired dishes in 15 minutes or less.

## Setting the table for the future

Today, we're seeing an immense generational shift between the nation's 72 million Baby Boomers and 80 million Millennials. They each display their own unique relationship with what and how they eat.

Boomers place greater importance on health and wellness, while Millennials crave convenient foods that satisfy their affinity for adventure and variety. Both will find an enticing array of food experiences among Campbell's simple meal products.

## Expanding simple meals in North America

In the U.S., *Campbell's Skillet Sauces* in pouches offer a tasty, quick alternative to frozen meals or takeout with six varieties — Toasted Sesame, Marsala, Creamy Chipotle, Fire Roasted Tomato, Thai Green Curry and Scampi. In three easy steps, dinner is on the table. Simply brown your own meat, chicken or seafood, pour the Skillet Sauce over it — and serve over rice, grains or pasta.

Another "chef's secret" can be found in *Swanson Flavor Boost* concentrated broth, which adds instant flavor to any skillet dish. Launched in fiscal 2012, this 100% natural broth is now available in four varieties — Chicken, Beef, Vegetable and new Seafood — and in smaller four-pack sizes, so consumers have more options.

Consumers who love spicy Mexican sauces will enjoy the five new *Pace* restaurant-style salsas, including Texas-Style White Bean and Garlic and Lime Verde, as well as our new *Pace* dips in Southwest Ranch, Onion and Chipotle, and Jalapeno and Pepper Jack. We're also expanding our *Prego* Italian sauces with tempting Creamy Vodka, Spicy Sausage, and Bacon and Provolone.

In Canada, confident cooks can now prepare elegant meat, fish and pasta meals on busy weeknights using *Campbell's Stock First Cream* stock. The velvety smooth and versatile cream stock can be used to make mouthwatering entrées from salmon with dill sauce to fettuccini Alfredo.

## Capturing an international audience

In France, we are building on our *Liebig* brand's vegetable appeal with premium, ready-to-serve vegetable side dishes inspired by favorite French side dishes such as ratatouille. The al dente vegetables are free from artificial colors and flavors.

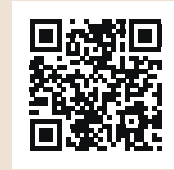
In Belgium, we are launching sauces under the *D&L* brand, to heat and pour over hearty dishes of meat, fish, and vegetables. Popular, versatile varieties such as Pepper, Béarnaise and Mushroom are packaged in eye-catching pouches.

Chef and television personality Manu Feildel is the latest Australian to fall in love with *Campbell's Real Stock* broth for making everyday dinners taste even better. The endorsement of the co-host of Australia's top-rated "My Kitchen Rules" program is helping drive brand equity.



## Expanding our digital presence

Consumers can find recipes, meal ideas and deals at [www.campbellskitchen.com](http://www.campbellskitchen.com), and on its Facebook and Twitter pages. Scan below to explore our website.



**SIMPLE MEALS  
BEYOND  
SOUP**



# Healthy Beverages

## Closing the vegetable gap

Consumers have their favorites when it comes to our V8 brand. Boomers like the vegetable nutrition in V8 100% Vegetable juice. Millennials quench their thirst with V8 V-Fusion juices and energy drinks. And V8 Splash beverages are popular with moms and kids, and have an especially strong base among the Hispanic population. New to our Healthy Beverage platform are *Bolthouse Farms* super-premium juices.

## Toast to your health

The V8 portfolio provides delicious, convenient products that help people enjoy more vegetables in their diet. That starts with V8 100% Vegetable juice. It's not uncommon for a loyal consumer, often a youthful-minded Baby Boomer, to enjoy 300 8-ounce glasses of V8 100% Vegetable juice in a year. But even devoted consumers need to be reminded: "Could've had a V8." This year, they can watch for a twist on the V8 they know and love, with the introduction of Hint of Lime and Hint of Black Pepper — the first V8 100% Vegetable juice line extensions in nearly a decade.

## A thirst for something new

Young women love the taste of V8 *V-Fusion* — and so do their kids. So this year, we're introducing V8 *V-Fusion* juice boxes to tap into this \$1.6 billion segment. Each V8 *V-Fusion* box delivers a combined serving of vegetables and fruits, with no added sugar or artificial ingredients. The three varieties — Apple, Fruit Punch and Berry — display colorful, kid-friendly packaging.

Another powerful category is energy drinks. In the U.S., 80 milligrams of caffeine with natural green tea are helping V8 *V-Fusion + Energy* deliver a boost of nutrition and energy to consumers. Available in Pomegranate Blueberry, Peach Mango and Orange Pineapple, V8 *V-Fusion + Energy* was named one of *USA Today's* "10 New Products to Watch for in 2012."

Our new V8 *V-Fusion* Sparkling juice drinks blend more than five vegetable and fruit juices with sparkling water. In fact, it's the only carbonated juice brand that provides light, fruity refreshment plus the benefits of fruits and vegetables. V8 *V-Fusion* Sparkling is available in Tangerine Raspberry, Black Cherry Pomegranate, and Strawberry Lemonade — each with only 60 calories or less.

Our V8 *V-Fusion* Iced Teas, in Lemon and Peach, are made from real tea leaves for "the authentic iced tea flavor."

## Reaching out to the growing Hispanic market

Following steady growth over the past few years, we are exploring ways to make V8 *Splash* drinks even more relevant to the growing Hispanic market in the U.S., as well as in Mexico and Latin America.

For example, V8 *Splash* beverages, in both cartons and glass bottles, are available in 17 countries throughout the Caribbean and Central America, and we plan to expand into other promising Latin American markets in fiscal 2013. With its combination of carrot and fruit juices, V8 *Splash* is positioned as a "Good for You" drink that's both nutritious and fun. In Mexico, we're building on our foundation of loyal V8 *Splash* consumers with comprehensive advertising and a new large glass bottle to drive growth.



ONE OF THE  
LARGEST  
HEALTHY  
BEVERAGE  
PLATFORMS  
IN THE U.S.



## Bienvenidos a nuevos amigos

This year, our V8 brand will reach out to U.S. Hispanic consumers through focused television advertising, targeted bilingual coupons and community initiatives.



# Baking and Snacking

## Consumers love their snacks

Our Pepperidge Farm and Arnott's teams are innovating with sweet and savory baked snacks to satisfy consumers' ever-increasing desire to munch. Most notable is our blockbuster *Goldfish* brand, where we've expanded into *Goldfish* Grahams and *Goldfish* bread. Kids love the brand's "Finn and Friends" animated characters on TV and online.

## Success is sweet to savor

With beloved products such as *Pepperidge Farm Goldfish* crackers, *Milano* cookies and Swirl breads, as well as *Arnott's Tim Tam* biscuits and *Shapes* crackers, Campbell is the world's No. 3 baking and snacking company.

## Celebrating progress and driving creativity

This year, Pepperidge Farm is celebrating its 75th anniversary, and the 50th anniversary of its *Goldfish* cracker franchise, which *Advertising Age* recently named one of "America's hottest brands."

Today, *Goldfish* is one of America's most popular crackers. Beyond its traditional savory varieties, the brand also offers sweet, wholesome *Goldfish* Grahams, including the recently added Cookies and Cream flavor. Made with whole grains, *Goldfish* Grahams now have their own bright blue packaging on shelf. Also new are Brown Sugar and Cinnamon flavors of *Goldfish* bread, providing whole-grain goodness in our kid-friendly *Goldfish* shape.

Pepperidge Farm is expanding its *Milano* brand with sweet and salty *Milano Slices* Salted Pretzel cookies and a Vanilla Crème variety of *Milano Melts* cookies. Plus, Pepperidge Farm has introduced two new frozen Layer Cakes featuring the tastes of its most popular cookies — *Milano* Cookie Cake and Chocolate Chunk Cookie Cake.

For consumers who like to change their tastes with the seasons, Pepperidge Farm's fall menu includes Caramel Apple Swirl bread, Pumpkin Spice Swirl bread, Pumpkin Cheesecake cookies and Caramel Apple Pie cookies.

## Global baked snacks in action

Adult and family savory innovation continues with *Pepperidge Farm Jingos!* snack crackers. Uniquely seasoned to respond directly to Millennials' quest for bold flavors, *Jingos!* crackers come in Lime and Sweet Chili, Parmesan Garlic and Fiesta Cheddar. *Jingos!* crackers were inspired by *Arnott's Shapes*, Australia's No. 1 cracker for decades.

Pepperidge Farm's commitment to baking and snacking will continue with the company's new 34,000-square-foot Innovation Center, which opened in September 2012 at its Norwalk, Connecticut, headquarters.

Last year, Arnott's introduced young male consumers to the *Roadies* brand, with a "seriously thin and crispy" texture. Fearless flavors on the horizon are Seasoned Roast Chicken, and Crispy Bacon and Sour Cream.

And, for younger snack lovers, Arnott's has launched *Tiny Teddy Big Tedz* biscuits for children ages 7 to 11, who may have outgrown *Tiny Teddy* biscuit products. For lunch boxes, afternoon snacks and on-the-go eating, there are also new *Arnott's Fun Sticks*, crunchy rolled wafers in vanilla or chocolate, as well as snack packs of *Arnott's Tim Tam* and *Wagon Wheels* biscuits.



## BOLD TASTE BIG SNACKING

### Riding the digital wave

Consumers can become *Goldfish* Facebook fans, join *Milano* Twitter followers or find a *Pepperidge Farm* Puff Pastry recipe on Pinterest. Scan the code below to find the *Goldfish* website.



## CORPORATE SOCIAL RESPONSIBILITY HIGHLIGHTS



### Satisfying the hunger to help children

Through *Campbell's Healthy Communities Program*, we are working to measurably improve the health of young people in our hometown communities. From top left: Employee volunteers sample V8 beverages at the Walk Against Hunger in Philadelphia, Pa.; local children learn about vegetables and healthy eating at a community garden in Camden, N.J.; CEO Denise Morrison kicks off the nation's largest single-day food drive, *Stamp Out Hunger*.

## Nourishing consumers, the community, employees and the environment

**What does corporate social responsibility mean to you? At Campbell, it means we're promoting global wellness and nutrition. We're building a sustainable environment. We're honoring our role in society, from farm to family.**

We're integrating our efforts into our business and harnessing our employees' enthusiasm to improve the communities where we live and work. During the past two years, nearly 2,000 Campbell employees volunteered an average of 20,000 hours annually at more than 200 non-profit organizations.

Our 2012 Corporate Social Responsibility (CSR) report emphasizes our integrated approach to nourish our consumers, our neighbors, our employees and our planet. To connect to our 2012 CSR report, go to [www.campbellsoupcompany.com/csr](http://www.campbellsoupcompany.com/csr) or scan the code on the sidebar of this page.



### A peachy partnership

With support of local farmers and Campbell, the Food Bank of South Jersey is earning revenue for hunger relief from sales of *Just Peachy* salsa. Created from excess New Jersey peaches, the salsa was manufactured at Campbell's pilot plant in Camden and labeled by employee volunteers.



### Here comes the sun

Campbell's Napoleon, Ohio, plant has renewed energy — sparked by 24,000 new solar panels. The 60-acre, 9.8-megawatt solar power system is expected to supply 15 percent of the plant's electricity while reducing CO<sub>2</sub> emissions by 250,000 metric tons over 20 years.



Scan to read our 2012 CSR report.





## BOARD OF DIRECTORS

(As of September 2012)

### **Paul R. Charron**

Chairman of Campbell Soup Company,  
Retired Chairman and Chief Executive Officer  
of Liz Claiborne Inc.

### **Denise M. Morrison**

President and Chief Executive Officer  
of Campbell Soup Company

### **Edmund M. Carpenter**

Retired President and Chief Executive Officer  
of Barnes Group, Inc.<sup>2, 3</sup>

### **Bennett Dorrance**

Private Investor and Chairman  
and Managing Director of DMB Associates<sup>2, 4</sup>

### **Lawrence C. Karlson**

Former Chairman and Chief Executive Officer  
of Berwind Financial Corporation<sup>1, 3</sup>

### **Randall W. Larrimore**

Retired President and Chief Executive Officer  
of United Stationers, Inc.<sup>2, 4</sup>

### **Mary Alice D. Malone**

Private Investor and President of Iron Spring Farm, Inc.<sup>2, 3</sup>

### **Sara Mathew**

Chairman and Chief Executive Officer  
of The Dun & Bradstreet Corporation<sup>1, 4</sup>

### **William D. Perez**

Retired President and Chief Executive Officer  
of Wm. Wrigley Jr. Company<sup>2, 3</sup>

### **Charles R. Perrin**

Non-executive Chairman  
of Warnaco Group, Inc.<sup>2, 3</sup>

### **A. Barry Rand**

Chief Executive Officer of AARP<sup>1, 4</sup>

### **Nick Shreiber**

Retired President and Chief Executive Officer  
of Tetra Pak Group<sup>1, 4</sup>

### **Tracey T. Travis**

Executive Vice President and Chief Financial Officer  
of The Estée Lauder Companies Inc.<sup>1, 4</sup>

### **Archbold D. van Beuren**

Retired Senior Vice President of Campbell Soup Company<sup>3</sup>

### **Les C. Vinney**

Retired President and Chief Executive Officer  
of STERIS Corporation<sup>1, 3</sup>

### **Charlotte C. Weber**

Private Investor and Chief Executive Officer  
of Live Oak Properties<sup>2, 4</sup>

#### **Committees**

1 Audit

2 Compensation & Organization

3 Finance & Corporate Development

4 Governance

## OFFICERS

(As of September 2012)

### **Denise M. Morrison**

President and Chief Executive Officer

### **Mark Alexander**

Senior Vice President and President —  
Campbell North America

### **Irene Chang Britt**

President — Pepperidge Farm and  
Senior Vice President — Global Baking and Snacking

### **Anthony P. DiSilvestro**

Senior Vice President — Finance

### **George Dowdie**

Senior Vice President —  
Global Research & Development and Quality

### **Ellen Oran Kaden**

Senior Vice President —  
Chief Legal and Public Affairs Officer

### **Robert W. Morrissey**

Senior Vice President —  
Chief Human Resources Officer

### **B. Craig Owens**

Senior Vice President — Chief Financial Officer  
and Chief Administrative Officer

### **Joseph C. Spagnoletti**

Senior Vice President and  
Chief Information Officer

### **David R. White**

Senior Vice President — Global Supply Chain

### **Kathleen M. Gibson**

Vice President and Corporate Secretary

### **Richard J. Landers**

Vice President — Taxes

### **Ashok Madhavan**

Vice President and Treasurer

### **William J. O'Shea**

Vice President — Finance Operations

### **John P. Waldron**

Vice President — Controller

# SHAREOWNER INFORMATION

## World Headquarters

Campbell Soup Company  
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Camden, NJ 08103  
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(856) 342-3878 (Fax)

## Stock Exchange Listings

New York  
Ticker Symbol: CPB

## Transfer Agent and Registrar

Computershare Trust Company, N.A.  
P.O. Box 43078  
Providence, RI 02940-3078  
1-800-780-3203

## Independent Accountants

PricewaterhouseCoopers LLP  
Two Commerce Square  
Suite 1700  
2001 Market Street  
Philadelphia, PA 19103-7042

## Dividends

Campbell has paid dividends since the company became public in 1954. Dividends are normally paid quarterly, near the end of January, April, July and October.

A dividend reinvestment plan is available to shareowners. For information about dividends or the dividend reinvestment plan, write to Dividend Reinvestment Plan Agent, Campbell Soup Company, P.O. Box 43078, Providence, RI 02940-3078. Or call: (781) 575-2723 or 1-800-780-3203.

## Annual Meeting

The Annual Meeting of Shareowners will be held on November 14, 2012 at 4:00 p.m. Eastern Time at the Hilton Garden Inn Toledo/Perrysburg, 6165 Levis Commons Boulevard, Perrysburg, Ohio 43551.

## Publications

For copies of the Annual Report or the SEC Form 10-K or other financial information, write to Investor Relations at the World Headquarters address, or call 1-800-840-2865 or visit our worldwide website at [www.campbellsoupcompany.com](http://www.campbellsoupcompany.com).

For copies of Campbell's Corporate Social Responsibility Report, write to Dave Stangis, Vice President - Public Affairs and Corporate Responsibility at [csr\\_feedback@campbellsoup.com](mailto:csr_feedback@campbellsoup.com).

## Information Sources

Inquiries regarding our products may be addressed to Campbell's Consumer Response Center at the World Headquarters address or call 1-800-257-8443.

Investors and financial analysts may contact Jennifer Driscoll, Vice President - Investor Relations, at the World Headquarters address or call (856) 342-6081.

Media and public relations inquiries should be directed to Anthony Sanzio, Vice President - Global Communications, at the World Headquarters address or call (856) 968-4390.

Communications concerning share transfer, lost certificates, dividends and change of address, should be directed to Computershare Trust Company, N.A., 1-800-780-3203.

## Shareowner Information Service

For the latest quarterly business results, or other information requests such as dividend dates, shareowner programs or product news, call 1-800-840-2865. Shareowner information is also available on our worldwide website at [www.campbellsoupcompany.com](http://www.campbellsoupcompany.com).

## Campbell Brands

Product trademarks owned or licensed by Campbell Soup Company and/or its subsidiaries appearing in the narrative text of this report are italicized.



The papers, paper mills and printer utilized in the production of this Annual Report are all certified for Forest Stewardship Council™ (FSC®) standards, which promote environmentally appropriate, socially beneficial and economically viable management of the world's forests. The report is printed on Mohawk Options Navajo, manufactured with certified, nonpolluting, wind-generated electricity. This report was printed by Innovation Marketing Communications, Inc., which uses 100% renewable wind energy. Additionally, Innovation Marketing Communications has implemented technologies and processes to substantially reduce the volatile organic compound (VOC) content of inks, coatings and solutions, and invested in equipment to capture and recycle virtually all VOC emissions from its press operations.



1 Campbell Place,  
Camden, NJ 08103-1799  
[campbellsoupcompany.com](http://campbellsoupcompany.com)



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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the Fiscal Year Ended  
July 29, 2012

Commission File Number  
1-3822



CAMPBELL SOUP COMPANY

New Jersey  
State of Incorporation

21-0419870  
I.R.S. Employer Identification No.

1 Campbell Place  
Camden, New Jersey 08103-1799  
Principal Executive Offices  
Telephone Number: (856) 342-4800

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

Title of Each Class	Name of Each Exchange on Which Registered
Capital Stock, par value \$.0375	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.  Yes  No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

As of January 29, 2012 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of capital stock held by non-affiliates of the registrant was approximately \$5,793,740,752. There were 313,547,620 shares of capital stock outstanding as of September 14, 2012.

Portions of the Registrant's Proxy Statement for the Annual Meeting of Shareowners to be held on November 14, 2012, are incorporated by reference into Part III.

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## PART I

### Item 1. *Business*

#### The Company

Campbell Soup Company, together with its consolidated subsidiaries (Campbell or the company), is a manufacturer and marketer of high-quality, branded convenience food products. Campbell was organized as a business corporation under the laws of New Jersey on November 23, 1922; however, through predecessor organizations, it traces its heritage in the food business back to 1869. The company's principal executive offices are in Camden, New Jersey 08103-1799.

#### Recent Developments

On August 6, 2012, the company completed the acquisition of BF Bolthouse Holdco LLC (Bolthouse Farms) from a fund managed by Madison Dearborn Partners, LLC, a private equity firm, for \$1.55 billion in cash, subject to customary purchase price adjustments related to the amount of Bolthouse Farm's cash, debt, working capital, transaction expenses and taxes. Bolthouse Farms is a vertically integrated food and beverage company focused on developing, manufacturing and marketing fresh carrots and proprietary, high value-added natural, healthy products. Bolthouse Farms has leading market positions in retail fresh carrots and super-premium beverages in the U.S. and Canada. Bolthouse Farms employs approximately 2,100 persons, and its two primary manufacturing facilities are company-owned and located in Bakersfield, California, and Prosser, Washington. Bolthouse Farms also leases agricultural property, which is primarily located in California. For additional information relating to the strategic rationale for the Bolthouse Farms acquisition, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview." The company funded the acquisition through a combination of short- and long-term borrowings. For additional information relating to the funding of the Bolthouse Farms acquisition, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources." Since the Bolthouse Farms acquisition occurred subsequent to 2012, the results of Bolthouse Farms' operations are not included in this 2012 Annual Report on Form 10-K (the Report), and the discussion of the company's business and operations in this Report does not incorporate Bolthouse Farms' business and operations unless specifically stated otherwise.

On September 27, 2012, the company announced several initiatives to improve its U.S. supply chain cost structure and increase asset utilization across its U.S. thermal plant network. The initiatives include closing the company's Sacramento, California, thermal plant, which produces soups, sauces and beverages, and the company's South Plainfield, New Jersey, spice plant, which supplies ingredients to the company's U.S. thermal plants. As a result of the initiatives, the company expects to incur pre-tax costs of approximately \$115 million, most of which will be incurred in 2013. The company also expects to invest approximately \$27 million in capital expenditures, primarily to relocate and refurbish a beverage filling and packaging line. For additional information relating to the initiatives, see Note 19 to the Consolidated Financial Statements.

#### Reportable Segments

The company reports the results of operations in the following reportable segments: U.S. Simple Meals; Global Baking and Snacking; International Simple Meals and Beverages; U.S. Beverages; and North America Foodservice. The company has 11 operating segments based on product type and geographic location and has aggregated the operating segments into the appropriate reportable segment based on similar economic characteristics; products; production processes; types or classes of customers; distribution methods; and regulatory environment. See also Note 5 to the Consolidated Financial Statements. The segments are discussed in greater detail below.

#### U.S. Simple Meals

The U.S. Simple Meals segment aggregates the following operating segments: U.S. Soup and U.S. Sauces. The U.S. Soup retail business includes the following products: *Campbell's* condensed and ready-to-serve soups; and *Swanson* broth and stocks. The U.S. Sauces retail business includes the following products: *Prego* pasta sauces; *Pace* Mexican sauces; *Campbell's* canned gravies, pasta, and beans; and *Swanson* canned poultry.

#### Global Baking and Snacking

The Global Baking and Snacking segment aggregates the following operating segments: *Pepperidge Farm* cookies, crackers, bakery and frozen products in U.S. retail; and *Arnott's* biscuits in Australia and Asia Pacific.

#### International Simple Meals and Beverages

The International Simple Meals and Beverages segment aggregates the simple meals and beverages operating segments outside of the U.S., including Europe, the retail business in Canada, and the businesses in Asia Pacific, Latin America and China. The segment's operations include *Erasco* and *Heisse Tasse* soups in Germany, *Liebig* and *Royco* soups in France, *Devos Lemmens* mayonnaise and cold sauces and *Campbell's* and *Royco* soups in Belgium, and *Blå Band* soups and sauces in Sweden. In Canada, operations include *Habitant* and *Campbell's* soups, *Prego* pasta sauces, *Pace* Mexican sauces, *V8* juices and beverages and certain *Pepperidge Farm* products. In Asia Pacific, operations include *Campbell's* soup and stock, *Kimball* sauces, *V8* juices and beverages,

*Prego* pasta sauce and *Swanson* broths.

## **U.S. Beverages**

The U.S. Beverages segment represents the U.S. retail beverages business, including the following products: *V8* juices and beverages and *Campbell's* tomato juice.

## **North America Foodservice**

The North America Foodservice segment represents the distribution of products such as soup, specialty entrees, beverage products, other prepared foods and *Pepperidge Farm* products through various food service channels in the U.S. and Canada.

## **Ingredients and Packaging**

The ingredient and packaging materials required for the manufacture of the company's food products are purchased from various suppliers. These items are subject to fluctuations in price attributable to a number of factors, including changes in crop size, cattle cycles, product scarcity, demand for raw materials, energy costs, government-sponsored agricultural programs, import and export requirements and regional drought and other weather conditions (including the potential effects of climate change) during the growing and harvesting seasons. To help reduce some of this price volatility, the company uses a combination of purchase orders, short- and long-term contracts and various commodity risk management tools for most of its ingredients and packaging. Ingredient inventories are at a peak during the late fall and decline during the winter and spring. Since many ingredients of suitable quality are available in sufficient quantities only at certain seasons, the company makes commitments for the purchase of such ingredients during their respective seasons. At this time, the company does not anticipate any material restrictions on availability or shortages of ingredients or packaging that would have a significant impact on the company's businesses. For information on the impact of inflation on the company, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

## **Customers**

In most of the company's markets, sales and merchandising activities are conducted through the company's own sales force and its third-party broker and distributor partners. In the U.S., Canada and Latin America, the company's products are generally resold to consumers in retail food chains, mass discounters, mass merchandisers, club stores, convenience stores, drug stores, dollar stores and other retail, commercial and non-commercial establishments. In Europe, the company's products are generally resold to consumers in retail food chains, mass discounters, mass merchandisers, club stores, convenience stores and other retail, commercial and non-commercial establishments. In the Asia Pacific region, the company's products are generally resold to consumers through retail food chains, convenience stores and other retail, commercial and non-commercial establishments. The company makes shipments promptly after receipt and acceptance of orders.

The company's five largest customers accounted for approximately 34% of the company's consolidated net sales in 2012, 2011, and 2010. The company's largest customer, Wal-Mart Stores, Inc. and its affiliates, accounted for approximately 17% of the company's consolidated net sales in 2012 and 2011, and 18% in 2010. All of the company's segments sold products to Wal-Mart Stores, Inc. or its affiliates. No other customer accounted for 10% or more of the company's consolidated net sales.

## **Trademarks and Technology**

As of September 14, 2012, the company owned over 4,200 trademark registrations and applications in over 165 countries, including the registrations acquired in the Bolthouse Farms acquisition. The company believes that its trademarks are of material importance to its business. Although the laws vary by jurisdiction, trademarks generally are valid as long as they are in use and/or their registrations are properly maintained and have not been found to have become generic. Trademark registrations generally can be renewed indefinitely as long as the trademarks are in use. The company believes that its principal brands, including *Campbell's*, *Erasco*, *Liebig*, *Pepperidge Farm*, *Goldfish*, *V8*, *Pace*, *Prego*, *Swanson*, *Royco* and *Arnott's*, as well as the *Bolthouse Farms* brand acquired in the Bolthouse Farms acquisition, are protected by trademark law in the major markets where they are used. In addition, some of the company's products are sold under brands that have been licensed from third parties.

Although the company owns a number of valuable patents, it does not regard any segment of its business as being dependent upon any single patent or group of related patents. In addition, the company owns copyrights, both registered and unregistered, and proprietary trade secrets, technology, know-how processes, and other intellectual property rights that are not registered.

## **Competition**

The company experiences worldwide competition in all of its principal products. This competition arises from numerous competitors of varying sizes across multiple food and beverage categories, and includes producers of generic and private label products, as well as other branded food and beverage manufacturers. All of these competitors vie for trade merchandising support and consumer dollars. The number of competitors cannot be reliably estimated. The principal areas of competition are brand recognition, taste, quality, price, advertising, promotion, convenience and service.



## **Working Capital**

For information relating to the company's cash and working capital items, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

## **Capital Expenditures**

During 2012, the company's aggregate capital expenditures were \$323 million. The company expects to spend approximately \$330 million for capital projects in fiscal 2013, including Bolthouse Farms projects. Major 2013 capital projects include a soup capacity expansion project for the North America Foodservice business, a cracker expansion project for Pepperidge Farm, the ongoing implementation of a series of related initiatives to simplify the soup-making process in North America (also known as the soup common platform initiative), the relocation and refurbishment of a U.S. beverage filling and packaging line, a packing automation project at one of the company's Australian biscuit plants, and the continued implementation of an advanced planning system in North America.

## **Research and Development**

During the last three fiscal years, the company's expenditures on research and development activities relating to new products and the improvement and maintenance of existing products were \$125 million in 2012, \$129 million in 2011, and \$123 million in 2010. The decrease from 2011 to 2012 was primarily due to cost savings initiatives and other factors, partially offset by higher costs associated with product innovation in North America and the Asia Pacific region and inflation. The increase from 2010 to 2011 was primarily due to costs associated with an ongoing initiative to simplify the soup-making process in North America, costs associated with product innovation in North America, costs associated with a global baked snacks initiative, and the impact of currency, partially offset by cost savings initiatives. In fiscal 2013, the company expects to conduct much of its baking and snacking portfolio-related research and development at its new Pepperidge Farm innovation center, as well as its existing Arnott's innovation center.

## **Environmental Matters**

The company has requirements for the operation and design of its facilities that meet or exceed applicable environmental rules and regulations. Of the company's \$323 million in capital expenditures made during 2012, approximately \$8 million was for compliance with environmental laws and regulations in the U.S. The company further estimates that approximately \$18 million of the capital expenditures anticipated during 2013 will be for compliance with U.S. environmental laws and regulations. The company believes that continued compliance with existing environmental laws and regulations (both within the U.S. and elsewhere) will not have a material effect on capital expenditures, earnings or the competitive position of the company. In addition, the company continues to monitor pending environmental laws and regulations within the U.S. and elsewhere, including laws and regulations relating to climate change and greenhouse gas emissions. While the impact of these pending laws and regulations cannot be predicted with certainty, the company does not believe that compliance with these pending laws and regulations will have a material effect on capital expenditures, earnings or the competitive position of the company.

## **Seasonality**

Demand for the company's products is somewhat seasonal, with the fall and winter months usually accounting for the highest sales volume due primarily to demand for the company's soup products. Demand for the company's sauce, beverage, baking and snacking products, however, is generally evenly distributed throughout the year.

## **Employees**

On July 29, 2012, there were approximately 17,700 employees of the company. In addition, as of July 29, 2012, Campbell Swire, the company's joint venture in China, employed approximately 170 persons.

## **Financial Information**

Financial information for the company's reportable segments and geographic areas is found in Note 5 to the Consolidated Financial Statements. For risks attendant to the company's foreign operations, see "Risk Factors."

## **Company Website**

The company's primary corporate website can be found at [www.campbellsoupcompany.com](http://www.campbellsoupcompany.com). The company makes available free of charge at this website (under the "Investor Center — Financial Information — SEC Filings" caption) all of its reports (including amendments) filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, including its annual report on Form 10-K, its quarterly reports on Form 10-Q and its current reports on Form 8-K. These reports are made available on the website as soon as reasonably practicable after their filing with, or furnishing to, the Securities and Exchange Commission.

## **Item 1A. Risk Factors**

In addition to the factors discussed elsewhere in this Report, the following risks and uncertainties could materially adversely affect the company's business, financial condition and results of operations. Additional risks and uncertainties not presently known to the company or that the company currently deems immaterial also may impair the company's business operations and financial condition.

### **The company operates in a highly competitive industry**

The company operates in the highly competitive food industry and experiences international competition in all of its principal products. The principal areas of competition are brand recognition, taste, quality, price, advertising, promotion, convenience and service. A number of the company's primary competitors have substantial financial, marketing and other resources. A strong competitive response from one or more of these competitors to the company's marketplace efforts, or a consumer shift towards private label offerings, could result in the company reducing pricing, increasing marketing or other expenditures, and/or losing market share.

### **The company's results are dependent on successful marketplace initiatives and acceptance by consumers of the company's products, including new or improved product and packaging introductions**

The company's results are dependent on successful marketplace initiatives and acceptance by consumers of the company's products. The company's new or improved product and packaging introductions, along with its other marketplace initiatives, are designed to capitalize on customer or consumer trends. In order to remain successful, the company must anticipate and react to these trends and develop new or improved products or packaging to address them. While the company devotes significant resources to meeting this goal, the company may not be successful in developing new or improved products or packaging, or its new or improved products or packaging may not be accepted by customers or consumers.

### **Disruption to the company's supply chain could adversely affect its business**

Damage or disruption to the company's manufacturing or distribution capabilities, or to the capabilities of the company's suppliers or contract manufacturers, whether as a result of adverse weather conditions (such as drought, temperature extremes or floods), natural disaster, fire, terrorism, pandemic, strikes, or other events, could impair the company's ability to manufacture and/or sell its products. In addition, as part of the Bolthouse Farms acquisition, the company acquired a significant U.S. producer of fresh carrots. The production of carrots may be adversely impacted by the events listed above, as well as by water scarcity, crop disease and crop pests. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, particularly when a product is sourced from a single location, could adversely affect the company's business or financial results.

### **The company faces risks related to recession, financial and credit market disruptions and other economic conditions**

Customer and consumer demand for the company's products may be impacted by weak economic conditions, recession, equity market volatility or other negative economic factors in the U.S. or other nations. Similarly, disruptions in financial and/or credit markets may impact the company's ability to manage normal commercial relationships with its customers, suppliers and creditors. In addition, changes in tax or interest rates in the U.S. or other nations, whether due to recession, financial and credit market disruptions or other reasons, could impact the company.

### **The company may be adversely impacted by the failure to execute acquisitions and divestitures successfully**

From time to time, the company undertakes acquisitions, such as the Bolthouse Farms acquisition, or divestitures. The success of any such acquisition or divestiture depends, in part, upon the company's ability to identify suitable buyers or sellers, negotiate favorable contractual terms and, in many cases, obtain governmental approval. For acquisitions, success is also dependent upon efficiently integrating the acquired business into the company's existing operations, successfully managing new risks associated with the acquired business and achieving expected returns and other benefits. Acquisitions outside the U.S. may present unique challenges or increase the company's exposure to risks associated with foreign operations, including foreign currency risks and risks associated with local regulatory regimes. For divestitures, success is also dependent on effectively and efficiently separating the divested unit or business from the company and reducing or eliminating associated overhead costs. In cases where acquisitions or divestitures are not successfully implemented or completed, the company's business or financial results could be negatively impacted.

### **Increased regulation could adversely affect the company's business or financial results**

The manufacture and marketing of food products is extensively regulated. The primary areas of regulation include the processing, packaging, storage, distribution, advertising, labeling, quality and safety of the company's food products, as well as the health and safety of the company's employees and the protection of the environment. In the U.S., the company is subject to regulation by various government agencies, including the Food and Drug Administration, the U.S. Department of Agriculture, the Federal Trade Commission, the Occupational Safety and Health Administration and the Environmental Protection Agency, as well

as various state and local agencies. The company is also regulated by similar agencies outside the U.S. and by voluntary organizations, such as the National Advertising Division and the Children's Food and Beverage Advertising Initiative of the Council of Better Business Bureaus. Changes in regulatory requirements (such as proposed requirements designed to restrict food marketing), or evolving interpretations of existing regulatory requirements, may result in increased compliance cost, capital expenditures and other financial obligations that could adversely affect the company's business or financial results.

**Fluctuations in foreign currency exchange rates could adversely affect the company's results**

The company holds assets and incurs liabilities, generates revenue, and pays expenses in a variety of currencies other than the U.S. dollar, primarily the Australian dollar, Canadian dollar, and the euro. The company's consolidated financial statements are presented in U.S. dollars, and therefore the company must translate its assets, liabilities, sales and expenses into U.S. dollars for external reporting purposes. As a result, changes in the value of the U.S. dollar may materially and negatively affect the value of these items in the company's consolidated financial statements, even if their value has not changed in their original currency.

**The company's results may be adversely impacted by increases in the price of raw and packaging materials**

The raw and packaging materials used in the company's business include tomato paste, grains, beef, poultry, vegetables, steel, glass, paper and resin. Many of these materials are subject to price fluctuations from a number of factors, including product scarcity, demand for raw materials, commodity market speculation, energy costs, currency fluctuations, weather conditions (including the potential effects of climate change), import and export requirements and changes in government-sponsored agricultural programs. To the extent any of these factors result in an increase in raw and packaging material prices, the company may not be able to offset such increases through productivity or price increases or through its commodity hedging activity.

**Price increases may not be sufficient to cover increased costs, or may result in declines in sales volume due to pricing elasticity in the marketplace**

The company intends to pass along to customers some or all cost increases in raw and packaging materials and other inputs through increases in the selling prices of some of its products. Higher product prices may result in reductions in sales volume. To the extent the price increases are not sufficient to offset increased raw and packaging materials and other input costs, and/or if they result in significant decreases in sales volume, the company's business results and financial condition may be adversely affected.

**The company may be adversely impacted by a changing customer landscape and the increased significance of some of its customers**

In recent years, alternative retail grocery channels, such as dollar stores, drug stores and club stores, have increased their market share. This trend towards alternative channels is expected to continue in the future. In addition, consolidations in the traditional retail grocery trade have produced large, sophisticated customers with increased buying power and negotiating strength who may seek lower prices or increased promotional programs funded by their suppliers. These customers may use more of their shelf space for their private label products. If the company is unable to use its scale, marketing expertise, product innovation and category leadership positions to respond to these customer dynamics, the company's business or financial results could be negatively impacted. Also, during 2012, the company's five largest customers accounted for approximately 34% of the company's consolidated net sales, with the largest customer, Wal-Mart Stores, Inc. and its affiliates, accounting for approximately 17% of the company's consolidated net sales. The disruption of sales to any of these customers, or to any of the company's other large customers, for an extended period of time could adversely affect the company's business or financial results.

**The company may be adversely impacted by increased liabilities and costs related to its defined benefit pension plans**

The company sponsors a number of defined benefit pension plans for employees in the U.S. and various non-U.S. locations. The major defined benefit pension plans are funded with trust assets invested in a globally diversified portfolio of securities and other investments. Changes in regulatory requirements or the market value of plan assets, investment returns, interest rates and mortality rates may affect the funded status of the company's defined benefit pension plans and cause volatility in the net periodic benefit cost, future funding requirements of the plans and the funded status as recorded on the balance sheet. A significant increase in the company's obligations or future funding requirements could have a material adverse effect on the financial results of the company.

**The company may be adversely impacted by inadequacies in, or security breaches of, its information technology systems**

Each year the company engages in several billion dollars of transactions with its customers and vendors. Because the amount of dollars involved is so significant, the company's information technology resources (some of which are managed by third parties) must provide connections among its marketing, sales, manufacturing, logistics, customer service, and accounting functions. If the company does not allocate and effectively manage the resources necessary to build and sustain an appropriate technology infrastructure and to maintain the related computerized and manual control processes, the company's business or financial results could be negatively impacted. Furthermore, the company's information technology systems may be vulnerable to security breaches (including the theft of customer, consumer or other confidential data), cyber-based attacks or other system failures. If the company is unable to prevent such failures, the company's business or financial results could be negatively impacted.

**The company may not properly execute, or realize anticipated cost savings or benefits from, its ongoing supply chain, information technology or other initiatives**

The company's success is partly dependent upon properly executing, and realizing cost savings or other benefits from, its ongoing supply chain, information technology and other initiatives. These initiatives are primarily designed to make the company more efficient in the manufacture and distribution of its products, which is necessary in the company's highly competitive industry. These initiatives are often complex, and a failure to implement them properly may, in addition to not meeting projected cost savings or benefits, result in an interruption to the company's sales, manufacturing, logistics, customer service or accounting functions.

**The company's results may be impacted negatively by political conditions in the countries where the company does business**

The company has operations or does business in multiple countries. Because of its international reach, the company's performance may be impacted negatively by politically motivated factors, such as unfavorable changes in tariffs or export and import restrictions, in these countries. The company may also be impacted by political instability, civil disobedience, armed hostilities and terrorist acts in these countries.

**If the company's food products become adulterated or are mislabeled, the company might need to recall those items, and may experience product liability claims if consumers are injured**

The company may need to recall some of its products if they become adulterated or if they are mislabeled. The company may also be liable if the consumption of any of its products causes injury. A widespread product recall could result in significant losses due to the costs of a recall, the destruction of product inventory and lost sales due to the unavailability of product for a period of time. The company could also suffer losses from a significant product liability judgment against it. A significant product recall or product liability case could also result in adverse publicity, damage to the company's reputation and a loss of consumer confidence in the company's products. In addition, the company's results could be adversely affected if consumers lose confidence in the safety and quality of the company's products, ingredients or packaging, even in the absence of a recall or a product liability case.

**The company's results may be negatively impacted if consumers do not maintain their favorable perception of its brands**

The company has a number of iconic brands with significant value. Maintaining and continually enhancing the value of these brands is critical to the success of the company's business. Brand value is based in large part on consumer perceptions. Success in promoting and enhancing brand value depends in large part on the company's ability to provide high-quality products. Brand value could diminish significantly due to a number of factors, including consumer perception that the company has acted in an irresponsible manner, adverse publicity about the company's products (whether or not valid), the company's failure to maintain the quality of its products, the failure of the company's products to deliver consistently positive consumer experiences, or the products becoming unavailable to consumers. The growing use of social and digital media by consumers increases the speed and extent that information and opinions can be shared. Negative posts or comments about the company, its brands or products on social or digital media could seriously damage the company's brands and reputation. If the company does not maintain the favorable perception of its brands, the company's results could be negatively impacted.

**Item 1B. *Unresolved Staff Comments***

None.

## Item 2. Properties

The company's principal executive offices and main research facilities are company-owned and located in Camden, New Jersey. The following table sets forth the company's principal manufacturing facilities and the business segment that primarily uses each of the facilities:

### Principal Manufacturing Facilities

#### Inside the U.S.

##### California

Dixon (USSM/USB)  
Sacramento (USSM/USB/ ISMB)  
Stockton (USSM/USB)

##### Connecticut

Bloomfield (GBS)

##### Florida

Lakeland (GBS)

##### Illinois

Downers Grove (GBS)

##### New Jersey

South Plainfield (USSM/USB)  
East Brunswick (GBS)

##### North Carolina

Maxton (USSM/ISMB)

##### Ohio

Napoleon (USSM/USB/NAFS/  
ISMB)

Willard (GBS)

##### Pennsylvania

Denver (GBS)  
Downingtown (GBS/NAFS)

##### South Carolina

Aiken (GBS)

##### Texas

Paris (USSM/USB/ISMB)

##### Utah

Richmond (GBS)

##### Washington

Everett (NAFS)

##### Wisconsin

Milwaukee (USSM)

#### Outside the U.S.

##### Australia

Huntingwood (GBS)  
Marleston (GBS)  
Shepparton (ISMB)  
Virginia (GBS)

##### Belgium

Puurs (ISMB)

##### China

Xiamen (ISMB)

##### Canada

Toronto (USSM/ ISMB/NAFS)

##### France

LePontet (ISMB)

##### Germany

Luebeck (ISMB)

##### Indonesia

Jawa Barat (GBS)

##### Malaysia

Selangor Darul Ehsan (ISMB)

##### Mexico

Villagran (ISMB)

##### Sweden

Kristianstadt (ISMB)

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USSM - U.S. Simple Meals

GBS - Global Baking and Snacking

ISMB - International Simple Meals and Beverages

USB - U.S. Beverages

NAFS - North America Foodservice

Each of the foregoing manufacturing facilities is company-owned, except the (i) Selangor Darul Ehsan, Malaysia, and the East Brunswick, New Jersey, facilities are leased, and (ii) Xiamen, China, facility is owned by Swire Pacific Limited, the company's joint venture partner in China. The company also operates retail bakery thrift stores in the U.S. and other plants, facilities and offices at various locations in the U.S. and abroad, including additional executive offices in Norwalk, Connecticut; Puurs, Belgium; and North Strathfield, Australia.

The company expects to close the Sacramento, California, and the South Plainfield, New Jersey, facilities in 2013. For information relating to the properties acquired in the Bolthouse Farms acquisition, see "Business - Recent Developments."

Management believes that the company's manufacturing and processing plants are well maintained and are generally adequate to support the current operations of the businesses.

## Item 3. Legal Proceedings

None.

## Item 4. Mine Safety Disclosures

Not applicable.

## Executive Officers of the Company

The following list of executive officers as of September 14, 2012, is included as an item in Part III of this Form 10-K:

<u>Name</u>	<u>Present Title</u>	<u>Age</u>	<u>Year First Appointed Executive Officer</u>
Mark R. Alexander	Senior Vice President	48	2009
Irene Chang Britt	Senior Vice President	49	2010
Anthony P. DiSilvestro	Senior Vice President - Finance	53	2004
Ellen Oran Kaden	Senior Vice President - Chief Legal and Public Affairs Officer	60	1998
Denise M. Morrison	President and Chief Executive Officer	58	2003
Robert W. Morrissey	Senior Vice President and Chief Human Resources Officer	54	2012
B. Craig Owens	Senior Vice President - Chief Financial Officer and Chief Administrative Officer	58	2008
David R. White	Senior Vice President	57	2004

B. Craig Owens served as Executive Vice President and Chief Financial Officer of the Delhaize Group prior to joining the company in 2008. The company has employed Mark R. Alexander, Irene Chang Britt, Anthony P. DiSilvestro, Ellen Oran Kaden, Denise M. Morrison, Robert W. Morrissey, and David R. White in an executive or managerial capacity for at least five years.

There is no family relationship among any of the company's executive officers or between any such officer and any director that is first cousin or closer. All of the executive officers were elected at the November 2011 meeting of the Board of Directors, except Robert W. Morrissey was elected at the January 2012 meeting with an effective appointment date of April 1, 2012.

## PART II

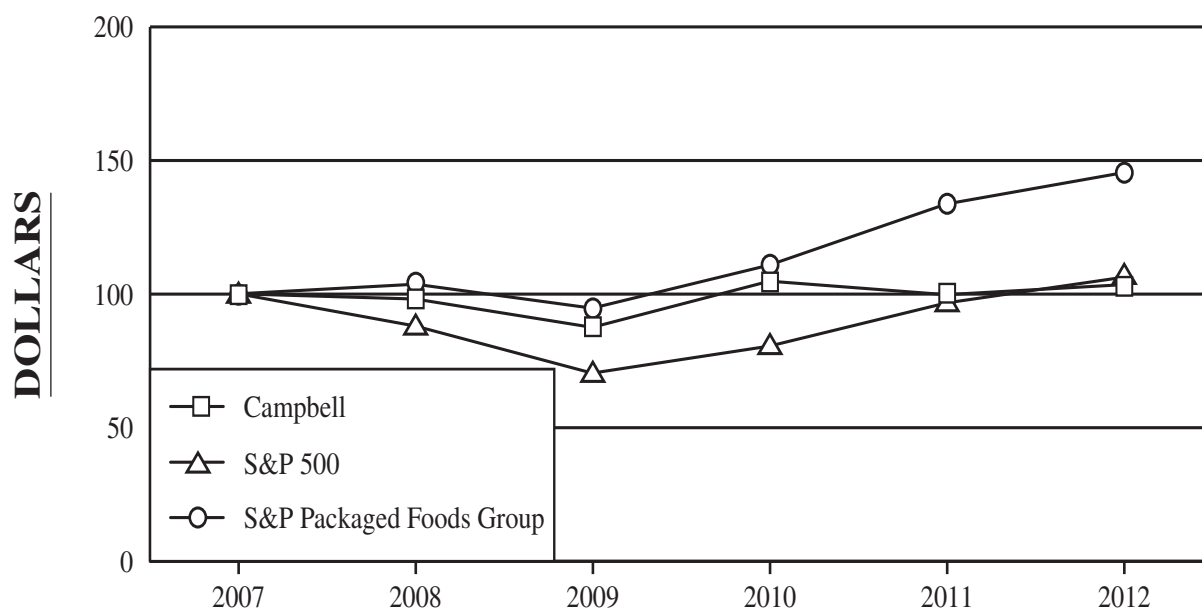
### Item 5. Market for Registrant’s Capital Stock, Related Shareowner Matters and Issuer Purchases of Equity Securities

#### Market for Registrant’s Capital Stock

The company’s capital stock is listed and principally traded on the New York Stock Exchange. On September 14, 2012, there were 24,079 holders of record of the company’s capital stock. Market price and dividend information with respect to the company’s capital stock are set forth in Note 18 to the Consolidated Financial Statements. Future dividends will be dependent upon future earnings, financial requirements and other factors.

#### Return to Shareowners\* Performance Graph

The following graph compares the cumulative total shareowner return (TSR) on the company’s stock with the cumulative total return of the Standard & Poor’s 500 Stock Index (the S&P 500) and the Standard & Poor’s Packaged Foods Index (the S&P Packaged Foods Group). The graph assumes that \$100 was invested on July 27, 2007, in each of company stock, the S&P 500 and the S&P Packaged Foods Group, and that all dividends were reinvested. The total cumulative dollar returns shown on the graph represent the value that such investments would have had on July 27, 2012.



\* Stock appreciation plus dividend reinvestment.

	2007	2008	2009	2010	2011	2012
Campbell .....	100	98	88	105	100	<b>103</b>
S&P 500 .....	100	88	71	81	97	<b>106</b>
S&P Packaged Foods Group .....	100	103	95	111	133	<b>144</b>

## Issuer Purchases of Equity Securities

<u>Period</u>	<u>Total Number of Shares Purchased (1)</u>	<u>Average Price Paid Per Share (2)</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (3)</u>	<u>Approximate Dollar Value of Shares that may yet be Purchased Under the Plans or Programs (\$ in Millions) (3)</u>
4/30/2012 - 5/31/2012.....	863,780 (4)	\$33.27 (4)	416,643	\$806
6/1/2012 - 6/30/2012.....	1,874,518 (5)	\$31.86 (5)	1,139,028	\$769
7/1/2012 - 7/29/2012.....	1,568,048 (6)	\$33.02 (6)	582,355	\$750
<b>Total</b> .....	<u>4,306,346</u>	<u>\$32.57</u>	<u>2,138,026</u>	<u>\$750</u>

- (1) Includes (i) 2,166,195 shares repurchased in open-market transactions to offset the dilutive impact to existing shareowners of issuances under the company's stock compensation plans, and (ii) 2,125 shares owned and tendered by employees to satisfy tax withholding obligations on the vesting of restricted shares. Unless otherwise indicated, shares owned and tendered by employees to satisfy tax withholding obligations were purchased at the closing price of the company's shares on the date of vesting.
- (2) Average price paid per share is calculated on a settlement basis and excludes commission.
- (3) During the fourth quarter of 2012, the company had a publicly announced share repurchase program. Under this program, which was announced on June 23, 2011, the company's Board of Directors authorized the purchase of up to \$1 billion of company stock. The program has no expiration date, although the company suspended purchases under the program in July 2012. The company expects to continue its longstanding practice, under separate authorization, of purchasing shares sufficient to offset shares issued under incentive compensation plans.
- (4) Includes (i) 445,771 shares repurchased in open-market transactions at an average price of \$33.28 to offset the dilutive impact to existing shareowners of issuances under the company's stock compensation plans, and (ii) 1,366 shares owned and tendered by employees at an average price per share of \$33.62 to satisfy tax withholding requirements on the vesting of restricted shares.
- (5) Includes 735,490 shares repurchased in open-market transactions at an average price of \$31.77 to offset the dilutive impact to existing shareowners of issuances under the company's stock compensation plans.
- (6) Includes (i) 984,934 shares repurchased in open-market transactions at an average price of \$33.04 to offset the dilutive impact to existing shareowners of issuances under the company's stock compensation plans, and (ii) 759 shares owned and tendered by employees at an average price per share of \$33.38 to satisfy tax withholding requirements on the vesting of restricted shares.



**Item 6. Selected Financial Data**

**FIVE-YEAR REVIEW — CONSOLIDATED**

<u>Fiscal Year</u>	<u>2012(1)</u>	<u>2011(2)</u>	<u>2010(3)</u>	<u>2009(4)</u>	<u>2008(5)</u>
	(Millions, except per share amounts)				
<b>Summary of Operations</b>					
Net sales . . . . .	\$ 7,707	\$ 7,719	\$ 7,676	\$ 7,586	\$ 7,998
Earnings before interest and taxes . . . . .	1,212	1,279	1,348	1,185	1,098
Earnings before taxes . . . . .	1,106	1,168	1,242	1,079	939
Earnings from continuing operations . . . . .	764	802	844	732	671
Earnings from discontinued operations . . . . .	—	—	—	4	494
Net earnings . . . . .	764	802	844	736	1,165
Net earnings attributable to Campbell Soup Company . . . . .	774	805	844	736	1,165
<b>Financial Position</b>					
Plant assets - net . . . . .	\$ 2,127	\$ 2,103	\$ 2,051	\$ 1,977	\$ 1,939
Total assets . . . . .	6,530	6,862	6,276	6,056	6,474
Total debt . . . . .	2,790	3,084	2,780	2,624	2,615
Total equity . . . . .	898	1,096	929	731	1,321
<b>Per Share Data</b>					
Earnings from continuing operations attributable to Campbell Soup Company - basic . . . . .	\$ 2.43	\$ 2.44	\$ 2.44	\$ 2.05	\$ 1.77
Earnings from continuing operations attributable to Campbell Soup Company - assuming dilution . . . . .	2.41	2.42	2.42	2.03	1.75
Net earnings attributable to Campbell Soup Company - basic . . . . .	2.43	2.44	2.44	2.06	3.06
Net earnings attributable to Campbell Soup Company - assuming dilution . . . . .	2.41	2.42	2.42	2.05	3.03
Dividends declared . . . . .	1.16	1.145	1.075	1.00	0.88
<b>Other Statistics</b>					
Capital expenditures . . . . .	\$ 323	\$ 272	\$ 315	\$ 345	\$ 298
Weighted average shares outstanding - basic . . . . .	317	326	340	352	373
Weighted average shares outstanding - assuming dilution . . . . .	319	329	343	354	377

In the first quarter of fiscal 2010, the company adopted and retrospectively applied new accounting guidance related to a noncontrolling interest in a subsidiary. The guidance requires a noncontrolling interest in a subsidiary to be classified as a separate component of total equity.

In the first quarter of fiscal 2010, the company adopted and retrospectively applied new accounting guidance related to the calculation of earnings per share. The retrospective application of the provision resulted in the following reductions to basic and diluted earnings per share:

	<u>2009</u>		<u>2008</u>	
	<u>Basic</u>	<u>Diluted</u>	<u>Basic</u>	<u>Diluted</u>
Earnings from continuing operations attributable to Campbell Soup Company . . . . .	\$ (.03)	\$ (.01)	\$ (.03)	\$ (.01)
Net earnings attributable to Campbell Soup Company . . . . .	\$ (.03)	\$ (.01)	\$ (.06)	\$ (.03)

(All per share amounts below are on a diluted basis)

The 2008 fiscal year consisted of fifty-three weeks. All other periods had fifty-two weeks.

- (1) The 2012 earnings from continuing operations were impacted by a restructuring charge of \$6 million (\$.02 per share) associated with the 2011 initiatives to improve supply chain efficiency, reduce overhead costs across the organization and exit the Russian market. Earnings from continuing operations were also impacted by Bolthouse Farms acquisition-related

costs of \$3 million (\$.01 per share).

- (2) The 2011 earnings from continuing operations were impacted by a restructuring charge of \$41 million (\$.12 per share) associated with initiatives announced in June 2011 to improve supply chain efficiency, reduce overhead costs across the organization and exit the Russian market.
- (3) The 2010 earnings from continuing operations were impacted by the following: a restructuring charge of \$8 million (\$.02 per share) for pension benefit costs associated with the 2008 initiatives to improve operational efficiency and long-term profitability and \$10 million (\$.03 per share) to reduce deferred tax assets as a result of the U.S. health care legislation enacted in March 2010.
- (4) The 2009 earnings from continuing operations were impacted by the following: an impairment charge of \$47 million (\$.13 per share) related to certain European trademarks and \$15 million (\$.04 per share) of restructuring-related costs associated with the 2008 initiatives to improve operational efficiency and long-term profitability. The 2009 results of discontinued operations represented a \$4 million (\$.01 per share) tax benefit related to the sale of the Godiva Chocolatier business.
- (5) The 2008 earnings from continuing operations were impacted by the following: a \$107 million (\$.28 per share) restructuring charge and related costs associated with initiatives to improve operational efficiency and long-term profitability and a \$13 million (\$.03 per share) benefit from the favorable resolution of a tax contingency. The 2008 results of discontinued operations included a \$462 million (\$1.20 per share) gain from the sale of the Godiva Chocolatier business.

Five-Year Review should be read in conjunction with the Notes to Consolidated Financial Statements.

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **OVERVIEW**

#### ***Description of the Company***

Campbell Soup Company is a manufacturer and marketer of high-quality, branded convenience food products. The company reports the results of operations in the following reportable segments: U.S. Simple Meals; Global Baking and Snacking; International Simple Meals and Beverages; U.S. Beverages; and North America Foodservice.

#### ***Key Strategies***

Campbell's long-term goal is to drive profitable net sales growth as a means to deliver attractive, sustainable total shareholder returns. To grow net sales, the company is focused on expanding its brand and product platforms in three core categories -- simple meals, healthy beverages and baked snacks. Its plans are designed to tap into segments and adjacencies with high-growth profiles and strong prospects for growth within these categories. Three strategies guide this effort:

- Stabilize and then profitably grow the company's North America soup and simple meals business.
- Expand the company's international presence.
- Continue to drive growth in the company's healthy beverages and baked snacks businesses.

By reducing less profitable promotional support and increasing consumer brand building in 2012, Campbell took steps towards stabilizing the profitability of its soup and simple meals business in North America. In 2013, the company is increasing its pipeline of consumer-driven innovation by expanding its product platforms and packaging formats to reach new consumers and new usage occasions. To this end, the company will introduce more than 50 new products in 2013 -- ranging from new varieties of *Chunky* ready-to-eat soups and *Campbell's* condensed soups to new products under the *Campbell's Go* platform and new sauces under the *Campbell's Skillet Sauces* brand. In addition to its innovation offerings, the company plans to increase its focus on other important growth drivers, such as product positioning, taste, availability, merchandising and price, to strengthen and grow its core soup and simple meals business portfolio in North America.

Campbell plans to expand its presence in international markets by extending product platforms in its current businesses, pursuing growth opportunities in faster-growing emerging markets, and expanding its export businesses in both existing and new geographies. The company's strategy for emerging market growth is likely to be centered on external development, ranging from acquisitions to strategic alliances such as joint ventures and other strategic partnerships. Investments in its business in the People's Republic of China, where the company has a majority stake in a joint venture with Swire Pacific Limited, are expected to continue in 2013.

In Campbell's healthy beverages business, the company will continue the U.S. expansion of its *V8 V-Fusion* beverages into faster growing segments and channels, such as sparkling and energy beverages, teas and juice boxes. It will invest to revitalize the *V8* 100% vegetable juice franchise in the U.S. by reengaging both current and lapsed users with a new advertising campaign and new varieties. In the international beverage business, the company expects to attract new users in its Asia Pacific business through product improvements, such as the conversion from glass to PET packaging, and to further accelerate beverage growth in its Latin American business.

In Campbell's baked snacks portfolio, the company is increasing its focus on innovation while further enhancing collaboration between its Pepperidge Farm and Arnott's divisions to leverage new product ideas between these powerful brands. Pepperidge Farm will continue to drive growth in its very successful *Goldfish* brand, along with its savory cracker, cookie and bakery products. At Arnott's in Australia, the focus remains on innovation in sweet and savory biscuits, along with further development of products designed to address the "light lunch" eating occasion.

The Bolthouse Farms acquisition provides the company with a new growth platform within its portfolio. As previously discussed, Bolthouse Farms is a vertically integrated food and beverage company focused on developing, manufacturing and marketing fresh carrots and proprietary, high value-added natural, healthy products. Bolthouse Farms' U.S. and Canadian market-leading super-premium refrigerated beverages complement the company's successful *V8* beverage business, and Bolthouse Farms' leading U.S. and Canadian market position in fresh carrots anchors its business and provides significant cash flow. In addition, Bolthouse Farms' prominent position in the high-growth packaged fresh category augments the company's existing chilled soup business in North America, and offers opportunities for expansion into adjacent packaged fresh segments that respond directly to significant consumer trends.

**Executive Summary**

This Executive Summary provides significant highlights from the discussion and analysis that follows.

- Net sales were \$7.707 billion in 2012, comparable to a year ago.
- Gross profit, as a percent of sales, decreased to 38.8% from 40.2% a year ago.
- Net earnings per share were \$2.41 in 2012, compared to \$2.42 in 2011. The current year included \$.03 per share of expense from items that impacted comparability. The prior year included \$.12 per share of expense from items that impacted comparability, as discussed below.

**Net earnings attributable to Campbell Soup Company - 2012 Compared with 2011**

The following items impacted the comparability of net earnings and earnings per share:

- In 2011, the company announced a series of initiatives to improve supply chain efficiency and reduce overhead costs across the organization to help fund plans to drive the growth of the business. The company also announced its intent to exit the Russian market. In 2012, the company recorded pre-tax restructuring charges of \$10 million (\$6 million after tax or \$.02 per share) related to the initiatives. In the fourth quarter of 2011, the company recorded a restructuring charge of \$63 million (\$41 million after tax or \$.12 per share) related to the initiatives. See Note 6 to the Consolidated Financial Statements and "Restructuring Charges" for additional information; and
- In 2012, the company recorded pre-tax transaction costs of \$5 million (\$3 million after tax or \$.01 per share) related to the acquisition of Bolthouse Farms.

The items impacting comparability are summarized below:

	2012		2011	
	Earnings Impact	EPS Impact	Earnings Impact	EPS Impact
	(Millions, except per share amounts)			
Net earnings	\$ 774	\$ 2.41	\$ 805	\$ 2.42
Restructuring charges	\$ (6)	\$ (.02)	\$ (41)	\$ (.12)
Acquisition transaction costs	(3)	(.01)	—	—
Impact of items on net earnings	\$ (9)	\$ (.03)	\$ (41)	\$ (.12)

Net earnings were \$774 million (\$2.41 per share) in 2012, compared to \$805 million (\$2.42 per share) in 2011. After adjusting for items impacting comparability, net earnings decreased primarily due to a decline in gross margin percentage partially offset by a lower effective tax rate. Earnings per share benefited from a reduction in the weighted average diluted shares outstanding, which was primarily due to share repurchases under the company's strategic share repurchase programs.

**Net earnings (loss) attributable to noncontrolling interests**

The company owns a 60% controlling interest in a joint venture formed with Swire Pacific Limited to support the development of the company's business in China. The joint venture began operations on January 31, 2011, the beginning of the third quarter of 2011. The noncontrolling interest's share in the net loss was included in Net earnings (loss) attributable to noncontrolling interests in the Consolidated Statements of Earnings.

The company also owns a 70% controlling interest in a Malaysian food products manufacturing company. Historically, the earnings attributable to the noncontrolling interest were less than \$1 million annually and, prior to the third quarter of 2011, were

included in Other expenses/(income) in the Consolidated Statements of Earnings. Beginning in the third quarter of 2011, the earnings attributable to the noncontrolling interest were included in Net earnings (loss) attributable to noncontrolling interests in the Consolidated Statements of Earnings. The earnings were not material in 2012 and in 2011.

**Net earnings attributable to Campbell Soup Company - 2011 Compared with 2010**

In addition to the 2011 item that impacted comparability of net earnings and net earnings per share previously disclosed, the following items also impacted comparability:

- In the third quarter of 2010, the company recorded a restructuring charge of \$12 million (\$8 million after tax or \$.02 per share) for pension benefit costs related to the 2008 initiatives to improve operational efficiency and long-term profitability. See Note 6 to the Consolidated Financial Statements and “Restructuring Charges” for additional information; and
- In the third quarter of 2010, the company recorded deferred tax expense of \$10 million, or \$.03 per share, to reduce deferred tax assets as a result of the U.S. health care legislation enacted in March 2010. The law changed the tax treatment of subsidies to companies that provide prescription drug benefits to retirees.

The items impacting comparability are summarized below:

	2011		2010	
	Earnings Impact	EPS Impact	Earnings Impact	EPS Impact
	(Millions, except per share amounts)			
Net earnings	\$ 805	\$ 2.42	\$ 844	\$ 2.42
Restructuring charges	\$ (41)	\$ (.12)	\$ (8)	\$ (.02)
Deferred tax expense from U.S. health care legislation	—	—	(10)	(.03)
Impact of items on net earnings	\$ (41)	\$ (.12)	\$ (18)	\$ (.05)

Net earnings were \$805 million (\$2.42 per share) in 2011 and \$844 million (\$2.42 per share) in 2010. After adjusting for the items impacting comparability, net earnings decreased in 2011 primarily due to a decline in gross margin percentage and lower sales volume, partly offset by lower marketing expenses and the impact of currency. After adjusting for items impacting comparability, earnings per share increased in 2011 due to a reduction in the weighted average diluted shares outstanding, primarily due to share repurchases under the company's strategic share repurchase program.

**DISCUSSION AND ANALYSIS**

**Sales**

An analysis of net sales by reportable segment follows:

	2012	2011	2010	% Change	
				2012/2011	2011/2010
	(Millions)				
U.S. Simple Meals	\$ 2,726	\$ 2,751	\$ 2,938	(1)	(6)
Global Baking and Snacking	2,193	2,156	1,975	2	9
International Simple Meals and Beverages	1,404	1,463	1,423	(4)	3
U.S. Beverages	774	759	762	2	—
North America Foodservice	610	590	578	3	2
	\$ 7,707	\$ 7,719	\$ 7,676	—	1

An analysis of percent change of net sales by reportable segment follows:

	U.S. Simple Meals	Global Baking and Snacking	International Simple Meals and Beverages	U.S. Beverages	North America Foodservice	Total
<b>2012 versus 2011</b>						
Volume and Mix . . . . .	(4)%	(1)%	(3)%	3%	2%	(2)%
Price and Sales Allowances . . . . .	3	5	2	—	2	3
Increased Promotional Spending (1) . . . . .	—	(3)	(1)	(1)	(1)	(1)
Currency . . . . .	—	1	(2)	—	—	—
	<u>(1)%</u>	<u>2%</u>	<u>(4)%</u>	<u>2%</u>	<u>3%</u>	<u>—%</u>
<b>2011 versus 2010</b>						
Volume and Mix . . . . .	(5)%	3%	—%	2%	(1)%	(1)%
Price and Sales Allowances . . . . .	—	2	—	—	—	1
(Increased)/Decreased Promotional Spending (1) . . . . .	(1)	(1)	(1)	(2)	2	(1)
Currency . . . . .	—	5	4	—	1	2
	<u>(6)%</u>	<u>9%</u>	<u>3%</u>	<u>—%</u>	<u>2%</u>	<u>1%</u>

(1) Represents revenue reductions from trade promotion and consumer coupon redemption programs.

In 2012, U.S. Simple Meals sales decreased 1%. U.S. Soup declined 2% as lower volumes were partially offset by higher selling prices, reflecting a continued cautious consumer environment. Further details of U.S. Soup include:

- Sales of *Campbell's* condensed soups increased 1% due to gains in eating varieties as cooking varieties were comparable to a year ago.
- Sales of ready-to-serve soups decreased 7%. Ready-to-serve soup volumes were impacted by the company's shift to improve price realization through higher selling prices and reduced promotional spending. The introduction of *Campbell's Slow Kettle* soups in July 2011 positively impacted sales performance.
- Broth sales increased 3% primarily due to volume gains and the introduction of *Swanson Flavor Boost* concentrated broth, which launched in July 2011.

U.S. Sauces sales increased slightly as gains in *Prego* pasta sauces were mostly offset by declines in sales of *Pace* Mexican sauces and other simple meal products. Sales of *Pace* Mexican sauces were negatively impacted by increased private label competitive activity. In U.S. Sauces, promotional spending was increased to improve marketplace performance.

In 2011, U.S. Simple Meals sales decreased 6%. U.S. soup sales decreased 6% reflecting an overall weak economy; a challenging competitive environment in the U.S. food industry; changes in buying patterns among U.S. shoppers, particularly in “stock up” purchase behavior; and lower levels of product innovation. In this retail environment, the company’s high levels of promotional support during the first half of the year did not deliver anticipated volume gains.

- Sales of *Campbell's* condensed soups declined 4% primarily due to declines in eating varieties. Sales of eating varieties were negatively impacted by promotional discounting in ready-to-serve soups.
- Sales of ready-to-serve soups decreased 9% with declines in both canned and microwavable varieties.
- Broth sales decreased 1%.

In 2011, sales of *Prego* pasta sauces and *Pace* Mexican sauces declined due to increased competitive activities.

In 2012, Global Baking and Snacking sales increased 2% as sales growth in Pepperidge Farm was partially offset by a decline in Arnott's. Sales at Pepperidge Farm reflected higher selling prices across the product portfolio, partly offset by increased promotional spending. Sales increased at double-digit rates in *Goldfish* snack crackers, and declined in cookies and frozen products. Sales at Arnott's declined reflecting an increase in promotional spending as the business was impacted by a difficult customer and consumer environment.

In 2011, Global Baking and Snacking sales increased 9% as both Pepperidge Farm and Arnott’s achieved volume gains and also benefited from higher selling prices. Pepperidge Farm sales increased primarily due to growth in *Goldfish* snack crackers and

bakery products, including whole-grain bread. In Arnott's, sales increased primarily due to currency, as well as gains in *Shapes*, *Cruskits*, and *Vita-Weat* savory crackers, and chocolate biscuits.

In 2012, International Simple Meals and Beverages sales decreased 4%. In Europe, sales declined primarily due to currency and declines in Germany. In Canada, sales declined primarily due to lower soup sales and the impact of currency. Promotional spending was increased within the segment to improve marketplace performance.

In 2011, International Simple Meals and Beverages sales increased 3%, primarily due to currency. In Europe, sales declined due to currency. In Asia Pacific, sales increased primarily due to currency and volume-driven gains in Australia. In Canada, sales increased due to currency and volume gains, partially offset by increased promotional spending on soup products to be more competitive with other simple meal products. Sales in Latin America declined.

In 2012, U.S. Beverages sales increased 2%. Sales of *V8 Splash* beverages and *V8 V-Fusion* beverages increased, while sales of *V8* vegetable juice declined. Sales of *V8 V-Fusion* beverages benefited from a range of new products, including *V8 V-Fusion* Smoothies, Energy, Sparkling and juice boxes, as well as increased promotional support.

In 2011, U.S. Beverages sales were comparable to 2010 as increased volume was offset by higher promotional spending. Promotional spending was increased to be more competitive with other beverages. Sales of *V8 Splash* beverages and *V8 V-Fusion* beverages increased, while sales of *V8* vegetable juice declined.

In 2012, North America Foodservice sales increased 3% primarily due to gains in refrigerated soup.

In 2011, North America Foodservice sales increased 2% primarily due to gains in refrigerated soup.

### **Gross Profit**

Gross profit, defined as Net sales less Cost of products sold, decreased by \$111 million in 2012 from 2011 and decreased by \$47 million in 2011 from 2010. As a percent of sales, gross profit was 38.8% in 2012, 40.2% in 2011, and 41.0% in 2010.

The 1.4-percentage-point decrease in gross margin percentage in 2012 was due to the following factors:

	<b>Margin Impact</b>
Cost inflation and other factors . . . . .	(3.7)
Higher level of promotional spending . . . . .	(0.8)
Mix . . . . .	(0.7)
Higher selling prices. . . . .	2.0
Productivity improvements . . . . .	1.8
	<u>(1.4)</u>

The 0.8-percentage-point decrease in gross margin percentage in 2011 was due to the following factors:

	<b>Margin Impact</b>
Cost inflation and other factors, including higher plant costs . . . . .	(2.2)
Higher level of promotional spending . . . . .	(0.7)
Mix . . . . .	(0.2)
Productivity improvements . . . . .	1.9
Higher selling prices. . . . .	0.4
	<u>(0.8)</u>

### **Marketing and Selling Expenses**

Marketing and selling expenses as a percent of sales were 13.2% in 2012, 13.0% in 2011, and 13.8% in 2010. Marketing and selling expenses increased 1% in 2012 from 2011. The increase was primarily due to higher advertising and consumer promotion expenses (approximately 1 percentage point) and higher other marketing expenses (approximately 1 percentage point), partly offset by lower selling expenses (approximately 1 percentage point). Advertising and consumer promotion expenses increased 3% in 2012 from 2011, reflecting brand-building investments across many key brands. Marketing and selling expenses decreased 5% in 2011 from 2010. The decrease was primarily due to lower advertising expenses (approximately 3 percentage points); lower selling expenses (approximately 2 percentage points); and lower other marketing expenses (approximately 2 percentage points), partly offset by the impact of currency (approximately 2 percentage points).

### Administrative Expenses

Administrative expenses as a percent of sales were 7.9% in 2012, 2011, and 2010. Administrative expenses were comparable in 2012 and 2011, as cost savings from restructuring initiatives and other factors (approximately 5 percentage points) were offset by higher compensation and benefit costs (approximately 2 percentage points) and higher general administrative costs and inflation (approximately 3 percentage points). Administrative expenses increased by 1% in 2011 from 2010 primarily due to an increase in pension and health care benefit costs (approximately 2 percentage points); the impact of currency (approximately 2 percentage points); and costs associated with the corporate headquarters facility (approximately 1 percentage point), partially offset by lower compensation costs (approximately 2 percentage points) and cost management efforts and other factors (approximately 2 percentage points).

### Research and Development Expenses

Research and development expenses decreased \$4 million or 3% in 2012 from 2011. The decrease was primarily due to cost savings initiatives and other factors (approximately 6 percentage points), partially offset by higher costs associated with product innovation in North America and the Asia Pacific region (approximately 2 percentage points), and inflation (approximately 1 percentage point). Research and development expenses increased \$6 million or 5% in 2011 from 2010. The increase was primarily due to costs associated with an ongoing initiative to simplify the soup-making process and product innovation in North America (approximately 2 percentage points); costs associated with a global baked snacks initiative (approximately 2 percentage points), and the impact of currency (approximately 2 percentage points), partly offset by cost savings initiatives (approximately 1 percentage point).

### Other Expenses/(Income)

Other expense in 2012 included a \$3 million impairment charge associated with the *Blå Band* trademark used in the International Simple Meals and Beverages segment. The charge was recorded as a result of the company's annual review of intangible assets. See Note 4 to the Consolidated Financial Statements. Other expense in 2012 also included \$5 million of transaction costs associated with the acquisition of Bolthouse Farms. See Note 19 to the Consolidated Financial Statements.

Other expense in 2011 included a \$3 million impairment charge associated with the *Heisse Tasse* trademark used in the International Simple Meals and Beverages segment. The charge was recorded as a result of the company's annual review of intangible assets. See Note 4 to the Consolidated Financial Statements.

### Operating Earnings

Segment operating earnings decreased 8% in 2012 from 2011 and decreased 1% in 2011 from 2010.

An analysis of operating earnings by segment follows:

	2012	2011	2010	% Change	
				2012/2011	2011/2010
	(Millions)				
U.S. Simple Meals . . . . .	\$ 658	\$ 657	\$ 737	—	(11)
Global Baking and Snacking . . . . .	315	355	322	(11)	10
International Simple Meals and Beverages . . . . .	153	185	161	(17)	15
U.S. Beverages . . . . .	134	182	206	(26)	(12)
North America Foodservice . . . . .	85	82	55	4	49
	<u>1,345</u>	<u>1,461</u>	<u>1,481</u>	<u>(8)</u>	<u>(1)</u>
Unallocated corporate expenses . . . . .	(123)	(119)	(121)		
Restructuring charges(1) . . . . .	(10)	(63)	(12)		
Earnings before interest and taxes . . . . .	<u>\$ 1,212</u>	<u>\$ 1,279</u>	<u>\$ 1,348</u>		

(1) See Note 6 to the Consolidated Financial Statements for additional information on restructuring charges.

Earnings from U.S. Simple Meals in 2012 and 2011 were comparable, as earnings gains in U.S. Soup were mostly offset by declines in U.S. Sauces. For the segment, higher selling prices, productivity improvements and lower promotional spending were mostly offset by lower volumes and cost inflation.

Earnings from U.S. Simple Meals decreased 11% in 2011 versus 2010. The decline was primarily due to lower sales and a reduced gross margin percentage, partially offset by lower marketing and selling expenses. In the first half of 2011, in response to the overall competitive environment, the company maintained higher levels of promotional support, which did not deliver anticipated volume gains.

Earnings from Global Baking and Snacking decreased 11% in 2012 versus 2011 primarily due to cost inflation, increased promotional spending and higher advertising expense, partly offset by higher selling prices and productivity improvements. Promotional spending was increased to support the businesses.

Earnings from Global Baking and Snacking increased 10% in 2011 versus 2010. The increase was primarily due to the impact of currency and volume-driven growth in both Pepperidge Farm and Arnott's.

Earnings from International Simple Meals and Beverages decreased 17% in 2012 versus 2011. The decrease in operating earnings was primarily due to lower earnings in the Asia Pacific region and Canada, and increased costs associated with the company's market expansion in China.

Earnings from International Simple Meals and Beverages increased 15% in 2011 versus 2010. The increase was primarily due to growth in the Asia Pacific region, the impact of currency and reduced investment in Russia.

Earnings from U.S. Beverages decreased 26% primarily due to cost inflation, increased promotional spending and advertising expense, partly offset by productivity improvements.

Earnings from U.S. Beverages decreased 12% in 2011 versus 2010 primarily due to increased promotional spending.

Earnings from North America Foodservice increased 4% due to higher selling prices and productivity improvements, partially offset by cost inflation.

Earnings from North America Foodservice increased to \$82 million in 2011 from \$55 million in 2010 primarily due to reduced promotional spending, productivity improvements in excess of inflation, and lower administrative expense.

### ***Interest Expense/Income***

Interest expense decreased to \$114 million in 2012 from \$122 million in 2011, primarily due to lower interest rates on fixed-rate debt. Interest income decreased to \$8 million in 2012 from \$11 million in 2011 primarily due to lower levels of cash and cash equivalents.

Interest expense increased to \$122 million in 2011 from \$112 million in 2010 primarily due to an increase in fixed-rate debt and higher debt levels. Interest income increased to \$11 million in 2011 from \$6 million in 2010 primarily due to higher levels of cash and cash equivalents.

### ***Taxes on Earnings***

The effective tax rate was 30.9% in 2012, 31.3% in 2011, and 32.0% in 2010. The reduction in the effective tax rate in 2012 from 2011 was primarily due to lower tax expense associated with the repatriation of foreign earnings in 2012.

The reduction in the effective tax rate in 2011 from 2010 was primarily due to \$10 million of deferred tax expense recognized in 2010 as a result of the enactment of U.S. health care legislation. The law changed the tax treatment of subsidies to companies that provide prescription drug benefits to retirees. The company recorded the adjustment to reduce the value of the deferred tax asset associated with the subsidy.

### ***Restructuring Charges***

#### ***2011 Initiatives***

On June 28, 2011, the company announced a series of initiatives to improve supply chain efficiency and reduce overhead costs across the organization to help fund plans to drive the growth of the business. The company also announced its intent to exit the Russian market. Details of the initiatives include:

- In Australia, the company will invest in a new system to automate packing operations at its biscuit plant in Virginia. This investment will occur through the second quarter of 2013 and will result in the elimination of approximately 190 positions. Further, the company improved asset utilization in the U.S. by shifting production of ready-to-serve soups from Paris, Texas, to other facilities in 2012. In addition, the manufacturing facility in Marshall, Michigan, was closed in 2011, and manufacturing of *Campbell's Soup at Hand* microwavable products was consolidated at the Maxton, North Carolina, plant in 2012.
- The company streamlined its salaried workforce by approximately 510 positions around the world, including approximately 130 positions at its world headquarters in Camden, New Jersey. These actions were substantially completed in 2011. As part of this initiative, the company outsourced a larger portion of its U.S. retail merchandising activities to its current retail sales agent, Acosta Sales and Marketing, and eliminated approximately 190 positions.
- In connection with exiting the Russian market, the company has eliminated approximately 50 positions. The exit process commenced in 2011 and was substantially completed in 2012.

In 2012, the company recorded a restructuring charge of \$10 million (\$6 million after tax or \$.02 per share) related to these initiatives. In 2011, the company recorded a restructuring charge of \$63 million (\$41 million after tax or \$.12 per share). A summary



of the pre-tax charges and remaining costs associated with the initiatives is as follows:

(Millions)	Total Program	Recognized as of July 29, 2012	Remaining Costs to be Recognized
Severance pay and benefits . . . . .	\$ 43	\$ (41)	\$ 2
Asset impairment/accelerated depreciation . . . . .	23	(23)	—
Other exit costs . . . . .	9	(9)	—
Total . . . . .	<u>\$ 75</u>	<u>\$ (73)</u>	<u>\$ 2</u>

Of the aggregate \$75 million of pre-tax costs, the company expects approximately \$50 million will be cash expenditures, the majority of which was spent in 2012. In addition, the company expects to invest approximately \$40 million in capital expenditures in connection with the actions, of which approximately \$18 million has been invested as of July 29, 2012. The remaining cash outflows related to these programs are not expected to have a material adverse impact on the company's liquidity. The initiatives are expected to be completed by the end of 2013.

The initiatives included in this program are expected to generate annual pre-tax cash savings of approximately \$60 million beginning in 2012 and increasing to approximately \$70 million in 2014.

The total pre-tax costs of \$75 million associated with each segment are expected to be as follows: U.S. Simple Meals \$32 million; Global Baking and Snacking \$15 million; International Simple Meals and Beverages \$18 million; U.S. Beverages \$3 million; North America Foodservice \$1 million; and Corporate \$6 million. Segment operating results do not include restructuring charges as segment performance is evaluated excluding such charges.

#### *2008 Initiatives*

On April 28, 2008, the company announced a series of initiatives to improve operational efficiency and long-term profitability, including selling certain salty snack food brands and assets in Australia, closing certain production facilities in Australia and Canada, and streamlining the company's management structure.

As a result of these initiatives, in 2010, the company recorded a restructuring charge of \$12 million (\$8 million after tax or \$.02 per share) for pension benefit costs, which represented the final costs associated with the 2008 initiatives. These costs related to the International Simple Meals and Beverages segment.

See Note 6 to the Consolidated Financial Statements for additional information.

#### *Recent Development - 2013 Initiatives*

On September 27, 2012, the company announced several initiatives to improve its U.S. supply chain cost structure and increase asset utilization across its U.S. thermal plant network. The initiatives include closing the company's Sacramento, California, thermal plant, which produces soups, sauces and beverages, and the company's South Plainfield, New Jersey, spice plant, which supplies ingredients to the company's U.S. thermal plants. As a result of the initiatives, the company expects to incur pre-tax costs of approximately \$115 million, most of which will be incurred in 2013. The company also expects to invest approximately \$27 million in capital expenditures, primarily to relocate and refurbish a beverage filling and packaging line. For additional information relating to the initiatives, see Note 19 to the Consolidated Financial Statements.

## **LIQUIDITY AND CAPITAL RESOURCES**

The company expects that foreseeable liquidity and capital resource requirements, including cash outflows to repay debt, pay dividends and fund pension plan contributions, will be met through anticipated cash flows from operations; long-term borrowings under its shelf registration statement; short-term borrowings, including commercial paper; and cash and cash equivalents. Over the last three years, operating cash flows totaled approximately \$3.3 billion. This cash-generating capability provides the company with substantial financial flexibility in meeting its operating and investing needs. The company believes that its sources of financing will be adequate to meet its future liquidity and capital resource requirements.

The company generated cash from operations of \$1.120 billion in 2012, compared to \$1.142 billion in 2011. The decline was primarily due to lower cash earnings, partially offset by lower pension contributions in 2012.

The company generated cash from operations of \$1.142 billion in 2011, compared to \$1.057 billion in 2010. The increase was primarily due to lower pension contributions and higher cash earnings, partially offset by higher working capital requirements.

Capital expenditures were \$323 million in 2012, \$272 million in 2011 and \$315 million in 2010. Capital expenditures are expected to total approximately \$330 million in 2013, including Bolthouse Farms projects. Capital expenditures in 2012 included the packing automation and capacity expansion projects at one of the company's Australian biscuit plants (approximately \$32

million), an advanced planning system in North America (approximately \$14 million), capacity expansion at Pepperidge Farm (approximately \$18 million), the ongoing initiative to simplify the soup-making process in North America (also known as the soup common platform initiative) (approximately \$17 million), continued enhancement of the company's corporate headquarters (approximately \$11 million), and Pepperidge Farm's 34,000-square-foot innovation center (approximately \$20 million). Capital expenditures in 2011 included the expansion of beverage capacity (approximately \$6 million); the ongoing implementation of SAP (approximately \$13 million); expenditures at the company's corporate headquarters (approximately \$6 million); Pepperidge Farm's new 34,000-square-foot innovation center (approximately \$5 million); expansion of Pepperidge Farm's production capacity (approximately \$5 million) and a number of infrastructure projects in the U.S. supply chain (approximately \$31 million). Capital expenditures in 2010 included expansion and enhancements of the company's corporate headquarters (approximately \$36 million); expansion of Arnott's production capacity (approximately \$21 million); the ongoing implementation of SAP in Australia and New Zealand (approximately \$15 million) and expansion of Pepperidge Farm's production capacity (approximately \$14 million).

Long-term borrowings in 2011 included the issuance in April of \$500 million of 4.25% notes that mature in April 2021. Long-term borrowings in 2010 included the issuance in July of \$400 million of 3.05% notes that mature in July 2017. The net proceeds from these issuances were used for the repayment of commercial paper borrowings and for other general corporate purposes.

Dividend payments were \$373 million in 2012, \$378 million in 2011, and \$365 million in 2010. Annual dividends declared in 2012 were \$1.16 per share, \$1.145 per share in 2011 and \$1.075 per share in 2010. The 2012 fourth quarter rate was \$0.29 per share.

Excluding shares owned and tendered by employees to satisfy tax withholding requirements on the vesting of restricted shares and for stock option exercises, the company repurchased approximately 13 million shares at a cost of \$412 million during 2012. Approximately \$250 million was used to repurchase shares pursuant to the company's June 2011 publicly announced share repurchase program. Approximately \$750 million remained available under the June 2011 repurchase program as of July 29, 2012. This program has no expiration date, although the company suspended purchases under this program in July 2012. In addition to the June 2011 publicly announced share repurchase program, the company also purchased shares to offset the impact of dilution from shares issued under the company's stock compensation plans. The company expects to continue this practice in the future. See "Market for Registrant's Capital Stock, Related Shareowner Matters and Issuer Purchases of Equity Securities" for more information.

Excluding shares owned and tendered by employees to satisfy tax withholding requirements on the vesting of restricted shares and for stock option exercises, the company repurchased 21 million shares at a cost of \$728 million during 2011. Approximately \$550 million was used to repurchase shares pursuant to the company's June 2008 publicly announced share repurchase program. Under this program, the company's Board of Directors authorized the purchase of up to \$1.2 billion of company stock through the end of 2011. This program was completed in 2011. In addition to the June 2008 publicly announced share repurchase program, the company also purchased shares to offset the impact of dilution from shares issued under the company's stock compensation plans.

Excluding shares owned and tendered by employees to satisfy tax withholding requirements on the vesting of restricted shares and for stock option exercises, the company repurchased 14 million shares at a cost of \$472 million during 2010. Approximately \$250 million was used to repurchase shares pursuant to the company's June 2008 publicly announced share repurchase program. In addition to the June 2008 publicly announced share repurchase program, the company also purchased shares to offset the impact of dilution from shares issued under the company's stock compensation plans.

At July 29, 2012, the company had \$786 million of short-term borrowings due within one year and \$47 million of standby letters of credit issued on behalf of the company. At that date, the company had a \$500 million credit facility that matured in September 2012, and a \$1.5 billion facility that matures in September 2016. These facilities remained unused at July 29, 2012, except for \$3 million of standby letters of credit issued on behalf of the company. In September 2012, the company entered into a \$500 million committed revolving credit facility that matures in September 2016, replacing the \$500 million credit facility that matured in September 2012. These revolving credit agreements support the company's commercial paper programs and other general corporate purposes.

As previously disclosed, on August 6, 2012, the company completed the acquisition of Bolthouse Farms for \$1.55 billion in cash, subject to customary purchase price adjustments. The acquisition was funded through a combination of short- and long-term borrowings. Approximately \$300 million was funded through the issuance of commercial paper. The terms of long-term borrowings, which were issued on August 2, 2012 to fund the transaction, were as follows:

- \$400 million floating rate notes that mature on August 1, 2014. Interest on the notes is based on 3-month U.S. dollar LIBOR plus 0.30%. Interest is payable quarterly beginning November 1, 2012;
- \$450 million of 2.50% notes that mature on August 2, 2022. Interest is payable semi-annually beginning February 2, 2013. The company may redeem the notes in whole or in part at any time at a redemption price of 100% of the principal amount plus accrued interest or an amount designed to ensure that the note holders are not penalized by the early redemption; and

- \$400 million of 3.80% notes that mature on August 2, 2042. Interest is payable semi-annually beginning February 2, 2013. The company may redeem the notes in whole or in part at any time at a redemption price of 100% of the principal amount plus accrued interest or an amount designed to ensure that the note holders are not penalized by the early redemption.

In November 2011, the company filed a registration statement with the Securities and Exchange Commission that registered an indeterminate amount of debt securities. This registration statement replaced the 2008 registration statement, which expired in November 2011. Under the registration statement, the company may issue debt securities, depending on market conditions.

The company is in compliance with the covenants contained in its revolving credit facilities and debt securities.

## CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

### *Contractual Obligations*

The following table summarizes the company's obligations and commitments to make future payments under certain contractual obligations as of July 29, 2012. For additional information on debt, see Note 11 to the Consolidated Financial Statements. Operating leases are primarily entered into for warehouse and office facilities and certain equipment. Purchase commitments represent purchase orders and long-term purchase arrangements related to the procurement of ingredients, supplies, machinery, equipment and services. These commitments are not expected to have a material impact on liquidity. Other long-term liabilities primarily represent payments related to deferred compensation obligations. For additional information on other long-term liabilities, see Note 17 to the Consolidated Financial Statements.

	<u>Contractual Payments Due by Fiscal Year</u>				
	<u>Total</u>	<u>2013</u>	<u>2014 - 2015</u>	<u>2016 - 2017</u>	<u>Thereafter</u>
	(Millions)				
Debt obligations(1) . . . . .	\$ 2,782	\$ 782	\$ 600	\$ 400	\$ 1,000
Interest payments(2) . . . . .	535	97	143	129	166
Purchase commitments . . . . .	915	612	128	79	96
Operating leases . . . . .	199	42	55	42	60
Derivative payments(3) . . . . .	83	37	46	—	—
Other long-term liabilities(4) . . . . .	145	—	38	31	76
Total long-term cash obligations . . . . .	<u>\$ 4,659</u>	<u>\$ 1,570</u>	<u>\$ 1,010</u>	<u>\$ 681</u>	<u>\$ 1,398</u>

(1) Excludes unamortized net discount/premium on debt issuances and amounts related to interest rate swaps designated as fair-value hedges. For additional information on debt obligations, see Note 11 to the Consolidated Financial Statements.

(2) Interest payments for short-term borrowings are calculated based on par values and rates of contractually obligated issuances at fiscal year end. Interest payments on long-term debt are based on principal amounts and fixed coupon rates at fiscal year end.

(3) Represents payments of cross-currency swaps, forward exchange contracts, commodity contracts, and deferred compensation hedges. Contractual payments for cross-currency swaps represent future undiscounted cash payments based on forward interest and foreign exchange rates.

(4) Represents other long-term liabilities, excluding unrecognized tax benefits, postretirement benefits and payments related to pension plans. For additional information on pension and postretirement benefits, see Note 9 to the Consolidated Financial Statements.

### *Off-Balance Sheet Arrangements and Other Commitments*

The company guarantees approximately 2,000 bank loans to Pepperidge Farm independent sales distributors by third-party financial institutions used to purchase distribution routes. The maximum potential amount of the future payments the company could be required to make under the guarantees is \$164 million. The company's guarantees are indirectly secured by the distribution routes. The company does not believe that it is probable that it will be required to make guarantee payments as a result of defaults on the bank loans guaranteed. See also Note 16 to the Consolidated Financial Statements for information on off-balance sheet arrangements.

## INFLATION

Since 2010, the company has experienced inflationary increases primarily in commodity costs. The company continues to use a number of strategies to mitigate the effects of cost inflation including increasing prices, commodity hedging and pursuing cost productivity initiatives such as global procurement strategies and capital investments that improve the efficiency of operations.

## MARKET RISK SENSITIVITY

The principal market risks to which the company is exposed are changes in foreign currency exchange rates, interest rates and commodity prices. In addition, the company is exposed to equity price changes related to certain deferred compensation obligations. The company manages its exposure to changes in interest rates by optimizing the use of variable-rate and fixed-rate debt and by utilizing interest rate swaps in order to maintain its variable-to-total debt ratio within targeted guidelines. International operations, which accounted for approximately 30% of 2012 net sales, are concentrated principally in Australia, Canada, France, Germany and Belgium. The company manages its foreign currency exposures by borrowing in various foreign currencies and utilizing cross-currency swaps and forward contracts. Cross-currency swaps and forward contracts are entered into for periods consistent with related underlying exposures and do not constitute positions independent of those exposures. The company does not enter into contracts for speculative purposes and does not use leveraged instruments.

The company principally uses a combination of purchase orders and various short- and long-term supply arrangements in connection with the purchase of raw materials, including certain commodities and agricultural products. The company also enters into commodity futures, options and swap contracts to reduce the volatility of price fluctuations of diesel fuel, soybean oil, aluminum, wheat, natural gas and cocoa, which impact the cost of raw materials.

The information below summarizes the company's market risks associated with debt obligations and other significant financial instruments as of July 29, 2012. Fair values included herein have been determined based on quoted market prices or pricing models using current market rates. The information presented below should be read in conjunction with Notes 11 through 13 to the Consolidated Financial Statements.

The table below presents principal cash flows and related interest rates by fiscal year of maturity for debt obligations. Interest rates disclosed on variable-rate debt maturing in 2012 represent the weighted-average rates at the period end. Notional amounts and related interest rates of interest rate swaps are presented by fiscal year of maturity. For the swaps, variable rates are the weighted-average forward rates for the term of each contract.

	Expected Fiscal Year of Maturity						Total	Fair Value
	2013	2014	2015	2016	2017	Thereafter		
	(Millions)							
<b>Debt<sup>(1)</sup></b>								
Fixed rate . . . . .	\$ 400	\$ 300	\$ 300	\$ —	\$ 400	\$ 1,000	\$ 2,400	\$ 2,663
Weighted-average interest rate . . . .	5.00%	4.88%	3.38%	—%	3.05%	5.25%	4.56%	
Variable rate <sup>(2)</sup> . . . . .	\$ 382						\$ 382	\$ 382
Weighted-average interest rate . . . .	0.72%						0.72%	
<b>Interest Rate Swaps</b>								
Fair-value swaps								
Fixed to variable . . . . .	\$ 300	\$ 200					\$ 500	\$ 13
Average pay rate . . . . .	1.16%	0.89%					1.05%	
Average receive rate. . . . .	5.00%	4.88%					4.95%	
Cash-flow swaps								
Variable to fixed. . . . .	\$ 400		\$ 200				\$ 600	\$ 2
Average pay rate . . . . .	1.71%		2.16%				1.86%	
Average receive rate. . . . .	1.74%		2.23%				1.91%	

(1) Excludes unamortized net premium/discount on debt issuances and amounts related to interest rate swaps designated as fair-value hedges.

(2) Represents \$352 million of USD borrowings and \$30 million equivalent of borrowings in other currencies.

As of July 31, 2011, fixed-rate debt of approximately \$2.4 billion with an average interest rate of 4.56% and variable-rate debt of approximately \$655 million with an average interest rate of 1.19% were outstanding. As of July 31, 2011, the company had swapped \$500 million of fixed-rate debt to variable. The average rate to be received on these swaps was 4.95%, and the average rate paid was estimated to be 0.97% over the remaining life of the swaps.

The company is exposed to foreign exchange risk related to its international operations, including non-functional currency intercompany debt and net investments in subsidiaries. The following table summarizes the cross-currency swaps outstanding as of July 29, 2012, which hedge such exposures. The notional amount of each currency and the related weighted-average forward interest rate are presented in the Cross-Currency Swaps table.

## Cross-Currency Swaps

	Fiscal Year of Expiration	Interest Rate	Notional Value	Fair Value
			(Millions)	
Pay variable AUD . . . . .	2013	3.51%	\$ 7	\$ —
Receive variable USD . . . . .		0.44%		
Pay variable AUD . . . . .	2013	3.58%	\$ 52	\$ —
Receive variable USD . . . . .		0.53%		
Pay variable AUD . . . . .	2013	4.08%	\$ 133	\$ (25)
Receive variable USD . . . . .		1.08%		
Pay variable CAD . . . . .	2013	1.41%	\$ 45	\$ 1
Receive variable USD . . . . .		0.41%		
Pay variable CAD . . . . .	2013	1.16%	\$ 40	\$ 2
Receive variable USD . . . . .		0.47%		
Pay variable EUR. . . . .	2013	1.28%	\$ 21	\$ 2
Receive variable USD . . . . .		1.34%		
Pay variable EUR. . . . .	2013	(0.01)%	\$ 90	\$ 5
Receive variable USD . . . . .		0.42%		
Pay variable EUR. . . . .	2013	0.17%	\$ 61	\$ 4
Receive variable USD . . . . .		0.48%		
Pay variable EUR. . . . .	2013	0.18%	\$ 69	\$ 5
Receive variable USD . . . . .		0.48%		
Pay fixed CAD. . . . .	2014	6.24%	\$ 60	\$ (25)
Receive fixed USD . . . . .		5.66%		
Pay variable CAD . . . . .	2014	1.59%	\$ 83	\$ (2)
Receive variable USD . . . . .		0.59%		
Pay variable AUD . . . . .	2015	4.54%	\$ 133	\$ (26)
Receive variable USD . . . . .		1.24%		
Pay variable CAD . . . . .	2015	1.79%	\$ 42	\$ (1)
Receive variable USD . . . . .		0.74%		
Total . . . . .			<u>\$ 836</u>	<u>\$ (60)</u>

The cross-currency swap contracts outstanding at July 31, 2011, represented four pay variable EUR/receive variable USD swaps with notional values totaling \$192 million, one pay fixed EUR/receive fixed USD swap with a notional value of \$102 million, two pay variable CAD/receive variable USD swaps with notional values totaling \$119 million, two pay variable AUD/receive variable USD swaps with notional values totaling \$266 million, and two pay fixed CAD/receive fixed USD swaps with notional values totaling \$218 million. The aggregate notional value of these swap contracts was \$897 million as of July 31, 2011, and the aggregate fair value of these swap contracts was a loss of \$128 million as of July 31, 2011.

The company is also exposed to foreign exchange risk as a result of transactions in currencies other than the functional currency of certain subsidiaries, including subsidiary debt. The company utilizes foreign exchange forward purchase and sale contracts to hedge these exposures. The following table summarizes the foreign exchange forward contracts outstanding and the related weighted-average contract exchange rates as of July 29, 2012.

## Forward Exchange Contracts

	Contract Amount	Average Contractual Exchange Rate (currency paid/currency received)
Receive USD/Pay CAD .....	\$ 139	1.01
Receive USD/Pay AUD .....	\$ 30	0.98
Receive AUD/Pay NZD .....	\$ 25	1.26
Receive AUD/Pay USD .....	\$ 13	0.99
Receive EUR/Pay SEK .....	\$ 10	8.39

The company had an additional \$11 million in a number of smaller contracts to purchase or sell various other currencies, such as the Australian dollar, British Pound, and euro, as of July 29, 2012. The aggregate fair value of all contracts was a gain of \$2 million as of July 29, 2012. The total forward exchange contracts outstanding were \$251 million, and the aggregate fair value was a loss of \$9 million as of July 31, 2011.

The company enters into commodity futures and options contracts to reduce the volatility of price fluctuations for commodities. The notional value of these contracts was \$95 million and the aggregate fair value of these contracts was a gain of \$4 million as of July 29, 2012. The notional value of these contracts was \$87 million, and the aggregate fair value of these contracts was a gain of \$1 million as of July 31, 2011.

The company enters into swap contracts which hedge a portion of exposures relating to certain deferred compensation obligations linked to the total return of the company's capital stock, the total return of the Vanguard Institutional Index, the total return of the Vanguard Total International Stock Index and, beginning in April 2012, the total return of the Vanguard Short-Term Bond Index. Under these contracts, the company pays variable interest rates and receives from the counterparty either the total return on company capital stock; the total return of the Standard & Poor's 500 Index, which is expected to approximate the total return of the Vanguard Institutional Index; the total return of the iShares MSCI EAFE Index, which is expected to approximate the total return of the Vanguard Total International Stock Index; or the total return of the Vanguard Short-Term Bond Index. The notional value of the contract that is linked to the total return on company capital stock was \$26 million at July 29, 2012 and \$51 million at July 31, 2011. The average forward interest rate applicable to this contract, which expires in 2013, was 0.76% at July 29, 2012. The notional value of the contract that is linked to the return on the Standard & Poor's 500 Index was \$15 million at July 29, 2012 and \$16 million at July 31, 2011. The average forward interest rate applicable to this contract, which expires in 2013, was 0.64% at July 29, 2012. The notional value of the contract that is linked to the total return of the iShares MSCI EAFE Index was \$4 million at July 29, 2012 and July 31, 2011. The average forward interest rate applicable to this contract, which expires in 2013, was 0.71% at July 29, 2012. The notional value of the contract that was linked to the return on the Vanguard Short-Term Bond Index was \$30 million at July 29, 2012. The average forward interest rate applicable to this contract, which expires in 2013, was 0.71% at July 29, 2012. The fair value of these contracts was a \$1 million gain at July 29, 2012 and a \$3 million loss at July 31, 2011.

The company's utilization of financial instruments in managing market risk exposures described above is consistent with the prior year. Changes in the portfolio of financial instruments are a function of the results of operations, debt repayment and debt issuances, market effects on debt and foreign currency, and the company's acquisition and divestiture activities.

## SIGNIFICANT ACCOUNTING ESTIMATES

The consolidated financial statements of the company are prepared in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the periods presented. Actual results could differ from those estimates and assumptions. See Note 1 to the Consolidated Financial Statements for a discussion of significant accounting policies. The following areas all require the use of subjective or complex judgments, estimates and assumptions:

*Trade and consumer promotion programs*—The company offers various sales incentive programs to customers and consumers, such as feature price discounts, in-store display incentives, cooperative advertising programs, new product introduction fees, and coupons. The mix between promotion programs, which are classified as reductions in revenue, and advertising or other marketing activities, which are classified as marketing and selling expenses, fluctuates between periods based on the company's overall marketing plans, and such fluctuations have an impact on revenues. The measurement and recognition of the costs for trade and consumer promotion programs involves the use of judgment related to performance and redemption estimates. Estimates are made based on historical experience and other factors. Typically, programs that are offered have a very short duration. Historically, the difference between actual experience compared to estimated redemptions and performance has not been significant to the quarterly

or annual financial statements. However, actual expenses may differ if the level of redemption rates and performance were to vary from estimates.

*Valuation of long-lived assets* — Fixed assets and amortizable intangible assets are reviewed for impairment as events or changes in circumstances occur indicating that the carrying value of the asset may not be recoverable. Undiscounted cash flow analyses are used to determine if an impairment exists. If an impairment is determined to exist, the loss is calculated based on estimated fair value.

Goodwill and intangible assets deemed to have indefinite lives are not amortized but rather are tested at least annually for impairment, or more often if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Goodwill is tested for impairment at the reporting unit level. A reporting unit represents an operating segment or a component of an operating segment. Goodwill is tested for impairment by either performing a qualitative evaluation or a two-step quantitative test. The qualitative evaluation is an assessment of factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. The company may elect not to perform the qualitative assessment for some or all reporting units and perform a two-step quantitative impairment test. Fair value is determined based on discounted cash flow analyses. The discounted estimates of future cash flows include significant management assumptions such as revenue growth rates, operating margins, weighted average cost of capital, and future economic and market conditions. If the carrying value of the reporting unit exceeds fair value, goodwill is considered impaired. The amount of the impairment is the difference between the carrying value of the goodwill and the “implied” fair value, which is calculated as if the reporting unit had just been acquired and accounted for as a business combination. As of July 29, 2012, the carrying value of goodwill was \$2.013 billion. The company has not recognized any impairment of goodwill as a result of annual testing, which began in 2003. As of the 2012 measurement, the fair value of each reporting unit exceeded the carrying value by at least 45%. Holding all other assumptions used in the 2012 measurement constant, a 100-basis-point increase in the weighted average cost of capital would not result in the carrying value of any reporting unit to be in excess of the fair value.

Indefinite-lived intangible assets are tested for impairment by comparing the fair value of the asset to the carrying value. Fair value is determined based on discounted cash flow analyses that include significant management assumptions such as revenue growth rates, weighted average cost of capital, and assumed royalty rates. If the fair value is less than the carrying value, the asset is reduced to fair value. As of July 29, 2012, the carrying value of trademarks was \$485 million. In 2012, as part of the company’s annual review of intangible assets, an impairment charge of \$3 million was recognized related to the *Blå Band* trademark used in the International Simple Meals and Beverages segment. The trademark was determined to be impaired as a result of a decrease in the fair value of the brand, resulting from reduced expectations for future sales and discounted cash flows in comparison to the prior year. As of July 29, 2012, certain European trademarks have a carrying value of approximately \$40 million, which approximates fair value. Holding all other assumptions used in the 2012 measurement constant, a 100-basis-point increase in the weighted average cost of capital would reduce the fair value of all trademarks and result in an impairment charge of approximately \$6 million. In 2011, as part of the company’s annual review of intangible assets, an impairment charge of \$3 million was recognized related to the *Heisse Tasse* trademark used in the International Simple Meals and Beverages segment. The trademark was determined to be impaired as a result of a decrease in the fair value of the brand, resulting from reduced expectations for future sales and discounted cash flows in comparison to the prior year.

The estimates of future cash flows involve considerable management judgment and are based upon assumptions about expected future operating performance, economic conditions, market conditions, and cost of capital. Inherent in estimating the future cash flows are uncertainties beyond the company’s control, such as capital markets. The actual cash flows could differ from management’s estimates due to changes in business conditions, operating performance, and economic conditions.

See also Note 4 to the Consolidated Financial Statements for additional information on goodwill and intangible assets.

*Pension and postretirement benefits* — The company provides certain pension and postretirement benefits to employees and retirees. Determining the cost associated with such benefits is dependent on various actuarial assumptions, including discount rates, expected return on plan assets, compensation increases, turnover rates and health care trend rates. Independent actuaries, in accordance with accounting principles generally accepted in the United States, perform the required calculations to determine expense. Actual results that differ from the actuarial assumptions are generally accumulated and amortized over future periods.

The discount rate is established as of the company’s fiscal year-end measurement date. In establishing the discount rate, the company reviews published market indices of high-quality debt securities, adjusted as appropriate for duration. In addition, independent actuaries apply high-quality bond yield curves to the expected benefit payments of the plans. The expected return on plan assets is a long-term assumption based upon historical experience and expected future performance, considering the company’s current and projected investment mix. This estimate is based on an estimate of future inflation, long-term projected real returns for each asset class, and a premium for active management. Within any given fiscal period, significant differences may arise between the actual return and the expected return on plan assets. The value of plan assets, used in the calculation of pension expense, is determined on a calculated method that recognizes 20% of the difference between the actual fair value of assets and the expected calculated method. Gains and losses resulting from differences between actual experience and the assumptions are determined at each measurement date. If the net gain or loss exceeds 10% of the greater of plan assets or liabilities, a portion is

amortized into earnings in the following year.

Net periodic pension and postretirement expense was \$102 million in 2012, \$98 million in 2011, and \$92 million in 2010. The 2010 expense included \$12 million of pension settlement costs related to the closure of a plant in Canada. Significant weighted-average assumptions as of the end of the year were as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Pension</u>			
Discount rate for benefit obligations . . . . .	4.05%	5.41%	5.46%
Expected return on plan assets . . . . .	7.65%	7.90%	8.15%
<u>Postretirement</u>			
Discount rate for obligations . . . . .	3.75%	5.00%	5.25%
Initial health care trend rate . . . . .	8.25%	8.25%	8.25%
Ultimate health care trend rate . . . . .	4.50%	4.50%	4.50%

Estimated sensitivities to annual net periodic pension cost are as follows: a 50-basis-point reduction in the discount rate would increase expense by approximately \$18 million; a 50-basis-point reduction in the estimated return on assets assumption would increase expense by approximately \$12 million. A one-percentage-point increase in assumed health care costs would increase postretirement service and interest cost by approximately \$1 million.

Net periodic pension and postretirement expense is expected to increase to approximately \$128 million in 2013 primarily due to increased amortization of unrecognized losses.

The company contributed \$55 million and \$100 million, respectively, to U.S. pension plans in 2012 and 2011. Given the adverse impact of declining financial markets on the funding levels of the plans, the company contributed \$260 million to a U.S. plan in 2010. Contributions to non-U.S. plans were \$16 million in 2012, \$44 million in 2011, and \$24 million in 2010. The company contributed \$75 million to U.S. plans in the first quarter of 2013. Additional contributions to U.S. plans are not expected in 2013. Contributions to non-U.S. plans are expected to be approximately \$13 million in 2013.

See also Note 9 to the Consolidated Financial Statements for additional information on pension and postretirement expenses.

*Income taxes* — The effective tax rate reflects statutory tax rates, tax planning opportunities available in the various jurisdictions in which the company operates and management’s estimate of the ultimate outcome of various tax audits and issues. Significant judgment is required in determining the effective tax rate and in evaluating tax positions. Income taxes are recorded based on amounts refundable or payable in the current year and include the effect of deferred taxes. Deferred tax assets and liabilities are recognized for the future impact of differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled. Valuation allowances are established for deferred tax assets when it is more likely than not that a tax benefit will not be realized.

See also Notes 1 and 10 to the Consolidated Financial Statements for further discussion on income taxes.

## RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2 to the Consolidated Financial Statements for information on recent accounting pronouncements.

## CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

This Report contains contains “forward-looking” statements that reflect the company’s current expectations regarding future results of operations, economic performance, financial condition and achievements of the company. The company tries, wherever possible, to identify these forward-looking statements by using words such as “anticipate,” “believe,” “estimate,” “expect,” “will” and similar expressions. One can also identify them by the fact that they do not relate strictly to historical or current facts. These statements reflect the company’s current plans and expectations and are based on information currently available to it. They rely on a number of assumptions regarding future events and estimates which could be inaccurate and which are inherently subject to risks and uncertainties.

The company wishes to caution the reader that the following important factors and those important factors described in Part 1, Item 1A and elsewhere in this Report, or in other Securities and Exchange Commission filings of the company, could affect the company’s actual results and could cause such results to vary materially from those expressed in any forward-looking statements made by, or on behalf of, the company:

- the impact of strong competitive response to the company’s efforts to leverage its brand power with product innovation, promotional programs and new advertising, and of changes in consumer demand for the company’s products;



- the risks in the marketplace associated with trade and consumer acceptance of product improvements, shelving initiatives, new product introductions, and pricing and promotional strategies;
- the company's ability to achieve sales and earnings guidance, which is based on assumptions about sales volume, product mix, the development and success of new products, the impact of marketing, promotional and pricing actions, product costs and currency;
- the company's ability to realize projected cost savings and benefits;
- the company's ability to successfully manage changes to its business processes, including selling, distribution, manufacturing and information management systems;
- the practices and increased significance of certain of the company's key trade customers;
- the impact of inventory management practices by the company's trade customers;
- the impact of fluctuations in the supply of and inflation in energy, raw and packaging materials cost;
- the impact associated with completing and integrating acquisitions, divestitures and other portfolio changes, including the Bolthouse Farms acquisition;
- the uncertainties of litigation described from time to time in the company's Securities and Exchange Commission filings;
- the impact of changes in currency exchange rates, tax rates, interest rates, debt and equity markets, inflation rates, economic conditions and other external factors; and
- the impact of unforeseen business disruptions in one or more of the company's markets due to political instability, civil disobedience, armed hostilities, natural disasters or other calamities.

This discussion of uncertainties is by no means exhaustive but is designed to highlight important factors that may impact the company's outlook. The company disclaims any obligation or intent to update forward-looking statements made by the company in order to reflect new information, events or circumstances after the date they are made.

**Item 7A. *Quantitative and Qualitative Disclosure About Market Risk***

The information presented in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Market Risk Sensitivity" is incorporated herein by reference.

Item 8. *Financial Statements and Supplementary Data*

**CAMPBELL SOUP COMPANY**  
**Consolidated Statements of Earnings**  
(millions, except per share amounts)

	2012	2011	2010
<b>Net sales</b> . . . . .	<b>\$ 7,707</b>	<b>\$ 7,719</b>	<b>\$ 7,676</b>
Costs and expenses			
Cost of products sold . . . . .	<b>4,715</b>	4,616	4,526
Marketing and selling expenses . . . . .	<b>1,020</b>	1,007	1,058
Administrative expenses . . . . .	<b>611</b>	612	605
Research and development expenses . . . . .	<b>125</b>	129	123
Other expenses / (income) . . . . .	<b>14</b>	13	4
Restructuring charges . . . . .	<b>10</b>	63	12
Total costs and expenses . . . . .	<b>6,495</b>	6,440	6,328
<b>Earnings before interest and taxes</b> . . . . .	<b>1,212</b>	1,279	1,348
Interest expense . . . . .	<b>114</b>	122	112
Interest income . . . . .	<b>8</b>	11	6
Earnings before taxes . . . . .	<b>1,106</b>	1,168	1,242
Taxes on earnings . . . . .	<b>342</b>	366	398
<b>Net earnings</b> . . . . .	<b>764</b>	802	844
Less: Net earnings (loss) attributable to noncontrolling interests . . . . .	<b>(10)</b>	(3)	—
<b>Net earnings attributable to Campbell Soup Company</b> . . . . .	<b>\$ 774</b>	<b>\$ 805</b>	<b>\$ 844</b>
<b>Per Share — Basic</b>			
<b>Net earnings attributable to Campbell Soup Company</b> . . . . .	<b>\$ 2.43</b>	<b>\$ 2.44</b>	<b>\$ 2.44</b>
Weighted average shares outstanding — basic . . . . .	<b>317</b>	326	340
<b>Per Share — Assuming Dilution</b>			
<b>Net earnings attributable to Campbell Soup Company</b> . . . . .	<b>\$ 2.41</b>	<b>\$ 2.42</b>	<b>\$ 2.42</b>
Weighted average shares outstanding — assuming dilution . . . . .	<b>319</b>	329	343

See accompanying Notes to Consolidated Financial Statements.

**CAMPBELL SOUP COMPANY**  
**Consolidated Balance Sheets**  
(millions, except per share amounts)

	July 29, 2012	July 31, 2011
<b>Current assets</b>		
Cash and cash equivalents . . . . .	\$ 335	\$ 484
Accounts receivable, net . . . . .	553	560
Inventories . . . . .	714	767
Other current assets . . . . .	169	152
<b>Total current assets</b> . . . . .	<b>1,771</b>	<b>1,963</b>
Plant assets, net of depreciation . . . . .	2,127	2,103
Goodwill . . . . .	2,013	2,133
Other intangible assets, net of amortization . . . . .	496	527
Other assets . . . . .	123	136
<b>Total assets</b> . . . . .	<b>\$ 6,530</b>	<b>\$ 6,862</b>
<b>Current liabilities</b>		
Short-term borrowings . . . . .	\$ 786	\$ 657
Payable to suppliers and others . . . . .	571	585
Accrued liabilities . . . . .	598	619
Dividend payable . . . . .	93	95
Accrued income taxes . . . . .	22	33
<b>Total current liabilities</b> . . . . .	<b>2,070</b>	<b>1,989</b>
Long-term debt . . . . .	2,004	2,427
Deferred taxes . . . . .	298	367
Other liabilities . . . . .	1,260	983
<b>Total liabilities</b> . . . . .	<b>5,632</b>	<b>5,766</b>
<b>Commitments and contingencies</b>		
<b>Campbell Soup Company shareowners' equity</b>		
Preferred stock; authorized 40 shares; none issued . . . . .	—	—
Capital stock, \$.0375 par value; authorized 560 shares; issued 542 shares . . . . .	20	20
Additional paid-in capital . . . . .	329	331
Earnings retained in the business . . . . .	9,584	9,185
Capital stock in treasury, at cost . . . . .	(8,259)	(8,021)
Accumulated other comprehensive loss . . . . .	(776)	(427)
<b>Total Campbell Soup Company shareowners' equity</b> . . . . .	<b>898</b>	<b>1,088</b>
Noncontrolling interests . . . . .	—	8
<b>Total equity</b> . . . . .	<b>898</b>	<b>1,096</b>
<b>Total liabilities and equity</b> . . . . .	<b>\$ 6,530</b>	<b>\$ 6,862</b>

See accompanying Notes to Consolidated Financial Statements.

**CAMPBELL SOUP COMPANY**  
**Consolidated Statements of Cash Flows**  
(millions)

	2012	2011	2010
<b>Cash flows from operating activities:</b>			
Net earnings . . . . .	\$ 764	\$ 802	\$ 844
Adjustments to reconcile net earnings to operating cash flow			
Restructuring charges . . . . .	10	63	12
Stock-based compensation . . . . .	79	87	88
Depreciation and amortization . . . . .	262	268	251
Deferred income taxes . . . . .	45	46	54
Other, net . . . . .	118	108	99
Changes in working capital			
Accounts receivable . . . . .	(18)	(15)	21
Inventories . . . . .	32	(14)	105
Prepaid assets . . . . .	(3)	19	(9)
Accounts payable and accrued liabilities . . . . .	(19)	(26)	(34)
Pension fund contributions . . . . .	(71)	(144)	(284)
Receipts from (payments of) hedging activities . . . . .	7	3	(20)
Other . . . . .	(86)	(55)	(70)
<b>Net cash provided by operating activities . . . . .</b>	<b>1,120</b>	<b>1,142</b>	<b>1,057</b>
<b>Cash flows from investing activities:</b>			
Purchases of plant assets . . . . .	(323)	(272)	(315)
Sales of plant assets . . . . .	1	9	13
Other, net . . . . .	(1)	2	2
<b>Net cash used in investing activities . . . . .</b>	<b>(323)</b>	<b>(261)</b>	<b>(300)</b>
<b>Cash flows from financing activities:</b>			
Net short-term borrowings (repayments) . . . . .	(257)	495	(265)
Long-term borrowings . . . . .	—	500	400
Repayment of notes payable . . . . .	—	(700)	—
Dividends paid . . . . .	(373)	(378)	(365)
Treasury stock purchases . . . . .	(412)	(728)	(472)
Treasury stock issuances . . . . .	112	96	139
Excess tax benefits on stock-based compensation . . . . .	8	11	11
Contribution from noncontrolling interest . . . . .	2	10	—
Other, net . . . . .	—	(6)	(4)
<b>Net cash used in financing activities . . . . .</b>	<b>(920)</b>	<b>(700)</b>	<b>(556)</b>
<b>Effect of exchange rate changes on cash . . . . .</b>	<b>(26)</b>	<b>49</b>	<b>2</b>
<b>Net change in cash and cash equivalents . . . . .</b>	<b>(149)</b>	<b>230</b>	<b>203</b>
<b>Cash and cash equivalents — beginning of period . . . . .</b>	<b>484</b>	<b>254</b>	<b>51</b>
<b>Cash and cash equivalents — end of period . . . . .</b>	<b>\$ 335</b>	<b>\$ 484</b>	<b>\$ 254</b>

See accompanying Notes to Consolidated Financial Statements.

**CAMPBELL SOUP COMPANY**  
**Consolidated Statements of Equity**  
(millions, except per share amounts)

Campbell Soup Company Shareowners' Equity

	Capital Stock		Capital Stock		Additional Paid-in Capital	Earnings Retained in the Business	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
	Issued		In Treasury						
	Shares	Amount	Shares	Amount					
Balance at August 2, 2009	542	\$ 20	(199)	\$ (7,194)	\$ 332	\$ 8,288	\$ (718)	\$ 3	\$ 731
<b>Comprehensive income (loss)</b>									
Net earnings (loss)						844		—	844
Foreign currency translation adjustments, net of a tax benefit of \$8							39	—	39
Cash-flow hedges, net of a tax expense of \$1							2		2
Pension and postretirement benefits, net of a tax benefit of \$47							(59)		(59)
Other comprehensive income (loss)							(18)	—	(18)
<b>Total comprehensive income (loss)</b>									<b>826</b>
Dividends (\$1.075 per share)						(372)			(372)
Treasury stock purchased			(14)	(472)					(472)
Treasury stock issued under management incentive and stock option plans			7	207	9				216
Balance at August 1, 2010	542	20	(206)	(7,459)	341	8,760	(736)	3	929
<b>Contribution from noncontrolling interest</b>									
								8	8
<b>Comprehensive income (loss)</b>									
Net earnings (loss)						805		(3)	802
Foreign currency translation adjustments, net of a tax expense of \$5							264	—	264
Cash-flow hedges, net of a tax benefit of \$1							(2)		(2)
Pension and postretirement benefits, net of a tax expense of \$30							47		47
Other comprehensive income (loss)							309	—	309
<b>Total comprehensive income (loss)</b>									<b>1,111</b>
Dividends (\$1.145 per share)						(380)			(380)
Treasury stock purchased			(21)	(728)					(728)
Treasury stock issued under management incentive and stock option plans			5	166	(10)				156
Balance at July 31, 2011	542	20	(222)	(8,021)	331	9,185	(427)	8	1,096
<b>Contribution from noncontrolling interest</b>									
								2	2
<b>Comprehensive income (loss)</b>									
Net earnings (loss)						774		(10)	764
Foreign currency translation adjustments, net of a tax expense of \$8							(135)	—	(135)
Cash-flow hedges, net of a tax expense of \$5							10		10
Pension and postretirement benefits, net of a tax benefit of \$122							(224)		(224)
Other comprehensive income (loss)							(349)	—	(349)
<b>Total comprehensive income (loss)</b>									<b>415</b>
Dividends (\$1.16 per share)						(375)			(375)
Treasury stock purchased			(13)	(412)					(412)
Treasury stock issued under management incentive and stock option plans			5	174	(2)				172
Balance at July 29, 2012	542	\$ 20	(230)	\$ (8,259)	\$ 329	\$ 9,584	\$ (776)	\$ —	\$ 898

See accompanying Notes to Consolidated Financial Statements.

**Notes to Consolidated Financial Statements**  
**(currency in millions, except per share amounts)**

**1. Summary of Significant Accounting Policies**

Campbell Soup Company, together with its subsidiaries (the company), is a manufacturer and marketer of high-quality, branded convenience food products.

*Basis of Presentation* — The consolidated financial statements include the accounts of the company and entities in which the company maintains a controlling financial interest. Intercompany transactions are eliminated in consolidation. Certain amounts in prior-year financial statements were reclassified to conform to the current-year presentation. The company's fiscal year ends on the Sunday nearest July 31. There were 52 weeks in 2012, 2011, and 2010.

*Use of Estimates* — Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenses. Actual results could differ from those estimates.

*Revenue Recognition* — Revenues are recognized when the earnings process is complete. This occurs when products are shipped in accordance with terms of agreements, title and risk of loss transfer to customers, collection is probable and pricing is fixed or determinable. Revenues are recognized net of provisions for returns, discounts and allowances. Certain sales promotion expenses, such as feature price discounts, in-store display incentives, cooperative advertising programs, new product introduction fees and coupon redemption costs, are classified as a reduction of sales. The recognition of costs for promotion programs involves the use of judgment related to performance and redemption estimates. Estimates are made based on historical experience and other factors. Costs are recognized either upon sale or when the incentive is offered, based on the program.

*Cash and Cash Equivalents* — All highly liquid debt instruments purchased with a maturity of three months or less are classified as cash equivalents.

*Inventories* — All inventories are valued at the lower of average cost or market.

*Property, Plant and Equipment* — Property, plant and equipment are recorded at historical cost and are depreciated over estimated useful lives using the straight-line method. Buildings and machinery and equipment are depreciated over periods not exceeding 45 years and 20 years, respectively. Assets are evaluated for impairment when conditions indicate that the carrying value may not be recoverable. Such conditions include significant adverse changes in business climate or a plan of disposal. Repairs and maintenance are charged to expense.

*Goodwill and Intangible Assets* — Goodwill and intangible assets deemed to have indefinite lives are not amortized but rather are tested at least annually for impairment, or when circumstances indicate that the carrying amount of the asset may not be recoverable. Goodwill is tested for impairment at the reporting unit level. A reporting unit represents an operating segment or a component of an operating segment. Goodwill is tested for impairment by either performing a qualitative evaluation or a two-step quantitative test. The qualitative evaluation is an assessment of factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. The company may elect not to perform the qualitative assessment for some or all reporting units and perform a two-step quantitative impairment test. Fair value is determined based on discounted cash flow analyses. The discounted estimates of future cash flows include significant management assumptions such as revenue growth rates, operating margins, weighted average cost of capital, and future economic and market conditions. If the carrying value of the reporting unit exceeds fair value, goodwill is considered impaired. The amount of the impairment is the difference between the carrying value of the goodwill and the "implied" fair value, which is calculated as if the reporting unit had just been acquired and accounted for as a business combination.

Indefinite-lived intangible assets are tested for impairment by comparing the fair value of the asset to the carrying value. Fair value is determined based on discounted cash flow analyses that include significant management assumptions such as revenue growth rates, weighted average cost of capital, and assumed royalty rates. If the fair value is less than the carrying value, the asset is reduced to fair value.

*Derivative Financial Instruments* — The company uses derivative financial instruments primarily for purposes of hedging exposures to fluctuations in foreign currency exchange rates, interest rates, commodities and equity-linked employee benefit obligations. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The company's derivative programs include strategies that both qualify and do not qualify for hedge accounting treatment. To qualify for hedge accounting, the hedging relationship, both at inception of the hedge and on an ongoing basis, shall be expected to be highly effective in achieving offsetting changes in the fair value of the hedged risk during the period that the hedge is designated.

All derivatives are recognized on the balance sheet at fair value. For derivatives that qualify for hedge accounting, on the date the derivative contract is entered into, the company designates the derivative as a hedge of the fair value of a recognized asset or

liability or a firm commitment (fair-value hedge), a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge), or a hedge of a net investment in a foreign operation. Some derivatives may also be considered natural hedging instruments (changes in fair value act as economic offsets to changes in fair value of the underlying hedged item) and are not designated for hedge accounting.

Changes in the fair value of a fair-value hedge, along with the gain or loss on the underlying hedged asset or liability (including losses or gains on firm commitments), are recorded in current-period earnings. The effective portion of gains and losses on cash-flow hedges are recorded in other comprehensive income (loss), until earnings are affected by the variability of cash flows. If the underlying hedged item ceases to exist, all changes in the fair value of the derivative are included in earnings each period until the instrument matures. If a derivative is used as a hedge of a net investment in a foreign operation, its changes in fair value, to the extent effective as a hedge, are recorded in other comprehensive income (loss). Any ineffective portion of designated hedges is recognized in current-period earnings. Changes in the fair value of derivatives that are not designated for hedge accounting are recognized in current-period earnings.

Cash flows from derivative contracts are included in Net cash provided by operating activities.

*Advertising Production Costs* — Advertising production costs are expensed in the period that the advertisement first takes place.

*Research and Development Costs* — The costs of research and development are expensed as incurred. Costs include expenditures for new product and manufacturing process innovation, and improvements to existing products and processes. Costs primarily consist of salaries, wages, consulting, and depreciation and maintenance of research facilities and equipment.

*Income Taxes* — Deferred tax assets and liabilities are recognized for the future impact of differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

## **2. Recent Accounting Pronouncements**

In January 2010, the Financial Accounting Standards Board (FASB) issued additional authoritative guidance related to fair value measurements and disclosures. The guidance requires a roll forward, separately presenting information about purchases, sales, issuances and settlements on a gross basis, rather than net, of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The company adopted the guidance in the first quarter of 2012. The adoption did not have a material impact on the company's consolidated financial statements.

In December 2010, the FASB issued additional authoritative guidance clarifying the required disclosures of supplementary pro forma information for business combinations. The guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010.

In December 2010, the FASB issued additional authoritative guidance on accounting for goodwill. The guidance clarifies the impairment test for reporting units with zero or negative carrying amounts. The guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2011. The company does not expect the adoption to have a material impact on the company's consolidated financial statements.

In May 2011, the FASB issued further additional authoritative guidance related to fair value measurements and disclosures. The new guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between accounting principles generally accepted in the United States (U.S. GAAP) and International Financial Reporting Standards (IFRS). The company adopted the guidance in the third quarter of 2012. The adoption did not have a material impact on the company's consolidated financial statements.

In June 2011, the FASB issued authoritative guidance requiring entities to present net income and other comprehensive income (OCI) in one continuous statement or two separate, but consecutive, statements of net income and comprehensive income. The option to present items of OCI in the statement of changes in equity has been eliminated. In December 2011, the FASB issued an amendment to defer indefinitely a requirement in the June 2011 standard that called for reclassification adjustments from accumulated other comprehensive income to be measured and presented by income statement line item in net income and also in OCI. The new requirements are effective for annual reporting periods beginning after December 15, 2011, and for interim reporting periods within those years. The adoption will impact the presentation of financial statements and will not have a material impact on the company's consolidated financial statements.

In September 2011, the FASB issued revised guidance intended to simplify how an entity tests goodwill for impairment. The amendments will allow an entity first to assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity will no longer be required to calculate the fair value of a reporting unit unless the

entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The company adopted the guidance in the fourth quarter of 2012. The adoption did not have a material impact on the company's consolidated financial statements.

In December 2011, the FASB issued guidance related to disclosures about offsetting (netting) of assets and liabilities in the statement of financial position. The guidance requires entities to disclose gross information and net information about both instruments and transactions that are offset in the statement of financial position, and instruments and transactions subject to an agreement similar to a master netting arrangement. The scope includes financial instruments and derivative instruments. The disclosures are required for fiscal years and interim periods within those years beginning on or after January 1, 2013. Disclosures required under the guidance will be provided for all comparative periods presented. The adoption will impact disclosures and will not have a material impact on the company's consolidated financial statements.

In July 2012, the FASB issued revised guidance intended to simplify how an entity tests indefinite-lived intangible assets for impairment. The amendments will allow an entity first to assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. An entity will no longer be required to calculate the fair value of an indefinite-lived intangible asset and perform the quantitative test unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments are effective for annual and interim indefinite-lived intangible asset impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The company does not expect the adoption to have a material impact on the company's consolidated financial statements.

### 3. Comprehensive Income

Total comprehensive income is comprised of net earnings, net foreign currency translation adjustments, net unamortized pension and postretirement benefits adjustments (see Note 9), and net unrealized gains and losses on cash-flow hedges (see Note 12). Total comprehensive income for the twelve months ended July 29, 2012; July 31, 2011; and August 1, 2010; was \$415, \$1,111, and \$826, respectively.

The components of Accumulated other comprehensive income (loss) consisted of the following:

	2012	2011
Foreign currency translation adjustments, net of tax (1) . . . . .	\$ 261	\$ 396
Cash-flow hedges, net of tax (2) . . . . .	(10)	(20)
Unamortized pension and postretirement benefits, net of tax (3): . . . . .		
Net actuarial loss . . . . .	(1,034)	(809)
Prior service credit . . . . .	7	6
Total Accumulated other comprehensive loss . . . . .	<u>\$ (776)</u>	<u>\$ (427)</u>

(1) Included a tax expense of \$12 as of 2012, and \$4 as of 2011. The amount related to noncontrolling interests was not material.

(2) Included a tax benefit of \$6 as of 2012, and \$11 as of 2011.

(3) Included a tax benefit of \$581 as of 2012, and \$459 as of 2011.

### 4. Goodwill and Intangible Assets

The following table shows the changes in the carrying amount of goodwill by business segment:

	U.S. Simple Meals	Global Baking and Snacking	International Simple Meals and Beverages	U.S. Beverages	North America Foodservice	Total
Balance at August 1, 2010 . . . . .	\$ 322	\$ 754	\$ 585	\$ 112	\$ 146	\$ 1,919
Foreign currency translation adjustment . . . . .	—	160	54	—	—	214
Balance at July 31, 2011 . . . . .	<u>\$ 322</u>	<u>\$ 914</u>	<u>\$ 639</u>	<u>\$ 112</u>	<u>\$ 146</u>	<u>\$ 2,133</u>
Foreign currency translation adjustment . . . . .	—	(42)	(78)	—	—	(120)
Balance at July 29, 2012 . . . . .	<u>\$ 322</u>	<u>\$ 872</u>	<u>\$ 561</u>	<u>\$ 112</u>	<u>\$ 146</u>	<u>\$ 2,013</u>



The following table sets forth balance sheet information for intangible assets, excluding goodwill, subject to amortization and intangible assets not subject to amortization:

	2012	2011
Intangible Assets:		
Non-amortizable intangible assets . . . . .	\$ 485	\$ 515
Amortizable intangible assets . . . . .	21	21
	<u>506</u>	<u>536</u>
Accumulated amortization . . . . .	(10)	(9)
Total net intangible assets . . . . .	<u>\$ 496</u>	<u>\$ 527</u>

Non-amortizable intangible assets consist of trademarks, which mainly include *Pace*, *Royco*, *Liebig*, *Blå Band* and *Touch of Taste*.

Amortizable intangible assets consist substantially of process technology and customer intangibles. Amortization related to these assets was approximately \$1 for 2012, 2011, and 2010. The estimated aggregated amortization expense for each of the five succeeding fiscal years is less than \$1 per year. Asset useful lives range from one to twenty years.

In 2012, as part of the company's annual review of intangible assets, an impairment charge of \$3 was recognized related to the *Blå Band* trademark used in the International Simple Meals and Beverages segment. The trademark was determined to be impaired as a result of a decrease in the fair value of the brand, resulting from reduced expectations for future sales and discounted cash flows. In 2011, as part of the company's annual review of intangible assets, an impairment charge of \$3 was recognized related to the *Heisse Tasse* trademark used in the International Simple Meals and Beverages segment. The trademark was determined to be impaired as a result of a decrease in the fair value of the brand, resulting from reduced expectations for future sales and discounted cash flows. The impairment charges were recorded in Other expenses/(income) in the Consolidated Statements of Earnings. As of July 2012, certain European trademarks have a carrying value of approximately \$40, which approximates fair value. Fair value is determined based on discounted cash flow analyses that include significant management assumptions such as revenue growth rates, weighted average cost of capital, and assumed royalty rates. Actual cash flows could differ from management's estimates due to changes in business performance, operating performance, and economic conditions.

## 5. Business and Geographic Segment Information

The company reports the results of operations in the following reportable segments: U.S. Simple Meals; Global Baking and Snacking; International Simple Meals and Beverages; U.S. Beverages; and North America Foodservice. The company has 11 operating segments based on product type and geographic location and has aggregated the operating segments into the appropriate reportable segment based on similar economic characteristics; products; production processes; types or classes of customers; distribution methods; and regulatory environment. The segments are discussed in greater detail below.

The U.S. Simple Meals segment aggregates the following operating segments: U.S. Soup and U.S. Sauces. The U.S. Soup retail business includes the following products: *Campbell's* condensed and ready-to-serve soups; and *Swanson* broth and stocks. The U.S. Sauces retail business includes the following products: *Prego* pasta sauces; *Pace* Mexican sauces; *Campbell's* canned gravies, pasta and beans; and *Swanson* canned poultry.

The Global Baking and Snacking segment aggregates the following operating segments: *Pepperidge Farm* cookies, crackers, bakery and frozen products in U.S. retail; and *Arnott's* biscuits in Australia and Asia Pacific.

The International Simple Meals and Beverages segment aggregates the simple meals and beverages operating segments outside of the U.S., including Europe, the retail business in Canada, and the businesses in Asia Pacific, Latin America and China.

The U.S. Beverages segment represents the U.S. retail beverages business, including the following products: *V8* juices and beverages; and *Campbell's* tomato juice.

The North America Foodservice segment represents the distribution of products such as soup, specialty entrees, beverage products, other prepared foods and *Pepperidge Farm* products through various food service channels in the U.S. and Canada.

The company's accounting policies for measuring segment assets and earnings before interest and taxes are substantially consistent with those described in Note 1. The company evaluates segment performance before interest, taxes and costs associated with restructuring activities. Beginning in 2012, unrealized gains and losses on commodity hedging activities are excluded from segment operating earnings and are recorded in Corporate expenses as these open positions represent hedges of future purchases. Upon closing of the contracts, the realized gain or loss is transferred to segment operating earnings, which allows the segments to reflect the economic effects of the hedge without exposure to quarterly volatility of unrealized gains and losses. In prior periods, unrealized gains and losses on commodity hedging activities were not material. Certain manufacturing, warehousing and

distribution activities of the segments are integrated in order to maximize efficiency and productivity. As a result, asset information by segment is not discretely maintained for internal reporting or used in evaluating performance. Therefore, only geographic segment asset information is included in the disclosures.

The company's largest customer, Wal-Mart Stores, Inc. and its affiliates, accounted for approximately 17% of consolidated net sales in 2012 and 2011, and 18% in 2010. All of the company's segments sold products to Wal-Mart Stores, Inc. or its affiliates.

**Business Segments**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net sales			
U.S. Simple Meals . . . . .	\$ 2,726	\$ 2,751	\$ 2,938
Global Baking and Snacking . . . . .	2,193	2,156	1,975
International Simple Meals and Beverages . . . . .	1,404	1,463	1,423
U.S. Beverages . . . . .	774	759	762
North America Foodservice . . . . .	610	590	578
Total . . . . .	<u>\$ 7,707</u>	<u>\$ 7,719</u>	<u>\$ 7,676</u>

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Earnings before interest and taxes			
U.S. Simple Meals . . . . .	\$ 658	\$ 657	\$ 737
Global Baking and Snacking . . . . .	315	355	322
International Simple Meals and Beverages . . . . .	153	185	161
U.S. Beverages . . . . .	134	182	206
North America Foodservice . . . . .	85	82	55
Corporate(1) . . . . .	(123)	(119)	(121)
Restructuring charges(2) . . . . .	(10)	(63)	(12)
Total . . . . .	<u>\$ 1,212</u>	<u>\$ 1,279</u>	<u>\$ 1,348</u>

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Depreciation and amortization			
U.S. Simple Meals . . . . .	\$ 88	\$ 87	\$ 86
Global Baking and Snacking . . . . .	81	82	75
International Simple Meals and Beverages . . . . .	37	42	35
U.S. Beverages . . . . .	21	20	21
North America Foodservice . . . . .	13	13	13
Corporate(3) . . . . .	22	24	21
Total . . . . .	<u>\$ 262</u>	<u>\$ 268</u>	<u>\$ 251</u>

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Capital expenditures			
U.S. Simple Meals and U.S. Beverages (4) . . . . .	\$ 97	\$ 126	\$ 139
Global Baking and Snacking . . . . .	126	73	81
International Simple Meals and Beverages . . . . .	46	36	26
North America Foodservice . . . . .	9	3	3
Corporate(3) . . . . .	45	34	66
Total . . . . .	<u>\$ 323</u>	<u>\$ 272</u>	<u>\$ 315</u>

(1) Represents unallocated corporate expenses.

- (2) See Note 6 for additional information.  
(3) Represents primarily corporate offices.  
(4) Capital expenditures are not maintained by segment.

The company's global net sales based on product categories are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net sales			
Simple Meals .....	\$ 4,416	\$ 4,437	\$ 4,594
Baked Snacks .....	2,320	2,321	2,129
Beverages .....	971	961	953
Total .....	<u>\$ 7,707</u>	<u>\$ 7,719</u>	<u>\$ 7,676</u>

Simple Meals include condensed and ready-to-serve soups, broths and sauces. Baked Snacks include cookies, crackers, biscuits, and other baked products.

### **Geographic Area Information**

Information about operations in different geographic areas is as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net sales			
United States .....	\$ 5,359	\$ 5,309	\$ 5,436
Australia/Asia Pacific .....	1,136	1,138	978
Europe .....	562	596	601
Other countries .....	650	676	661
Total .....	<u>\$ 7,707</u>	<u>\$ 7,719</u>	<u>\$ 7,676</u>

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Long-lived assets			
United States .....	\$ 1,308	\$ 1,281	\$ 1,279
Australia/Asia Pacific .....	395	384	326
Europe .....	92	102	104
Other countries .....	102	109	105
Corporate(1) .....	230	227	237
Total .....	<u>\$ 2,127</u>	<u>\$ 2,103</u>	<u>\$ 2,051</u>

- (1) Represents primarily corporate offices.

### **6. Restructuring Charges**

On June 28, 2011, the company announced a series of initiatives to improve supply chain efficiency and reduce overhead costs across the organization to help fund plans to drive the growth of the business. The company also announced its intent to exit the Russian market. Details of the initiatives include:

- In Australia, the company will invest in a new system to automate packing operations at its biscuit plant in Virginia. This investment will occur through the second quarter of 2013 and will result in the elimination of approximately 190 positions. Further, the company improved asset utilization in the U.S. by shifting production of ready-to-serve soups from Paris, Texas, to other facilities in 2012. In addition, the manufacturing facility in Marshall, Michigan, was closed in 2011, and manufacturing of *Campbell's Soup at Hand* microwavable products was consolidated at the Maxton, North Carolina, plant in 2012.
- The company streamlined its salaried workforce by approximately 510 positions around the world, including approximately 130 positions at its world headquarters in Camden, New Jersey. These actions were substantially completed in 2011. As part of this initiative, the company outsourced a larger portion of its U.S. retail merchandising activities to its current retail sales agent, Acosta Sales and Marketing, and eliminated approximately 190 positions.
- In connection with exiting the Russian market, the company has eliminated approximately 50 positions. The exit process commenced in 2011 and was substantially completed in 2012.

In 2012, the company recorded a restructuring charge of \$10 (\$6 after tax or \$.02 per share) related to these initiatives. In the fourth quarter of 2011, the company recorded a restructuring charge of \$63 (\$41 after tax or \$.12 per share). A summary of the pre-tax charges and remaining costs associated with the initiatives is as follows:

	Total Program	Recognized as of July 29, 2012	Remaining Costs to be Recognized
Severance pay and benefits . . . . .	\$ 43	\$ (41)	\$ 2
Asset impairment/accelerated depreciation . . . . .	23	(23)	—
Other exit costs . . . . .	9	(9)	—
Total . . . . .	<u>\$ 75</u>	<u>\$ (73)</u>	<u>\$ 2</u>

Of the aggregate \$75 of pre-tax costs, the company expects approximately \$50 will be cash expenditures, the majority of which was spent in 2012. In addition, the company expects to invest approximately \$40 in capital expenditures in connection with the actions, of which approximately \$18 has been invested as of July 29, 2012. The initiatives are expected to be completed by the end of 2013.

A summary of the restructuring activity and related reserves associated with these initiatives at July 29, 2012 is as follows:

	Accrued Balance at August 1, 2010	2011 Charges	2011 Cash Payments	Accrued Balance at July 31, 2011	2012 Charges	2012 Cash Payments	Foreign Currency Translation Adjustment	Accrued Balance at July 29, 2012
Severance pay and benefits . . . . .	\$ —	\$ 37	\$ (2)	\$ 35	\$ 4	\$ (24)	\$ (1)	\$ 14
Other exit costs . . . . .	—	4	—	4	2	(4)	—	2
	<u>\$ —</u>	<u>41</u>	<u>\$ (2)</u>	<u>\$ 39</u>	<u>6</u>	<u>\$ (28)</u>	<u>\$ (1)</u>	<u>\$ 16</u>
Asset impairment/accelerated depreciation . . . . .		22			1			
Other non-cash exit costs . . . . .		—			3			
Total charges . . . . .		<u>\$ 63</u>			<u>\$ 10</u>			

A summary of restructuring charges incurred to date associated with each segment is as follows:

	U.S. Simple Meals	Global Baking and Snacking	International Simple Meals and Beverages	U.S. Beverages	North America Foodservice	Corporate	Total
Severance pay and benefits . . . . .	\$ 10	\$ 13	\$ 12	\$ 3	\$ 1	\$ 2	\$ 41
Asset impairment/accelerated depreciation . . . . .	20	—	3	—	—	—	23
Other exit costs . . . . .	2	—	3	—	—	4	9
	<u>\$ 32</u>	<u>\$ 13</u>	<u>\$ 18</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 6</u>	<u>\$ 73</u>

The company expects to incur additional pre-tax costs of approximately \$2 in the Global Baking and Snacking segment. Segment operating results do not include restructuring charges as segment performance is evaluated excluding such charges.

#### 2008 Initiatives

On April 28, 2008, the company announced a series of initiatives to improve operational efficiency and long-term profitability, including selling certain salty snack food brands and assets in Australia, closing certain production facilities in Australia and Canada, and streamlining the company's management structure.

As a result of these initiatives, in 2010, the company recorded a restructuring charge of \$12 (\$8 after tax or \$.02 per share) for pension benefit costs, which represented the final costs associated with the 2008 initiatives. These costs related to the International Simple Meals and Beverages segment.

## Recent Development - 2013 Initiatives

On September 27, 2012, the company announced several initiatives to improve its U.S. supply chain cost structure and increase asset utilization across its U.S. thermal plant network. The initiatives include closing the company's Sacramento, California, thermal plant, which produces soups, sauces and beverages, and the company's South Plainfield, New Jersey, spice plant, which supplies ingredients to the company's U.S. thermal plants. As a result of the initiatives, the company expects to incur pre-tax costs of approximately \$115, most of which will be incurred in 2013. The company also expects to invest approximately \$27 in capital expenditures, primarily to relocate and refurbish a beverage filling and packaging line. For additional information relating to the initiatives, see Note 19.

## 7. Earnings per Share

The accounting guidance for earnings per share provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings.

The computation of basic and diluted earnings per share attributable to common shareowners is as follows:

	2012	2011	2010
Net earnings attributable to Campbell Soup Company . . . . .	\$ 774	\$ 805	\$ 844
Less: net earnings allocated to participating securities. . . . .	(5)	(9)	(14)
Net earnings available to Campbell Soup Company common shareowners . . .	<u>\$ 769</u>	<u>\$ 796</u>	<u>\$ 830</u>
Weighted average shares outstanding — basic. . . . .	317	326	340
Effect of dilutive securities: stock options and other share-based payment awards. . . . .	2	3	3
Weighted average shares outstanding — diluted . . . . .	<u>319</u>	<u>329</u>	<u>343</u>
Net earnings attributable to Campbell Soup Company per common share:			
Basic . . . . .	<u>\$ 2.43</u>	<u>\$ 2.44</u>	<u>\$ 2.44</u>
Diluted . . . . .	<u>\$ 2.41</u>	<u>\$ 2.42</u>	<u>\$ 2.42</u>

There were no antidilutive stock options in 2012 or 2011. Stock options to purchase less than 1 million shares of capital stock in 2010 were not included in the calculation of diluted earnings per share because the exercise price of the stock options exceeded the average market price of the capital stock and, therefore, would be antidilutive.

## 8. Noncontrolling Interests

The company owns a 60% controlling interest in a joint venture formed with Swire Pacific Limited to support the development of the company's business in China. The joint venture began operations on January 31, 2011, the beginning of the third quarter of 2011. At the inception of the joint venture, the joint venture partner contributed net assets of \$7, including \$9 of cash contributions, and the company made an \$11 cash contribution. In July 2011, the company and joint venture partner contributed additional cash of \$2 and \$1, respectively. In July 2012, the company and joint venture partner contributed additional cash of \$3 and \$2, respectively. The noncontrolling interest's share in the net loss was included in Net earnings (loss) attributable to noncontrolling interests in the Consolidated Statements of Earnings.

The company owns a 70% controlling interest in a Malaysian food products manufacturing company. The earnings attributable to the noncontrolling interest have historically been less than \$1 annually and, prior to the third quarter of 2011, were included in Other expense/(income) in the Consolidated Statements of Earnings. Beginning in the third quarter of 2011, the earnings attributable to the noncontrolling interest were included in Net earnings (loss) attributable to noncontrolling interests in the Consolidated Statements of Earnings. The earnings were not material in 2012, 2011, or 2010.

The noncontrolling interests in these entities were included in Total equity in the Consolidated Balance Sheets and Consolidated Statements of Equity.

## 9. Pension and Postretirement Benefits

*Pension Benefits* — The company sponsors a number of noncontributory defined benefit pension plans to provide retirement benefits to all eligible U.S. and non-U.S. employees. The benefits provided under these plans are based primarily on years of service and compensation levels. In 1999, the company implemented significant amendments to certain U.S. pension plans. Under a new formula, retirement benefits are determined based on percentages of annual pay and age. To minimize the impact of converting to the new formula, service and earnings credit continues to accrue for active employees participating in the plans under the old formula prior to the amendments through the year 2014. Employees will receive the benefit from either the new or old formula, whichever is higher. Benefits become vested upon the completion of three years of service. Benefits are paid from funds previously provided to trustees and insurance companies or are paid directly by the company from general funds. Effective as of January 1, 2011, the company's U.S. pension plans were amended so that employees hired or rehired on or after that date and who are not covered by collective bargaining agreements will not be eligible to participate in the plans.

*Postretirement Benefits* — The company provides postretirement benefits including health care and life insurance to substantially all retired U.S. employees and their dependents. The company established retiree medical account benefits for eligible U.S. retirees. The accounts were intended to provide reimbursement for eligible health care expenses on a tax-favored basis. Effective as of January 1, 2011, the retirement medical program was amended to eliminate the retiree medical account benefit for employees not covered by collective bargaining agreements. To preserve the benefit for employees close to retirement age, the retiree medical account will be available to employees who were at least age 50 with at least 10 years of service as of December 31, 2010, and who satisfy the other eligibility requirements for the retiree medical program.

The company uses the fiscal year end as the measurement date for the benefit plans.

### *Components of net periodic benefit cost:*

	Pension		
	2012	2011	2010
Service cost .....	\$ 55	\$ 58	\$ 55
Interest cost .....	122	121	121
Expected return on plan assets .....	(178)	(178)	(170)
Amortization of prior service cost .....	—	1	1
Recognized net actuarial loss .....	74	70	49
Settlement (gains)/costs .....	—	(1)	12
Net periodic benefit expense .....	<u>\$ 73</u>	<u>\$ 71</u>	<u>\$ 68</u>

The settlement costs in 2010 are related to the closure of a plant in Canada. The settlement costs are included in Restructuring charges in the Consolidated Statements of Earnings. See Note 6 for additional information.

The estimated prior service credit and net actuarial loss that will be amortized from Accumulated other comprehensive loss into net periodic pension cost during 2013 are \$1 and \$108, respectively.

	Postretirement		
	2012	2011	2010
Service cost .....	\$ 3	\$ 3	\$ 3
Interest cost .....	18	18	19
Amortization of prior service cost/(credit) .....	(1)	(1)	1
Recognized net actuarial loss .....	9	7	1
Net periodic benefit expense .....	<u>\$ 29</u>	<u>\$ 27</u>	<u>\$ 24</u>

The estimated prior service credit and net actuarial loss that will be amortized from Accumulated other comprehensive loss into net periodic postretirement expense during 2013 are \$1 and \$15, respectively.

***Change in benefit obligation:***

	Pension		Postretirement	
	2012	2011	2012	2011
Obligation at beginning of year . . . . .	\$ 2,388	\$ 2,275	\$ 374	\$ 362
Service cost . . . . .	55	58	3	3
Interest cost . . . . .	122	121	18	18
Actuarial loss . . . . .	361	61	47	15
Participant contributions . . . . .	—	—	6	5
Benefits paid . . . . .	(157)	(146)	(38)	(34)
Medicare subsidies . . . . .	—	—	3	5
Other . . . . .	(5)	(4)	—	—
Plan amendments . . . . .	—	(1)	—	—
Settlement . . . . .	—	(8)	—	—
Foreign currency adjustment . . . . .	(16)	32	—	—
Benefit obligation at end of year . . . . .	<u>\$ 2,748</u>	<u>\$ 2,388</u>	<u>\$ 413</u>	<u>\$ 374</u>

***Change in the fair value of pension plan assets:***

	2012	2011
Fair value at beginning of year . . . . .	\$ 2,059	\$ 1,767
Actual return on plan assets . . . . .	149	266
Employer contributions . . . . .	71	144
Benefits paid . . . . .	(149)	(139)
Settlement . . . . .	—	(6)
Foreign currency adjustment . . . . .	(12)	27
Fair value at end of year . . . . .	<u>\$ 2,118</u>	<u>\$ 2,059</u>

***Amounts recognized in the Consolidated Balance Sheets:***

	Pension		Postretirement	
	2012	2011	2012	2011
Accrued liabilities . . . . .	\$ (12)	\$ (10)	\$ (27)	\$ (30)
Other liabilities . . . . .	(618)	(319)	(386)	(344)
Net amount recognized . . . . .	<u>\$ (630)</u>	<u>\$ (329)</u>	<u>\$ (413)</u>	<u>\$ (374)</u>

	Pension		Postretirement	
	2012	2011	2012	2011
Amounts recognized in accumulated other comprehensive loss consist of:				
Net actuarial loss . . . . .	\$ 1,486	\$ 1,179	\$ 133	\$ 95
Prior service credit . . . . .	(3)	(3)	(8)	(9)
Total . . . . .	<u>\$ 1,483</u>	<u>\$ 1,176</u>	<u>\$ 125</u>	<u>\$ 86</u>

The changes in other comprehensive loss associated with pension benefits included the reclassification of actuarial losses into earnings of \$74 and \$70 in 2012 and 2011, respectively. The remaining changes in other comprehensive loss associated with pension benefits were primarily due to net actuarial losses arising during the period and the impact of foreign currency.

The change in other comprehensive loss associated with postretirement benefits was due to the reclassification of actuarial losses into earnings of \$9 and \$7 in 2012 and 2011. The remaining changes in other comprehensive loss associated with postretirement benefits were primarily due to net actuarial losses arising during the period.

The following table provides information for pension plans with accumulated benefit obligations in excess of plan assets:

	<u>2012</u>	<u>2011</u>
Projected benefit obligation . . . . .	\$ 2,739	\$ 2,194
Accumulated benefit obligation . . . . .	\$ 2,653	\$ 2,131
Fair value of plan assets . . . . .	\$ 2,114	\$ 1,891

The accumulated benefit obligation for all pension plans was \$2,657 at July 29, 2012 and \$2,299 at July 31, 2011.

*Weighted-average assumptions used to determine benefit obligations at the end of the year:*

	<u>Pension</u>		<u>Postretirement</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Discount rate . . . . .	4.05%	5.41%	3.75%	5.00%
Rate of compensation increase . . . . .	3.31%	3.31%	3.25%	3.25%

*Weighted-average assumptions used to determine net periodic benefit cost for the years ended:*

	<u>Pension</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Discount rate . . . . .	5.41%	5.46%	6.00%
Expected return on plan assets . . . . .	7.90%	8.15%	8.13%
Rate of compensation increase . . . . .	3.31%	3.29%	3.29%

The discount rate is established as of the company's fiscal year-end measurement date. In establishing the discount rate, the company reviews published market indices of high-quality debt securities, adjusted as appropriate for duration. In addition, independent actuaries apply high-quality bond yield curves to the expected benefit payments of the plans. The expected return on plan assets is a long-term assumption based upon historical experience and expected future performance, considering the company's current and projected investment mix. This estimate is based on an estimate of future inflation, long-term projected real returns for each asset class, and a premium for active management.

The discount rate used to determine net periodic postretirement expense was 5.00% in 2012, 5.25% in 2011, and 6.00% in 2010.

*Assumed health care cost trend rates at the end of the year:*

	<u>2012</u>	<u>2011</u>
Health care cost trend rate assumed for next year . . . . .	8.25%	8.25%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate) . . . . .	4.50%	4.50%
Year that the rate reaches the ultimate trend rate . . . . .	2020	2019

A one-percentage-point change in assumed health care costs would have the following effects on 2012 reported amounts:

	<u>Increase</u>	<u>Decrease</u>
Effect on service and interest cost . . . . .	\$ 1	\$ —
Effect on the 2012 accumulated benefit obligation . . . . .	\$ 35	\$ (10)



***Pension Plan Assets***

The fundamental goal underlying the investment policy is to ensure that the assets of the plans are invested in a prudent manner to meet the obligations of the plans as these obligations come due. The primary investment objectives include providing a total return which will promote the goal of benefit security by attaining an appropriate ratio of plan assets to plan obligations, to provide for real asset growth while also tracking plan obligations, to diversify investments across and within asset classes, to reduce the impact of losses in single investments, and to follow investment practices that comply with applicable laws and regulations.

The primary policy objectives will be met by investing assets to achieve a reasonable tradeoff between return and risk relative to plan obligations. This includes investing a portion of the assets in funds selected in part to hedge the interest rate sensitivity to plan obligations.

The portfolio includes investments in the following asset classes: fixed income, equity, real estate and alternatives. Fixed income will provide a moderate expected return and partially hedge the exposure to interest rate risk of the plans’ obligations. Equities are used for their high expected return. Additional asset classes are used to provide diversification.

Asset allocation is monitored on an ongoing basis relative to the established asset class targets. The interaction between plan assets and benefit obligations is periodically studied to assist in the establishment of strategic asset allocation targets. The investment policy permits variances from the targets within certain parameters. Asset rebalancing occurs when the underlying asset class allocations move outside these parameters, at which time the asset allocation is rebalanced back to the policy target weight.

The company’s year-end pension plan weighted-average asset allocations by category were:

	<b>Strategic Target</b>	<b>2012</b>	<b>2011</b>
Equity securities . . . . .	51%	<b>48%</b>	50%
Debt securities . . . . .	35%	<b>36%</b>	35%
Real estate and other . . . . .	14%	<b>16%</b>	15%
Net periodic benefit expense . . . . .	<u>100%</u>	<u><b>100%</b></u>	<u>100%</u>

The company is required to categorize pension plan assets based on the following fair value hierarchy:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with observable market data.
- Level 3: Unobservable inputs that reflect the reporting entity’s own assumptions.

The following table presents the company's pension plan assets by asset category at July 29, 2012 and July 31, 2011:

	Fair Value as of July 29, 2012	Fair Value Measurements at July 29, 2012 Using Fair Value Hierarchy			Fair Value as of July 31, 2011	Fair Value Measurements at July 31, 2011 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Short-term investments . . .	\$ 70	\$ 44	\$ 26	\$ —	\$ 51	\$ 5	\$ 46	\$ —
Equities:								
U.S. . . . .	357	357	—	—	396	396	—	—
Non-U.S. . . . .	289	289	—	—	267	267	—	—
Corporate bonds:								
U.S. . . . .	444	—	444	—	414	—	414	—
Non-U.S. . . . .	91	—	91	—	88	—	88	—
Government and agency bonds:								
U.S. . . . .	33	—	33	—	9	—	9	—
Non-U.S. . . . .	30	—	30	—	31	—	31	—
Municipal bonds .	75	—	75	—	42	—	42	—
Commingled funds:								
Equities . . . . .	301	—	301	—	318	—	318	—
Fixed income . .	37	—	37	—	62	—	62	—
Blended . . . . .	81	—	81	—	86	—	86	—
Mortgage and asset backed securities	14	—	14	—	27	—	27	—
Real estate . . . . .	85	8	61	16	59	7	33	19
Limited partnerships . . .	19	—	—	19	20	—	—	20
Hedge funds . . . .	192	—	192	—	194	—	194	—
Total assets at fair value . . . . .	\$ 2,118	\$ 698	\$ 1,385	\$ 35	\$ 2,064	\$ 675	\$ 1,350	\$ 39
Other items to reconcile to fair value of plan assets . . . . .	\$ —				\$ (5)			
Total pension assets at fair value . . . . .	\$ 2,118				\$ 2,059			

*Short-term investments* — Investments include cash and cash equivalents, and various short-term debt instruments and short-term investment funds. Institutional short-term investment vehicles valued daily are classified as Level 1 at cost which approximates market value. Other investment vehicles are valued based upon a net asset value and are classified as Level 2.

*Equities* — Common stocks and preferred stocks are classified as Level 1 and are valued using quoted market prices in active markets.

*Corporate bonds* — These investments are valued based on quoted market prices, yield curves and pricing models using current market rates.

*Government and agency bonds* — These investments are generally valued based on bid quotations and recent trade data for identical or similar obligations.

*Municipal bonds* — These investments are valued based on quoted market prices, yield curves and pricing models using current market rates.

*Commingled funds* — Investments in commingled funds are classified as Level 2 assets as the funds are not traded in active markets. Commingled funds are valued based on the unit values of such funds. Unit values are based on the fair value of the underlying assets of the funds derived from inputs principally based on quoted market prices in an active market or corroborated

by observable market data by correlation or other means. Blended commingled funds are invested in both equities and fixed income securities.

*Mortgage and asset backed securities* — Fair value is based on prices obtained from third party pricing sources. The prices from third party pricing sources may be based on bid quotes from dealers and recent trade data. Mortgage backed securities are traded in the over-the-counter market.

*Real estate* — Real estate investments consist of real estate investment trusts and property funds. Real estate investment trusts are classified as Level 1 and are valued based on quoted market prices. Property funds are classified as either Level 2 or Level 3 depending upon whether liquidity is limited or there are few observable market participant transactions. Fair value is based on third party appraisals.

*Limited partnerships* — Investments in limited partnerships are valued based upon valuations provided by the general partners of the funds. The values of limited partnerships are based upon an assessment of each underlying investment, incorporating valuations that consider the evaluation of financing and sales transactions with third parties, expected cash flows, and market-based information, including comparable transactions and performance multiples among other factors. The investments are classified as Level 3 since the valuation is determined using unobservable inputs.

*Hedge funds* — Hedge fund investments include hedge funds valued based upon a net asset value derived from the fair value of underlying securities and are therefore classified as Level 2 assets. Hedge fund investments may include long and short positions in equity and fixed income securities, derivative instruments such as futures and options, commodities, and other types of securities.

*Guaranteed insurance contracts* — These assets are classified as Level 3 assets as they are valued using unobservable inputs. Guaranteed insurance contracts are valued based on the discounted stream of guaranteed benefit payments at a market rate increased for expected future profit sharing. The expected excess return is equal to expected indexation granted to participants. The discounted stream of guaranteed benefit payments is calculated based on the expected mortality rates of plan participants.

Other items to reconcile to fair value of plan assets included net accrued interest and dividends receivable, amounts due for securities sold, amounts payable for securities purchased, and other payables.

The following table summarizes the changes in fair value of Level 3 investments for the years ended July 29, 2012 and July 31, 2011:

	Real Estate	Limited Partnerships	Guaranteed Insurance Contracts	Total
Fair value at July 31, 2011	\$ 19	\$ 20	\$ —	\$ 39
<b>Actual return on plan assets</b>	<b>2</b>	<b>2</b>	<b>—</b>	<b>4</b>
<b>Purchases</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Sales</b>	<b>(5)</b>	<b>(3)</b>	<b>—</b>	<b>(8)</b>
<b>Settlements</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Transfers out of Level 3</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Fair value at July 29, 2012</b>	<b>\$ 16</b>	<b>\$ 19</b>	<b>\$ —</b>	<b>\$ 35</b>
	Real Estate	Limited Partnerships	Guaranteed Insurance Contracts	Total
Fair value at August 1, 2010	\$ 18	\$ 24	\$ 8	\$ 50
Actual return on plan assets	4	4	(2)	6
Purchases	—	—	—	—
Sales	(3)	(8)	—	(11)
Settlements	—	—	(6)	(6)
Transfers out of Level 3	—	—	—	—
Fair value at July 31, 2011	\$ 19	\$ 20	\$ —	\$ 39

A contribution of \$75 was made to U.S. pension plans in the first quarter of 2013. Additional contributions to U.S. plans are not expected in 2013. Contributions to non-U.S. pension plans are expected to be approximately \$13 in 2013.

*Estimated future benefit payments are as follows:*

	<u>Pension</u>	<u>Postretirement</u>
2013 .....	\$ 154	\$ 27
2014 .....	\$ 153	\$ 27
2015 .....	\$ 155	\$ 28
2016 .....	\$ 160	\$ 28
2017 .....	\$ 161	\$ 28
2018-2022 .....	\$ 868	\$ 138

The benefit payments include payments from funded and unfunded plans.

The estimated Medicare subsidy receipt is approximately \$1 in 2013.

*Savings Plan* — The company sponsors employee savings plans which cover substantially all U.S. employees. Effective January 1, 2011, the company provides a matching contribution of 100% of employee contributions up to 4% of compensation for employees who are not covered by collective bargaining agreements. Employees hired or rehired on or after January 1, 2011 who will not be eligible to participate in the defined benefit plans and who are not covered by collective bargaining agreements receive a contribution equal to 3% of compensation regardless of their participation in the Savings Plan. Prior to January 1, 2011, the company provided a matching contribution of 60% (50% at certain locations) of the employee contributions up to 5% of compensation after one year of continued service. Amounts charged to Costs and expenses were \$24 in 2012, \$20 in 2011, and \$17 in 2010.

**10. Taxes on Earnings**

The provision for income taxes on earnings consists of the following:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Income taxes:			
Currently Payable			
Federal .....	\$ 213	\$ 215	253
State .....	29	27	46
Non-U.S. ....	55	78	45
	<u>297</u>	<u>320</u>	<u>344</u>
Deferred			
Federal .....	37	47	38
State .....	2	(2)	1
Non-U.S. ....	6	1	15
	<u>45</u>	<u>46</u>	<u>54</u>
	<u>\$ 342</u>	<u>\$ 366</u>	<u>\$ 398</u>
Earnings before income taxes:			
United States .....	\$ 922	\$ 944	\$ 1,051
Non-U.S. ....	184	224	191
	<u>\$ 1,106</u>	<u>\$ 1,168</u>	<u>\$ 1,242</u>

The following is a reconciliation of the effective income tax rate to the U.S. federal statutory income tax rate:

	2012	2011	2010
Federal statutory income tax rate . . . . .	35.0%	35.0%	35.0%
State income taxes (net of federal tax benefit) . . . . .	1.9	1.4	2.5
Tax effect of international items . . . . .	(3.8)	(2.1)	(2.5)
Settlement of tax contingencies . . . . .	(0.1)	(0.5)	(0.7)
Federal manufacturing deduction . . . . .	(1.8)	(1.8)	(1.3)
Other . . . . .	(0.3)	(0.7)	(1.0)
Effective income tax rate . . . . .	<u>30.9%</u>	<u>31.3%</u>	<u>32.0%</u>

In 2011, the company recorded a tax benefit of \$8 following the finalization of tax audits.

In the third quarter of 2010, the company recorded deferred tax expense of \$10 due to the enactment of U.S. health care legislation in March 2010. The law changed the tax treatment of subsidies to companies that provide prescription drug benefits to retirees. Accordingly, the company recorded the non-cash charge to reduce the value of the deferred tax asset associated with the subsidy.

In 2010, the company recorded a tax benefit of \$9 following the finalization of tax audits. The company recorded an additional tax benefit of \$2 during the year related to the resolution of other tax contingencies.

Deferred tax liabilities and assets are comprised of the following:

	2012	2011
Depreciation . . . . .	\$ 279	\$ 253
Amortization . . . . .	474	474
Other . . . . .	20	14
Deferred tax liabilities . . . . .	<u>773</u>	<u>741</u>
Benefits and compensation . . . . .	311	307
Pension benefits . . . . .	194	93
Tax loss carryforwards . . . . .	69	84
Capital loss carryforwards . . . . .	117	122
Other . . . . .	79	83
Gross deferred tax assets . . . . .	<u>770</u>	<u>689</u>
Deferred tax asset valuation allowance . . . . .	(142)	(156)
Net deferred tax assets . . . . .	<u>628</u>	<u>533</u>
Net deferred tax liability . . . . .	<u>\$ 145</u>	<u>\$ 208</u>

At July 29, 2012, U.S. and non-U.S. subsidiaries of the company have tax loss carryforwards of approximately \$317. Of these carryforwards, \$106 expire between 2013 and 2028, and \$211 may be carried forward indefinitely. The current statutory tax rates in these countries range from 15% to 35%. At July 29, 2012, deferred tax asset valuation allowances have been established to offset \$83 of these tax loss carryforwards. Additionally, at July 29, 2012, non-U.S. subsidiaries of the company had capital loss carryforwards of approximately \$388, which were fully offset by valuation allowances. U.S. subsidiaries of the company had a capital loss carryforward of \$2 which expires in 2017 for which no valuation allowance had been established.

The net change in the deferred tax asset valuation allowance in 2012 was a decrease of \$14. The decrease was primarily due to the discontinuation of the company's Russian operations as well as the impact of currency and the recognition of additional valuation allowances on foreign loss carryforwards. The net change in the valuation allowance in 2011 was an increase of \$33. The increase was primarily due to the impact of currency and recognition of additional valuation allowances on foreign loss carryforwards. The net change in the valuation allowance in 2010 was an increase of \$15. The increase was primarily due to the impact of currency and the recognition of additional valuation allowances on foreign loss carryforwards that are not expected to be utilized prior to the expiration date.

As of July 29, 2012, Other deferred tax assets include \$3 of foreign tax credit carryforwards that expire in 2022, and \$3 of state tax credit carryforwards related to various states that expire between 2014 and 2021. No valuation allowances have been established related to these deferred tax assets.

As of July 29, 2012, U.S. income taxes have not been provided on approximately \$561 of undistributed earnings of non-U.S.

subsidiaries, which are deemed to be permanently reinvested. It is not practical to estimate the tax liability that might be incurred if such earnings were remitted to the U.S.

A reconciliation of the activity related to unrecognized tax benefits follows:

	2012	2011	2010
Balance at beginning of year . . . . .	\$ 43	\$ 36	\$ 42
Increases related to prior-year tax positions . . . . .	2	6	14
Decreases related to prior-year tax positions . . . . .	(1)	(4)	(11)
Increases related to current-year tax positions . . . . .	9	9	4
Settlements . . . . .	—	—	(11)
Lapse of statute . . . . .	(5)	(4)	(2)
Balance at end of year . . . . .	<u>\$ 48</u>	<u>\$ 43</u>	<u>\$ 36</u>

As of July 29, 2012, July 31, 2011, and August 1, 2010, there were \$18, \$17, and \$22, respectively, of unrecognized tax benefits that if recognized would affect the annual effective tax rate. The total amount of unrecognized tax benefits can change due to audit settlements, tax examination activities, statute expirations and the recognition and measurement criteria under accounting for uncertainty in income taxes. The company believes it is reasonably possible that settlement may be reached in the next 12 months on certain state matters resulting in a reduction of unrecognized tax benefits of approximately \$17.

The company’s accounting policy with respect to interest and penalties attributable to income taxes is to reflect any expense or benefit as a component of its income tax provision. The total amount of interest and penalties recognized in the Consolidated Statements of Earnings was not material in 2012, 2011 and 2010. The total amount of interest and penalties recognized in the Consolidated Balance Sheets was \$8 as of July 29, 2012, and July 31, 2011.

Approximately \$6 of unrecognized tax benefit liabilities, including interest and penalties, was reported as accrued taxes payable in the Consolidated Balance Sheets as of July 29, 2012. Approximately \$50 and \$51 of unrecognized tax benefit liabilities, including interest and penalties, were reported as other non-current liabilities in the Consolidated Balance Sheets as of July 29, 2012 and July 31, 2011, respectively.

The company does business internationally and, as a result, files income tax returns in the U.S. federal jurisdiction and various state and non-U.S. jurisdictions. In the normal course of business, the company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as the U.S., Australia, Canada, Belgium, France and Germany. The 2012 tax year is currently under audit by the IRS. The 2008 and 2009 tax years are currently under audit by Canada. In addition, several state income tax examinations are in progress for fiscal years 2001 to 2011.

With limited exceptions, the company has been audited for income tax purposes in Canada and Germany through fiscal year 2007, in France through fiscal year 2008, and in Belgium and Australia through fiscal year 2009.

## 11. Short-term Borrowings and Long-term Debt

Short-term borrowings consist of the following:

	2012	2011
Commercial paper . . . . .	\$ 352	\$ 563
Current portion of long-term debt . . . . .	400	—
Variable-rate bank borrowings . . . . .	30	92
Fixed-rate borrowings . . . . .	—	1
Capital leases . . . . .	—	1
Other (1) . . . . .	4	—
	<u>\$ 786</u>	<u>\$ 657</u>

(1) Other includes amounts related to interest rate swaps designated as fair-value hedges. For additional information on fair-value interest rate swaps, see Note 12.

As of July 29, 2012, the weighted-average interest rate of commercial paper, which consisted of U.S. borrowings, was 0.23%. As of July 31, 2011, the weighted-average interest rate of commercial paper, which consisted of U.S. borrowings, was 0.33%.

At July 29, 2012, the company had \$47 of standby letters of credit issued on behalf of the company. At that date, the company had a \$500 credit facility that matured in September 2012 and a \$1,500 facility that matures in September 2016. These facilities remained unused at July 29, 2012, except for \$3 of standby letters of credit issued on behalf of the company. In September 2012,

the company entered into a \$500 committed revolving credit facility that matures in September 2016, replacing the \$500 credit facility that matured in September 2012. These revolving credit agreements support the company's commercial paper programs and other general corporate purposes.

Long-term debt consists of the following:

<u>Type</u>	<u>Fiscal Year of Maturity</u>	<u>Rate</u>	<u>2012</u>	<u>2011</u>
Notes .....	<b>2013</b>	5.00%	\$ 400	\$ 400
Notes .....	<b>2014</b>	4.88%	<b>300</b>	300
Notes .....	<b>2015</b>	3.38%	<b>300</b>	300
Notes .....	<b>2017</b>	3.05%	<b>400</b>	400
Notes .....	<b>2019</b>	4.50%	<b>300</b>	300
Notes .....	<b>2021</b>	4.25%	<b>500</b>	500
Debentures .....	<b>2021</b>	8.88%	<b>200</b>	200
Other(1) .....			<b>8</b>	27
Total .....			<b>2,408</b>	2,427
Less current portion .....			<b>404</b>	—
Total long-term debt .....			<b>\$ 2,004</b>	<b>\$ 2,427</b>

(1) Other includes unamortized net premium/discount on debt issuances and amounts related to interest rate swaps designated as fair-value hedges. For additional information on fair-value interest rate swaps, see Note 12.

In April 2011, the company issued \$500 of 4.25% notes which mature on April 15, 2021. Interest on the notes is due semi-annually on April 15 and October 15, commencing on October 15, 2011. The company may redeem the notes in whole or in part at any time at a redemption price of 100% of the principal amount plus accrued interest or an amount designed to ensure that the note holders are not penalized by the early redemption.

Principal amounts of debt mature as follows: \$400 in 2013; \$300 in 2014; \$300 in 2015; \$0 in 2016; \$400 in 2017; and beyond a total of \$1,000.

On August 6, 2012, the company acquired Bolthouse Farms. The acquisition was funded through a combination of short- and long-term borrowings. See Note 19 for additional information.

## 12. Financial Instruments

The principal market risks to which the company is exposed are changes in foreign currency exchange rates, interest rates, and commodity prices. In addition, the company is exposed to equity price changes related to certain deferred compensation obligations. In order to manage these exposures, the company follows established risk management policies and procedures, including the use of derivative contracts such as swaps, options, forwards and commodity futures. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The company's derivative programs include both instruments that qualify and that do not qualify for hedge accounting treatment.

### *Concentration of Credit Risk*

The company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. To mitigate counterparty credit risk, the company only enters into contracts with carefully selected, leading credit-worthy financial institutions, and distributes contracts among several financial institutions to reduce the concentration of credit risk. The company does not have credit-risk-related contingent features in its derivative instruments as of July 29, 2012. During 2012, the company's largest customer accounted for approximately 17% of consolidated net sales. The company closely monitors credit risk associated with counterparties and customers.

### *Foreign Currency Exchange Risk*

The company is exposed to foreign currency exchange risk related to its international operations, including non-functional currency intercompany debt and net investments in subsidiaries. The company is also exposed to foreign exchange risk as a result of transactions in currencies other than the functional currency of certain subsidiaries. Principal currencies hedged include the Australian dollar, Canadian dollar, euro, Swedish krona, New Zealand dollar, British pound and Japanese yen. The company utilizes foreign exchange forward purchase and sale contracts as well as cross-currency swaps to hedge these exposures. The contracts are either designated as cash-flow hedging instruments or are undesignated. The company hedges portions of its forecasted foreign currency transaction exposure with foreign exchange forward contracts for periods typically up to 18 months. To hedge

currency exposures related to intercompany debt, cross-currency swap contracts are entered into for periods consistent with the underlying debt. As of July 29, 2012, cross-currency swap contracts mature in 2013 through 2015. The notional amount of foreign exchange forward and cross-currency swap contracts accounted for as cash-flow hedges was \$156 at July 29, 2012 and \$287 at July 31, 2011. The effective portion of the changes in fair value on these instruments is recorded in other comprehensive income (loss) and is reclassified into the Consolidated Statements of Earnings on the same line item and the same period in which the underlying hedged transaction affects earnings. The notional amount of foreign exchange forward and cross-currency swap contracts that are not designated as accounting hedges was \$908 and \$861 at July 29, 2012 and July 31, 2011, respectively.

### ***Interest Rate Risk***

The company manages its exposure to changes in interest rates by optimizing the use of variable-rate and fixed-rate debt and by utilizing interest rate swaps in order to maintain its variable-to-total debt ratio within targeted guidelines. Receive fixed rate/pay variable rate interest rate swaps are accounted for as fair-value hedges. The notional amount of outstanding fair-value interest rate swaps totaled \$500 at July 29, 2012 and at July 31, 2011. These swaps mature in 2013 through 2014. The company manages its exposure to interest rate volatility on future debt issuances by entering into forward starting interest rate swaps to lock in the rate on the interest payments related to the forecasted debt issuances. Pay variable rate/receive fixed rate forward starting interest rate swaps are accounted for as cash-flow hedges. The notional amount of outstanding forward starting interest rate swaps totaled \$600 at July 29, 2012. These swaps mature in 2013 through 2015.

### ***Commodity Price Risk***

The company principally uses a combination of purchase orders and various short- and long-term supply arrangements in connection with the purchase of raw materials, including certain commodities and agricultural products. The company also enters into commodity futures, options and swap contracts to reduce the volatility of price fluctuations of diesel fuel, soybean oil, aluminum, wheat, natural gas and cocoa, which impact the cost of raw materials. Commodity futures, options, and swap contracts are either accounted for as cash-flow hedges or are not designated as accounting hedges. The company hedges a portion of commodity requirements for periods typically up to 12 months. There were no commodity contracts accounted for as cash-flow hedges at July 29, 2012. The notional amount of commodity contracts accounted for as cash-flow hedges at July 31, 2011 was \$6. The notional amount of commodity contracts not designated as accounting hedges was \$95 at July 29, 2012 and \$81 at July 31, 2011.

### ***Equity Price Risk***

The company enters into swap contracts which hedge a portion of exposures relating to certain deferred compensation obligations linked to the total return of the company's capital stock, the total return of the Vanguard Institutional Index, the total return of the Vanguard Total International Stock Index and, beginning in April 2012, the total return of the Vanguard Short-Term Bond Index. Under these contracts, the company pays variable interest rates and receives from the counterparty either the total return on company capital stock; the total return of the Standard & Poor's 500 Index, which is expected to approximate the total return of the Vanguard Institutional Index; the total return of the iShares MSCI EAFE Index, which is expected to approximate the total return of the Vanguard Total International Stock Index; or the total return of the Vanguard Short-Term Bond Index. These contracts were not designated as hedges for accounting purposes and are entered into for periods typically not exceeding 12 months. The notional amounts of the contracts as of July 29, 2012 and July 31, 2011 were \$75 and \$71, respectively.



The following table summarizes the fair value of derivative instruments recorded in the Consolidated Balance Sheets as of July 29, 2012, and July 31, 2011:

	<u>Balance Sheet Classification</u>	<u>2012</u>	<u>2011</u>
<b>Asset Derivatives</b>			
Derivatives designated as hedges:			
Foreign exchange forward contracts . . . . .	Other current assets	\$ 1	\$ —
Forward starting interest rate swaps . . . . .	Other current assets	1	—
Interest rate swaps . . . . .	Other current assets	4	—
Forward starting interest rate swaps . . . . .	Other assets	1	—
Interest rate swaps . . . . .	Other assets	9	33
Total derivatives designated as hedges . . . . .		<u>\$ 16</u>	<u>\$ 33</u>
Derivatives not designated as hedges:			
Commodity derivative contracts . . . . .	Other current assets	\$ 8	\$ 3
Cross-currency swap contracts . . . . .	Other current assets	19	—
Deferred compensation derivative contracts . . . . .	Other current assets	1	—
Foreign exchange forward contracts . . . . .	Other current assets	1	—
Cross-currency swap contracts . . . . .	Other assets	—	1
Total derivatives not designated as hedges . . . . .		<u>29</u>	<u>4</u>
Total asset derivatives . . . . .		<u>\$ 45</u>	<u>\$ 37</u>

	<u>Balance Sheet Classification</u>	<u>2012</u>	<u>2011</u>
<b>Liability Derivatives</b>			
Derivatives designated as hedges:			
Cross-currency swap contracts . . . . .	Accrued liabilities	\$ —	\$ 8
Foreign exchange forward contracts . . . . .	Accrued liabilities	—	7
Cross-currency swap contracts . . . . .	Other liabilities	25	30
Total derivatives designated as hedges . . . . .		<u>\$ 25</u>	<u>\$ 45</u>
Derivatives not designated as hedges:			
Commodity derivative contracts . . . . .	Accrued liabilities	\$ 4	\$ 2
Cross-currency swap contracts . . . . .	Accrued liabilities	25	17
Deferred compensation derivative contracts . . . . .	Accrued liabilities	—	3
Foreign exchange forward contracts . . . . .	Accrued liabilities	—	2
Cross-currency swap contracts . . . . .	Other liabilities	29	74
Total derivatives not designated as hedges . . . . .		<u>\$ 58</u>	<u>\$ 98</u>
Total liability derivatives . . . . .		<u>\$ 83</u>	<u>\$ 143</u>

The following tables show the effect of the company's derivative instruments designated as cash-flow hedges for the years ended July 29, 2012 and July 31, 2011, in other comprehensive income (loss) (OCI) and the Consolidated Statements of Earnings:

### Derivatives Designated as Cash-Flow Hedges

	Total Cash-Flow Hedge OCI Activity	
	2012	2011
OCI derivative gain/(loss) at beginning of year . . . . .	\$ (31)	\$ (28)
Effective portion of changes in fair value recognized in OCI:		
Foreign exchange forward contracts . . . . .	13	(12)
Forward starting interest rate swaps . . . . .	2	—
Amount of (gain) or loss reclassified from OCI to earnings: <b>Location in Earnings</b>		
Foreign exchange forward contracts . . . . . Cost of products sold	(1)	4
Foreign exchange forward contracts . . . . . Other expenses/income	(2)	2
Forward starting interest rate swaps . . . . . Interest expense	3	3
OCI derivative gain/(loss) at end of year . . . . .	<u>\$ (16)</u>	<u>\$ (31)</u>

Based on current valuations, the amount expected to be reclassified from OCI into earnings within the next 12 months is a loss of \$1. The ineffective portion and amount excluded from effectiveness testing were not material.

The following tables show the effect of the company's derivative instruments designated as fair-value hedges in the Consolidated Statements of Earnings:

Derivatives Designated as Fair-Value Hedges	Location of Gain or (Loss) Recognized in Earnings	Amount of Gain or (Loss) Recognized in Earnings on Derivatives		Amount of Gain or (Loss) Recognized in Earnings on Hedged Item	
		2012	2011	2012	2011
		Interest rate swaps . . . . . Interest expense	\$ (20)	\$ (13)	\$ 20

The following table shows the effects of the company's derivative instruments not designated as hedges in the Consolidated Statements of Earnings:

Derivatives not Designated as Hedges	Location of Gain or (Loss) Recognized in Earnings	Amount of Gain or (Loss) Recognized in Earnings on Derivatives	
		2012	2011
Foreign exchange forward contracts . . . . .	Cost of products sold	\$ 2	\$ (1)
Cross-currency swap contracts . . . . .	Other expenses/income	67	(88)
Commodity derivative contracts . . . . .	Cost of products sold	(4)	7
Deferred compensation derivative contracts . . . . .	Administrative expenses	3	1
Total . . . . .		<u>\$ 68</u>	<u>\$ (81)</u>

### 13. Fair Value Measurements

The company is required to categorize financial assets and liabilities based on the following fair value hierarchy:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with observable market data.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. When available, the company uses unadjusted quoted

market prices to measure the fair value and classifies such items as Level 1. If quoted market prices are not available, the company bases fair value upon internally developed models that use current market-based or independently sourced market parameters such as interest rates and currency rates. Included in the fair value of derivative instruments is an adjustment for credit and nonperformance risk.

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

The following table presents the company's financial assets and liabilities that are measured at fair value on a recurring basis as of July 29, 2012, and July 31, 2011, consistent with the fair value hierarchy:

	Fair Value as of July 29, 2012	Fair Value Measurements at July 29, 2012 Using Fair Value Hierarchy			Fair Value as of July 31, 2011	Fair Value Measurements at July 31, 2011 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>Assets</b>								
Interest rate swaps(1) . . . . .	\$ 13	\$ —	\$ 13	\$ —	\$ 33	\$ —	\$ 33	\$ —
Forward starting interest rate swaps(1) . . . . .	2	—	2	—	—	—	—	—
Foreign exchange forward contracts(2) . . . . .	2	—	2	—	—	—	—	—
Cross-currency swap contracts(3)	19	—	19	—	1	—	1	—
Commodity derivative contracts(5) . . . . .	8	8	—	—	3	3	—	—
Deferred compensation derivative contracts(4) . . . . .	1	—	1	—	—	—	—	—
Total assets at fair value . . . . .	<u>\$ 45</u>	<u>\$ 8</u>	<u>\$ 37</u>	<u>\$ —</u>	<u>\$ 37</u>	<u>\$ 3</u>	<u>\$ 34</u>	<u>\$ —</u>

	Fair Value as of July 29, 2012	Fair Value Measurements at July 29, 2012 Using Fair Value Hierarchy			Fair Value as of July 31, 2011	Fair Value Measurements at July 31, 2011 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>Liabilities</b>								
Foreign exchange forward contracts(2) . . . . .	\$ —	\$ —	\$ —	\$ —	\$ 9	\$ —	\$ 9	\$ —
Cross-currency swap contracts(3)	79	—	79	—	129	—	129	—
Deferred compensation derivative contracts(4) . . . . .	—	—	—	—	3	—	3	—
Commodity derivative contracts(5) . . . . .	4	4	—	—	2	2	—	—
Deferred compensation obligation(6) . . . . .	109	109	—	—	144	97	47	—
Total liabilities at fair value . . . . .	<u>\$ 192</u>	<u>\$ 113</u>	<u>\$ 79</u>	<u>\$ —</u>	<u>\$ 287</u>	<u>\$ 99</u>	<u>\$ 188</u>	<u>\$ —</u>

(1) Based on LIBOR swap rates.

- (2) Based on observable market transactions of spot currency rates and forward rates.
- (3) Based on observable local benchmarks for currency and interest rates.
- (4) Based on LIBOR and equity index swap rates.
- (5) Based on quoted futures exchanges.
- (6) Based on the fair value of the participants' investments.

**Items Measured at Fair Value on a Nonrecurring Basis**

In addition to assets and liabilities that are measured at fair value on a recurring basis, the company is also required to measure certain items at fair value on a nonrecurring basis. In 2012 and 2011, as part of the company's annual review of intangible assets, an impairment charge of \$3 was recognized on trademarks used in the International Simple Meals and Beverages segment. Fair value was determined based on unobservable Level 3 inputs. Fair value was determined based on discounted cash flow analyses that include significant management assumptions such as revenue growth rates, weighted average costs of capital, and assumed royalty rates.

The following table presents the company's fair value measurements of intangible assets that were recognized in the years ended July 29, 2012, and July 31, 2011, respectively, consistent with the fair value hierarchy:

	2012		2011	
	Impairment	Fair Value	Impairment	Fair Value
Intangible assets				
<i>Blå Band</i> . . . . .	\$ 3	\$ 20	\$ —	\$ —
<i>Heisse Tasse</i> . . . . .	\$ —	\$ —	\$ 3	\$ 11

The company also recognized \$22 of asset impairment/accelerated depreciation in 2011 associated with the restructuring initiatives described in Note 6. The carrying value of the assets was reduced to estimated fair value, which was not material.

**Fair Value of Financial Instruments**

Financial instruments, other than those presented in the disclosures above, include cash, cash equivalents, accounts receivable, accounts payable, and short- and long-term borrowings. The carrying value of cash, accounts receivable, accounts payable and short-term borrowings, excluding the current portion of long-term debt, approximate fair value.

Cash equivalents of \$80 at July 29, 2012 and \$35 at July 31, 2011 represent fair value as these highly liquid investments have an original maturity of three months or less. Fair value of cash equivalents is based on Level 2 inputs.

The fair value of long-term debt, including the current portion of long-term debt in Short-term borrowings, was \$2,663 at July 29, 2012 and \$2,603 at July 31, 2011. The carrying value was \$2,408 at July 29, 2012 and \$2,427 at July 31, 2011. The fair value of long-term debt is principally estimated using Level 2 inputs based on quoted market prices or pricing models using current market rates.

**14. Shareowners' Equity**

The company has authorized 560 million shares of Capital stock with \$.0375 par value and 40 million shares of Preferred stock, issuable in one or more classes, with or without par as may be authorized by the Board of Directors. No Preferred stock has been issued.

**Share Repurchase Programs**

In June 2008, the company's Board of Directors authorized the purchase of up to \$1,200 of company stock through fiscal 2011. This program began in fiscal 2009 and was completed in fiscal 2011. In June 2011, the Board authorized the purchase of up to \$1,000 of company stock. This program has no expiration date, although the company suspended purchases under this program in July 2012. The company also repurchases shares to offset the impact of dilution from shares issued under the company's stock compensation plans.

In 2012, the company repurchased 13 million shares at a cost of \$412. Of this amount, \$250 was used to repurchase shares pursuant to the company's June 2011 publicly announced share repurchase program. Approximately \$750 remained available under this program as of July 29, 2012, although the program was suspended in July 2012.

In 2011, the company repurchased 21 million shares at a cost of \$728. Of this amount, \$550 was used to repurchase shares pursuant to the company's June 2008 publicly announced share repurchase program, which was completed in the fourth quarter of 2011.

In 2010, the company repurchased 14 million shares at a cost of \$472. Of this amount, \$250 was used to repurchase shares pursuant to the company's June 2008 publicly announced share repurchase program.

## 15. Stock-based Compensation

In 2003, shareowners approved the 2003 Long-Term Incentive Plan, which authorized the issuance of 28 million shares to satisfy awards of stock options, stock appreciation rights, unrestricted stock, restricted stock/units (including performance restricted stock) and performance units. Approximately 3.2 million shares available under a previous long-term plan were rolled into the 2003 Long-Term Incentive Plan, making the total number of available shares approximately 31.2 million. In November 2005, shareowners approved the 2005 Long-Term Incentive Plan, which authorized the issuance of an additional 6 million shares to satisfy the same types of awards.

Awards under the 2003 and 2005 Long-Term Incentive Plans may be granted to employees and directors. The term of a stock option granted under these plans may not exceed ten years from the date of grant. Options granted under these plans vest cumulatively over a three-year period at a rate of 30%, 60% and 100%, respectively. The option price may not be less than the fair market value of a share of common stock on the date of the grant.

Pursuant to the 2003 Long-Term Incentive Plan, in July 2005 the company adopted a long-term incentive compensation program which provides for grants of total shareholder return (TSR) performance restricted stock/units, EPS performance restricted stock/units, and time-lapse restricted stock/units. Initial grants made in accordance with this program were approved in September 2005. Under the program, awards of TSR performance restricted stock/units will be earned by comparing the company's total shareholder return during a three-year period to the respective total shareholder returns of companies in a performance peer group. Based upon the company's ranking in the performance peer group, a recipient of TSR performance restricted stock/units may earn a total award ranging from 0% to 225% of the initial grant. Awards of EPS performance restricted stock/units will be earned based upon the company's achievement of annual earnings per share goals. During the three-year vesting period, a recipient of EPS performance restricted stock/units may earn a total award ranging from 0% to 100% of the initial grant. Awards of time-lapse restricted stock/units will vest ratably over the three-year period. In addition, the company may issue special grants of time-lapse restricted stock/units to attract and retain executives which vest ratably over various periods. Awards are generally granted annually in October. Annual stock option grants are not part of the long-term incentive compensation program for 2010, 2011 or 2012. However, stock options may still be granted on a selective basis under the 2003 and 2005 Long-Term Incentive Plans.

In fiscal 2012, the company issued time-lapse restricted stock units, EPS performance restricted stock units and, for the first time, strategic performance restricted stock units. The company did not issue TSR performance restricted stock units in fiscal 2012. Awards of the strategic performance restricted stock units will be earned based upon the achievement of net sales and EPS growth, compared to strategic plan objectives during a two-year period. A recipient of strategic performance restricted stock units may earn a total award ranging from 0% to 200% of the initial grant.

Total pre-tax stock-based compensation expense recognized in the Consolidated Statements of Earnings was \$79 for 2012, \$87 for 2011, and \$88 for 2010. Tax-related benefits of \$29 were recognized for 2012, \$32 were recognized for 2011, and \$33 were recognized for 2010.

The following table summarizes stock option activity:

	2012	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
	(Options in thousands)		(In years)	
Beginning of year	8,706	\$ 26.23		
Granted	—	\$ —		
Exercised	(4,370)	\$ 25.75		
Terminated	(82)	\$ 26.40		
End of year	<u>4,254</u>	<u>\$ 26.73</u>	<u>1.7</u>	<u>\$ 27</u>
Exercisable at end of year	<u>4,254</u>	<u>\$ 26.73</u>	<u>1.7</u>	<u>\$ 27</u>

The total intrinsic value of options exercised during 2012, 2011, and 2010 was \$31, \$29, and \$33, respectively. As of January 2009, compensation related to stock options was fully expensed. The company measured the fair value of stock options using the Black-Scholes option pricing model.

The following table summarizes time-lapse restricted stock units, EPS performance restricted stock units and strategic performance restricted stock units activity:

	Units	Weighted-Average Grant-Date Fair Value
	(Restricted stock units in thousands)	
Nonvested at July 31, 2011 . . . . .	2,710	\$ 35.11
Granted . . . . .	2,639	\$ 32.38
Vested . . . . .	(1,162)	\$ 35.73
Forfeited . . . . .	(236)	\$ 33.28
Nonvested at July 29, 2012 . . . . .	<u>3,951</u>	<u>\$ 33.19</u>

The fair value of time-lapse restricted stock units, EPS performance restricted stock units, and strategic performance restricted stock units is determined based on the quoted price of the company's stock at the date of grant. Time-lapse restricted stock units are expensed on a straight-line basis over the vesting period, except for awards issued to retirement-eligible participants, which are expensed on an accelerated basis. EPS performance restricted stock units are expensed on a graded-vesting basis, except for awards issued to retirement-eligible participants, which are expensed on an accelerated basis. There were approximately 300 thousand EPS performance target grants outstanding at July 29, 2012 with a weighted-average grant-date fair value of \$33.56. Strategic performance restricted stock units are expensed on a straight-line basis over the service period. There were approximately 1.28 million strategic performance target grants outstanding at July 29, 2012 with a grant-date fair value of \$32.37. The actual number of EPS performance restricted stock units and strategic performance restricted stock units issued at the vesting date could range from 0% to 100% and 0% to 200%, respectively, of the initial grant, depending on actual performance achieved. Expense is estimated based on the number of awards expected to vest.

On July 1, 2011, the company issued approximately 400 thousand special retention time-lapse restricted stock units to certain executives to support successful execution of the company's shift in strategic direction and leadership transition. These awards vest over a two-year period and are included in the table above. The grant-date fair value was \$34.65.

As of July 29, 2012, total remaining unearned compensation related to nonvested time-lapse restricted stock units, EPS performance restricted stock units and strategic performance restricted stock units was \$48, which will be amortized over the weighted-average remaining service period of 1.5 years. The fair value of restricted stock units vested during 2012, 2011, and 2010 was \$38, \$40, and \$32, respectively. The weighted-average grant-date fair value of the restricted stock units granted during 2011 and 2010 was \$35.64 and \$32.25, respectively.

The following table summarizes TSR performance restricted stock units activity:

	Units	Weighted-Average Grant-Date Fair Value
	(Restricted stock units in thousands)	
Nonvested at July 31, 2011 . . . . .	3,431	\$ 40.78
Granted . . . . .	—	\$ —
Vested . . . . .	—	\$ —
Forfeited . . . . .	(1,288)	\$ 45.50
Nonvested at July 29, 2012 . . . . .	<u>2,143</u>	<u>\$ 37.94</u>

The company estimated the fair value of TSR performance restricted stock units at the grant date using a Monte Carlo simulation. Assumptions used in the Monte Carlo simulation were as follows:

	2011	2010
Risk-free interest rate . . . . .	0.59 %	1.27 %
Expected dividend yield . . . . .	3.00 %	3.06 %
Expected volatility . . . . .	23.71 %	24.83 %
Expected term . . . . .	3 yrs.	3 yrs.

Compensation expense is recognized on a straight-line basis over the service period. As of July 29, 2012, total remaining unearned compensation related to TSR performance restricted stock units was \$17, which will be amortized over the weighted-average remaining service period of 1.0 year. In the first quarter of 2012, recipients of TSR performance restricted stock units earned 0% of the initial grants based upon the company's TSR ranking in a performance peer group during a three-year period ended July 29, 2011. The total fair value of TSR performance restricted stock units vested during 2011 and 2010 was \$38 and \$31, respectively. The grant-date fair value of TSR performance restricted stock units granted during 2011 and 2010 was \$43.18 and \$33.84, respectively. There were no TSR performance restricted stock units granted during 2012. In the first quarter of 2013, recipients of TSR performance restricted stock units will receive 0% of the initial grant based upon the company's TSR ranking in a performance peer group during the three-year period ended July 27, 2012.

Prior to fiscal 2009, employees could elect to defer all types of restricted stock awards. These awards were classified as liabilities because of the possibility that they may be settled in cash. The fair value was adjusted quarterly. As of October 2010, these awards were fully vested. Total cash paid to settle the liabilities during 2011 and 2010 was not material.

The excess tax benefits on the exercise of stock options and vested restricted stock presented as cash flows from financing activities were \$8 in 2012, and \$11 in 2011 and 2010. Cash received from the exercise of stock options was \$112, \$96, and \$139 for 2012, 2011, and 2010, respectively, and are reflected in cash flows from financing activities in the Consolidated Statements of Cash Flows.

## 16. Commitments and Contingencies

The company is a party to legal proceedings and claims arising out of the normal course of business.

Management assesses the probability of loss for all legal proceedings and claims and has recognized liabilities for such contingencies, as appropriate. Although the results of these matters cannot be predicted with certainty, in management's opinion, the final outcome of legal proceedings and claims will not have a material adverse effect on the consolidated results of operations or financial condition of the company.

The company has certain operating lease commitments, primarily related to warehouse and office facilities, retail store space and certain equipment. Rent expense under operating lease commitments was \$48 in 2012, \$50 in 2011, and \$48 in 2010. Future minimum annual rental payments under these operating leases as of July 29, 2012 are as follows:

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Thereafter</u>
\$42	\$31	\$24	\$22	\$20	\$60

The company guarantees approximately 2,000 bank loans made to Pepperidge Farm independent sales distributors by third party financial institutions for the purchase of distribution routes. The maximum potential amount of future payments the company could be required to make under the guarantees is \$164. The company's guarantees are indirectly secured by the distribution routes. The company does not believe it is probable that it will be required to make guarantee payments as a result of defaults on the bank loans guaranteed. The amounts recognized as of July 29, 2012, and July 31, 2011, were not material.

The company has provided certain standard indemnifications in connection with divestitures, contracts and other transactions. Certain indemnifications have finite expiration dates. Liabilities recognized based on known exposures related to such matters were not material at July 29, 2012.

## 17. Supplemental Financial Statement Data

### *Balance Sheets*

	2012	2011
Accounts receivable		
Customer accounts receivable . . . . .	\$ 523	\$ 530
Allowances . . . . .	(10)	(11)
Subtotal . . . . .	513	519
Other . . . . .	40	41
	<u>\$ 553</u>	<u>\$ 560</u>
Inventories		
Raw materials, containers and supplies . . . . .	277	261
Finished products . . . . .	437	506
	<u>714</u>	<u>767</u>
Other current assets		
Deferred taxes . . . . .	\$ 104	\$ 112
Fair value of derivatives . . . . .	35	1
Other . . . . .	30	39
	<u>\$ 169</u>	<u>\$ 152</u>
Plant assets		
Land . . . . .	\$ 62	\$ 64
Buildings . . . . .	1,260	1,224
Machinery and equipment . . . . .	3,963	3,896
Projects in progress . . . . .	198	179
Total cost . . . . .	5,483	5,363
Accumulated depreciation (1) . . . . .	(3,356)	(3,260)
	<u>\$ 2,127</u>	<u>\$ 2,103</u>
Other assets		
Fair value of derivatives . . . . .	\$ 10	\$ 20
Deferred taxes . . . . .	49	47
Other . . . . .	64	69
	<u>\$ 123</u>	<u>\$ 136</u>



	2012	2011
Accrued liabilities		
Accrued compensation and benefits . . . . .	\$ 267	\$ 262
Fair value of derivatives . . . . .	29	37
Accrued trade and consumer promotion programs . . . . .	140	132
Accrued interest . . . . .	31	32
Restructuring . . . . .	16	39
Other . . . . .	115	117
	<u>\$ 598</u>	<u>\$ 619</u>
Other liabilities		
Pension benefits . . . . .	\$ 618	\$ 319
Deferred compensation(2) . . . . .	96	144
Postretirement benefits . . . . .	386	344
Fair value of derivatives . . . . .	54	90
Unrecognized tax benefits . . . . .	50	51
Other . . . . .	56	35
	<u>\$ 1,260</u>	<u>\$ 983</u>

- (1) Depreciation expense was \$258 in 2012, \$265 in 2011, and \$251 in 2010. Buildings are depreciated over periods ranging from 7 to 45 years. Machinery and equipment are depreciated over periods generally ranging from 2 to 20 years.
- (2) The deferred compensation obligation represents unfunded plans maintained for the purpose of providing the company's directors and certain of its executives the opportunity to defer a portion of their compensation. All forms of compensation contributed to the deferred compensation plans are accounted for in accordance with the underlying program. Deferrals and company contributions are credited to an investment account in the participant's name, although no funds are actually contributed to the investment account and no investments are actually purchased. Seven investment choices are available, including: (1) a book account that tracks the total return on company stock; (2) a book account that tracks the performance of the Vanguard Institutional Index; (3) a book account that tracks the performance of the Vanguard Extended Market Index; (4) a book account that tracks the performance of the Vanguard Total International Stock Index; (5) a book account that tracks the performance of the Vanguard Total Bond Market Index; (6) a book account that tracks the performance of the Vanguard Short-Term Bond Index; and (7) a book account that tracks the BlackRock Liquidity Temp Fund. Participants can reallocate investments daily and are entitled to the gains and losses on investment funds. The company recognizes an amount in the Consolidated Statements of Earnings for the market appreciation/depreciation of each fund.

### *Statements of Earnings*

	2012	2011	2010
Other Expenses/(Income)			
Foreign exchange (gains)/losses . . . . .	\$ (3)	\$ 5	\$ 1
Amortization/impairment of intangible and other assets(1) . . . . .	5	3	—
Acquisition related costs . . . . .	5	—	—
Other . . . . .	7	5	3
	<u>\$ 14</u>	<u>\$ 13</u>	<u>\$ 4</u>
Advertising and consumer promotion expense(2) . . . . .	\$ 506	\$ 492	\$ 515
Interest expense			
Interest expense . . . . .	\$ 116	\$ 123	\$ 116
Less: Interest capitalized . . . . .	2	1	4
	<u>\$ 114</u>	<u>\$ 122</u>	<u>\$ 112</u>

- (1) A \$3 impairment charge was recognized related to European trademarks in both 2012 and 2011. See also Note 4.  
(2) Included in Marketing and selling expenses.

**Statements of Cash Flows**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b><u>Cash Flows from Operating Activities</u></b>			
Other non-cash charges to net earnings			
Non-cash compensation/benefit related expense . . . . .	\$ 106	\$ 104	\$ 90
Other . . . . .	12	4	9
	<u>\$ 118</u>	<u>\$ 108</u>	<u>\$ 99</u>
Other			
Benefit related payments . . . . .	\$ (84)	\$ (48)	\$ (58)
Other . . . . .	(2)	(7)	(12)
	<u>\$ (86)</u>	<u>\$ (55)</u>	<u>\$ (70)</u>
Other Cash Flow Information			
Interest paid . . . . .	\$ 115	\$ 142	\$ 118
Interest received . . . . .	\$ 8	\$ 11	\$ 6
Income taxes paid . . . . .	\$ 300	\$ 304	\$ 333

**18. Quarterly Data (unaudited)**

	<u>2012</u>			
	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>
Net sales . . . . .	\$ 2,161	\$ 2,112	\$ 1,821	\$ 1,613
Gross profit . . . . .	854	811	706	621
Net earnings attributable to Campbell Soup Company(1) . . . . .	265	205	177	127
<b>Per share - basic</b>				
Net earnings attributable to Campbell Soup Company . . . . .	0.82	0.64	0.56	0.40
Dividends . . . . .	0.29	0.29	0.29	0.29
<b>Per share - assuming dilution</b>				
Net earnings attributable to Campbell Soup Company(1) . . . . .	0.82	0.64	0.55	0.40
<b>Market price</b>				
High . . . . .	\$ 34.00	\$ 34.12	\$ 34.04	\$ 34.58
Low . . . . .	\$ 29.69	\$ 31.22	\$ 31.25	\$ 31.32

## 2011

	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>
Net sales . . . . .	\$ 2,172	\$ 2,127	\$ 1,813	\$ 1,607
Gross profit . . . . .	894	838	732	639
Net earnings attributable to Campbell Soup Company(2) . . . .	279	239	187	100
Per share - basic				
Net earnings attributable to Campbell Soup Company . . . .	0.82	0.72	0.58	0.31
Dividends . . . . .	0.275	0.29	0.29	0.29
Per share - assuming dilution				
Net earnings attributable to Campbell Soup Company(2) . .	0.82	0.71	0.57	0.31
Market price . . . . .				
High . . . . .	\$ 37.59	\$ 36.99	\$ 35.00	\$ 35.66
Low . . . . .	\$ 35.32	\$ 33.44	\$ 32.66	\$ 32.80

- (1) Restructuring charges associated with the 2011 initiatives to improve supply chain efficiency, reduce overhead costs, and exit the Russian market were recorded as follows: \$1 in the first quarter; \$2 (\$.01 per diluted share) in the second quarter; and \$3 (\$.01 per diluted share) in the third quarter. See also Note 6. In addition, acquisition related costs of \$3 (\$.01 per share) were recorded in the fourth quarter.
- (2) Includes a \$41 (\$.12 per diluted share) restructuring charge in the fourth quarter related to the 2011 initiatives to improve supply chain efficiency, reduce overhead costs, and exit the Russian market. See also Note 6.

### 19. Subsequent Events

On August 6, 2012, the company completed the acquisition of BF Bolthouse Holdco LLC (Bolthouse Farms) from a fund managed by Madison Dearborn Partners, LLC, a private equity firm, for \$1,550 in cash, subject to customary purchase price adjustments related to the amount of Bolthouse Farms' cash, debt, working capital, transaction expenses and taxes. Bolthouse Farms is a vertically integrated food and beverage company focused on developing, manufacturing and marketing fresh carrots and proprietary, high value-added natural, healthy products. Bolthouse Farms has leading market positions in retail fresh carrots and super-premium beverages in the U.S. and Canada. The acquisition was funded through a combination of short- and long-term borrowings. Approximately \$300 was funded through the issuance of commercial paper. The terms of long-term borrowings, which were issued on August 2, 2012 to fund the transaction, were as follows:

- \$400 floating rate notes that mature on August 1, 2014. Interest on the notes is based on 3-month U.S. dollar LIBOR, plus 0.30% Interest is payable quarterly beginning November 1, 2012;
- \$450 of 2.50% notes that mature on August 2, 2022. Interest is payable semi-annually beginning February 2, 2013. The company may redeem the notes in whole or in part at any time at a redemption price of 100% of the principal amount plus accrued interest or an amount designed to ensure that the note holders are not penalized by the early redemption; and
- \$400 of 3.80% notes that mature on August 2, 2042. Interest is payable semi-annually beginning February 2, 2013. The company may redeem the notes in whole or in part at any time at a redemption price of 100% of the principal amount plus accrued interest or an amount designed to ensure that the note holders are not penalized by the early redemption.

In 2012, the company recorded pre-tax transaction costs of \$5 (\$3 after tax or \$.01 per share) related to the acquisition of Bolthouse Farms. The company expects to incur an additional \$11 in transaction costs in 2013. The company is currently working through the purchase price allocation process.

On September 27, 2012, the company announced several initiatives to improve its U.S. supply chain cost structure and increase asset utilization across its U.S. thermal plant network. The company expects to eliminate approximately 727 positions in connection with the initiatives, which include the following:

- The company will close its thermal plant in Sacramento, California, which produces soups, sauces and beverages. The closure will result in the elimination of approximately 700 full-time positions and will be completed in phases, with plans to cease operations in July 2013. The company plans to shift the majority of Sacramento's soup, sauce and beverage production to its thermal plants in Maxton, North Carolina; Napoleon, Ohio; and Paris, Texas.
- The company will also close its spice plant in South Plainfield, New Jersey, which will result in the elimination of 27 positions. The company will consolidate spice production at its Milwaukee, Wisconsin, plant in 2013.

As a result of these initiatives, the company expects to incur aggregate pre-tax costs of approximately \$115, consisting of the following:

- approximately \$25 in employee severance and benefits;
- approximately \$75 in accelerated depreciation of property, plant and equipment; and
- approximately \$15 in other costs.

The company expects to incur the majority of these costs in 2013. Approximately \$38 of the pre-tax costs are expected to be cash expenditures. In addition, the company expects to invest approximately \$27 in capital expenditures, primarily to relocate and refurbish a beverage filling and packaging line.

## Reports of Management

### Management's Report on Financial Statements

The accompanying financial statements have been prepared by the company's management in conformity with generally accepted accounting principles to reflect the financial position of the company and its operating results. The financial information appearing throughout this Annual Report is consistent with the financial statements. Management is responsible for the information and representations in such financial statements, including the estimates and judgments required for their preparation. The financial statements have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which appears herein.

The Audit Committee of the Board of Directors, which is composed entirely of Directors who are not officers or employees of the company, meets regularly with the company's worldwide internal auditing department, other management personnel, and the independent registered public accounting firm. The independent registered public accounting firm and the internal auditing department have had, and continue to have, direct access to the Audit Committee without the presence of other management personnel, and have been directed to discuss the results of their audit work and any matters they believe should be brought to the Committee's attention. The internal auditing department and the independent registered public accounting firm report directly to the Audit Committee.

### Management's Report on Internal Control Over Financial Reporting

The company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

The company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and Directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The company's management assessed the effectiveness of the company's internal control over financial reporting as of July 29, 2012. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework*. Based on this assessment using those criteria, management concluded that the company's internal control over financial reporting was effective as of July 29, 2012.

The effectiveness of the company's internal control over financial reporting as of July 29, 2012 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which appears herein.

/s/ Denise M. Morrison

Denise M. Morrison

President and Chief Executive Officer

/s/ B. Craig Owens

B. Craig Owens

Senior Vice President — Chief Financial  
Officer and Chief Administrative Officer

/s/ John P. Waldron

John P. Waldron

Vice President — Controller  
(Principal Accounting Officer)

September 27, 2012

## Report of Independent Registered Public Accounting Firm

To the Shareowners and Directors of Campbell Soup Company

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, of equity, and of cash flows present fairly, in all material respects, the financial position of Campbell Soup Company and its subsidiaries at July 29, 2012 and July 31, 2011, and the results of their operations and their cash flows for each of the three fiscal years in the period ended July 29, 2012 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of July 29, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

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PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

September 27, 2012

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**

None.

### **Item 9A. Controls and Procedures**

The company, under the supervision and with the participation of its management, including the President and Chief Executive Officer and Senior Vice President — Chief Financial Officer and Chief Administrative Officer, has evaluated the effectiveness of the company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of July 29, 2012 (Evaluation Date). Based on such evaluation, the President and Chief Executive Officer and the Senior Vice President — Chief Financial Officer and Chief Administrative Officer have concluded that, as of the Evaluation Date, the company's disclosure controls and procedures are effective.

The annual report of management on the company's internal control over financial reporting is provided under "Financial Statements and Supplementary Data" on pages 65-66. The attestation report of PricewaterhouseCoopers LLP, the company's independent registered public accounting firm, regarding the company's internal control over financial reporting is provided under "Financial Statements and Supplementary Data" on page 67.

During the quarter ended July 29, 2012, the company implemented a new global treasury management system supporting cash management, external debt, and risk management processes. In conjunction with the implementation, the company modified business processes impacted by the new system, such as transaction processing, user access security, authorization procedures and system reporting. There were no other changes in the company's internal control over financial reporting that materially affected, or were likely to materially affect, such control over financial reporting.

### **Item 9B. Other Information**

None.

## **PART III**

### **Item 10. Directors, Executive Officers and Corporate Governance**

The sections entitled "Election of Directors," "Security Ownership of Directors and Executive Officers" and "Director and Executive Officer Stock Ownership Reports" in the company's Proxy Statement for the Annual Meeting of Shareowners to be held on November 14, 2012 (the 2012 Proxy) are incorporated herein by reference. The information presented in the section entitled "Corporate Governance — Board Committee Structure" in the 2012 Proxy relating to the members of the company's Audit Committee and the Audit Committee's financial expert is incorporated herein by reference.

Certain of the information required by this Item relating to the executive officers of the company is set forth under the heading "Executive Officers of the Company."

The company has adopted a Code of Ethics for the Chief Executive Officer and Senior Financial Officers that applies to the company's Chief Executive Officer, Chief Financial Officer, Controller and members of the Chief Financial Officer's financial leadership team. The Code of Ethics for the Chief Executive Officer and Senior Financial Officers is posted on the company's website, [www.campbellsoupcompany.com](http://www.campbellsoupcompany.com) (under the "Governance" caption). The company intends to satisfy the disclosure requirement regarding any amendment to, or a waiver of, a provision of the Code of Ethics for the Chief Executive Officer and Senior Financial Officers by posting such information on its website.

The company has also adopted a separate Code of Business Conduct and Ethics applicable to the Board of Directors, the company's officers and all of the company's employees. The Code of Business Conduct and Ethics is posted on the company's website, [www.campbellsoupcompany.com](http://www.campbellsoupcompany.com) (under the "Governance" caption). The company's Corporate Governance Standards and the charters of the company's four standing committees of the Board of Directors can also be found at this website. Printed copies of the foregoing are available to any shareowner requesting a copy by:

- writing to Investor Relations, Campbell Soup Company, 1 Campbell Place, Camden, NJ 08103-1799;
- calling 1-800-840-2865; or
- e-mailing the company's Investor Relations Department at [investorrelations@campbellsoup.com](mailto:investorrelations@campbellsoup.com).

### **Item 11. Executive Compensation**

The information presented in the sections entitled "Compensation Discussion and Analysis," "Fiscal 2012 Summary Compensation Table," "Grants of Plan-Based Awards in Fiscal 2012," "Outstanding Equity Awards at 2012 Fiscal Year-End," "Option Exercises and Stock Vested in Fiscal 2012," "Pension Benefits — Fiscal 2012," "Nonqualified Deferred Compensation — Fiscal 2012," "Potential Payments upon Termination or Change in Control," "Fiscal 2012 Director



Compensation,” “Corporate Governance — Compensation and Organization Committee Interlocks and Insider Participation” and “Compensation and Organization Committee Report” in the 2012 Proxy is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareowner Matters**

The information presented in the sections entitled “Security Ownership of Directors and Executive Officers” and “Security Ownership of Certain Beneficial Owners” in the 2012 Proxy is incorporated herein by reference.

**Securities Authorized for Issuance Under Equity Compensation Plans**

The following table provides information about the company’s stock that could have been issued under the company’s equity compensation plans as of July 29, 2012:

<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)</u>	<u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)</u>	<u>Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column) (c)</u>
Equity Compensation Plans Approved by Security Holders (1) . .	10,335,245	\$ 26.73	10,842,538
Equity Compensation Plans Not Approved by Security Holders . .	N/A	N/A	N/A
Total . . . . .	<u>10,335,245</u>	<u>\$ 26.73</u>	<u>10,842,538</u>

(1) Column (a) represents stock options and restricted stock units outstanding under the 2005 Long-Term Plan, the 2003 Long-Term Plan, and the 1994 Long-Term Plan. No additional awards can be made under the 1994 Long-Term Plan. Future equity awards under the 2005 Long-Term Plan and the 2003 Long-Term Plan may take the form of stock options, SARs, performance unit awards, restricted stock, restricted performance stock, restricted stock units or stock awards. Column (b) represents the weighted-average exercise price of the outstanding stock options only; the outstanding restricted stock and restricted stock units are not included in this calculation. Column (c) represents the maximum aggregate number of future equity awards that can be made under the 2005 Long-Term Plan and the 2003 Long-Term Plan as of July 29, 2012. The maximum number of future equity awards that can be made under the 2005 Long-Term Plan as of July 29, 2012 is 9,502,253. The maximum number of future equity awards that can be made under the 2003 Long-Term Plan as of July 29, 2012 is 1,340,285 (the 2003 Plan Limit). Each stock option or SAR awarded under the 2003 Long-Term Plan reduces the 2003 Plan Limit by one share. Each restricted stock unit, restricted stock, restricted performance stock unit, restricted performance stock or stock award under the 2003 Long-Term Plan reduces the 2003 Plan Limit by four shares. In the event any award (or portion thereof) under the 1994 Long-Term Plan lapses, expires or is otherwise terminated without the issuance of any company stock or is settled by delivery of consideration other than company stock, the maximum number of future equity awards that can be made under the 2003 Long-Term Plan automatically increases by the number of such shares.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information presented in the section entitled “Transactions with Related Persons,” “Corporate Governance — Director Independence” and “Corporate Governance — Board Committee Structure” in the 2012 Proxy is incorporated herein by reference.

**Item 14. Principal Accounting Fees and Services**

The information presented in the section entitled “Independent Registered Public Accounting Firm Fees and Services” in the 2012 Proxy is incorporated herein by reference.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

The following documents are filed as part of this report:

**1. Financial Statements**

- Consolidated Statements of Earnings for 2012, 2011 and 2010
- Consolidated Balance Sheets as of July 29, 2012 and July 31, 2011
- Consolidated Statements of Cash Flows for 2012, 2011 and 2010

Consolidated Statements of Equity for 2012, 2011 and 2010

Notes to Consolidated Financial Statements

Management's Report on Financial Statements

Management's Report on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm

## 2. *Financial Statement Schedule*

II - Valuation and Qualifying Accounts for 2012, 2011, and 2010

## 3. *Exhibits*

- 2 Agreement and Plan of Merger, dated as of July 9, 2012, by and among BF Bolthouse Holdco LLC, Campbell (solely for purposes of Section 12.19), Campbell Investment Company, Bolt Acquisition Sub LLC, and Madison Dearborn Capital Partners IV, L.P., as the Representative, was filed with the SEC on a Form 8-K (SEC file number 1-3822) on July 13, 2012, and is incorporated herein by reference.
- 3(i) Campbell's Restated Certificate of Incorporation as amended through February 24, 1997 was filed with the SEC with Campbell's Form 10-K (SEC file number 1-3822) for the fiscal year ended July 28, 2002, and is incorporated herein by reference.
- 3(ii) Campbell's By-Laws, effective November 14, 2012, were filed with the SEC on a Form 8-K (SEC file number 1-3822) on September 25, 2012, and are incorporated herein by reference.
- 4(a) With respect to Campbell's 5.000% notes due 2012 and 4.875% notes due 2013, the form of Indenture between Campbell and Deutsche Bank Trust Company Americas (successor in interest to Bankers Trust Company), as Trustee, and the associated form of security were filed with the SEC with Campbell's Registration Statement No. 333-11497, and are incorporated herein by reference.
- 4(b) With respect to Campbell's 3.375% notes due 2014, 3.050% notes due 2014, 4.500% notes due 2019, and 4.250% notes due 2021, the form of Indenture between Campbell and The Bank of New York Mellon, as Trustee, and the associated form of security were filed with the SEC with Campbell's Registration Statement No. 333-155626, and are incorporated herein by reference.
- 4(c) With respect to Campbell's floating rate notes due 2014, 2.500% notes due 2022, and 3.800% notes due 2042, the form of Indenture between Campbell and The Bank of New York Mellon, as Trustee, was filed with the SEC with Campbell's Registration Statement No. 333-155626, and the form of First Supplemental Indenture among Campbell, The Bank of New York Mellon and Wells Fargo Bank, National Association, as Series Trustee, as well as the associated form of security, were filed with the SEC on a Form 8-K (SEC file number 1-3822) on August 2, 2012, and are incorporated herein by reference.
- 4(d) Except as described in 4(a), 4(b) and 4(c) above, there is no instrument with respect to long-term debt of the company that involves indebtedness or securities authorized thereunder exceeding 10 percent of the total assets of the company and its subsidiaries on a consolidated basis. The company agrees to file a copy of any instrument or agreement defining the rights of holders of long-term debt of the company upon request of the SEC.
- 9 Major Stockholders' Voting Trust Agreement dated June 2, 1990, as amended, was filed with the SEC by (i) Campbell as Exhibit 99.C to Campbell's Schedule 13E-4 (SEC file number 5-7735) filed on September 12, 1996, and (ii) with respect to certain subsequent amendments, the Trustees of the Major Stockholders' Voting Trust as Exhibit 99.G to Amendment No. 7 to their Schedule 13D (SEC file number 5-7735) dated March 3, 2000, and as Exhibit 99.M to Amendment No. 8 to their Schedule 13D (SEC file number 5-7735) dated January 26, 2001, and as Exhibit 99.P to Amendment No. 9 to their Schedule 13D (SEC file number 5-7735) dated September 30, 2002, and is incorporated herein by reference.
- 10(a) Campbell Soup Company 1994 Long-Term Incentive Plan, as amended on November 17, 2000, was filed with the SEC with Campbell's 2000 Proxy Statement (SEC file number 1-3822), and is incorporated herein by reference.
- 10(b) Campbell Soup Company 2003 Long-Term Incentive Plan, as amended and restated on September 25, 2008, was filed with the SEC with Campbell's Form 10-K (SEC file number 1-3822) for the fiscal year ended August 3, 2008, and is incorporated herein by reference.
- 10(c) Campbell Soup Company 2005 Long-Term Incentive Plan, as amended and restated on November 18, 2010, was filed with the SEC with Campbell's 2010 Proxy Statement (SEC file number 1-3822), and is incorporated herein by reference.
- 10(d) Campbell Soup Company Annual Incentive Plan, as amended on November 18, 2004, was filed with the SEC with Campbell's 2004 Proxy Statement (SEC file number 1-3822), and is incorporated herein by reference.

- 10(e) Campbell Soup Company Mid-Career Hire Pension Plan, as amended and restated effective as of January 1, 2009, was filed with the SEC with Campbell's Form 10-Q (SEC file number 1-3822) for the fiscal quarter ended February 1, 2009, and is incorporated herein by reference.
- 10(f) First Amendment to the Campbell Soup Company Mid-Career Hire Pension Plan, effective as of December 31, 2010, was filed with the SEC with Campbell's Form 10-Q (SEC file number 1-3822) for the fiscal quarter ended January 30, 2011, and is incorporated herein by reference.
- 10(g) Deferred Compensation Plan, effective November 18, 1999, was filed with the SEC with Campbell's Form 10-K (SEC file number 1-3822) for the fiscal year ended July 30, 2000, and is incorporated herein by reference.
- 10(h) Campbell Soup Company Supplemental Retirement Plan (formerly known as Deferred Compensation Plan II), as amended and restated effective as of January 1, 2011, was filed with the SEC with Campbell's Form 10-K (SEC file number 1-3822) for the fiscal year ended July 31, 2011, and is incorporated herein by reference.
- 10(i) Severance Protection Agreement dated January 8, 2001, with Douglas R. Conant, Campbell's President and Chief Executive Officer through fiscal 2011, was filed with the SEC with Campbell's Form 10-Q (SEC file number 1-3822) for the fiscal quarter ended January 28, 2001, and is incorporated herein by reference. Agreements with the existing executive officers listed under the heading "Executive Officers of the Company" (other than B. Craig Owens) are in all material respects the same as Mr. Conant's agreement.
- 10(j) Amendment to the Severance Protection Agreement dated February 26, 2008, with Douglas R. Conant, Campbell's President and Chief Executive Officer through fiscal 2011, was filed with the SEC with Campbell's Form 10-Q (SEC file number 1-3822) for the fiscal quarter ended November 2, 2008, and is incorporated herein by reference. Amendments with the existing executive officers listed under the heading "Executive Officers of the Company" (other than B. Craig Owens) are in all material respects the same as Mr. Conant's agreement.
- 10(k) Form of U.S. Severance Protection Agreement, which is applicable to executives hired after March 1, 2008 and before August 1, 2011 (such as B. Craig Owens), was filed with the SEC with Campbell's Form 10-Q (SEC file number 1-3822) for the fiscal quarter ended November 2, 2008, and is incorporated herein by reference.
- 10(l) Form of Non-U.S. Severance Protection Agreement, which is applicable to executives hired after March 1, 2008 and before August 1, 2011, was filed with the SEC with Campbell's Form 10-Q (SEC file number 1-3822) for the fiscal quarter ended November 2, 2008, and is incorporated herein by reference.
- 10(m) Form of U.S. Severance Protection Agreement, which is applicable to executives hired on or after August 1, 2011, was filed with the SEC with Campbell's Form 10-K (SEC file number 1-3822) for the fiscal year ended July 31, 2011, and is incorporated herein by reference.
- 10(n) Form of Non-U.S. Severance Protection Agreement, which is applicable to executives hired on or after August 1, 2011, was filed with the SEC with Campbell's Form 10-K (SEC file number 1-3822) for the fiscal year ended July 31, 2011, and is incorporated herein by reference.
- 10(o) Campbell Soup Company Severance Pay Plan for Salaried Employees, as amended and restated effective January 1, 2011, was filed with the SEC with Campbell's Form 10-Q (SEC file number 1-3822) for the fiscal quarter ended May 1, 2011, and is incorporated herein by reference.
- 10(p) Campbell Soup Company Supplemental Employees' Retirement Plan, as amended and restated effective January 1, 2009, was filed with the SEC with Campbell's Form 10-Q (SEC file number 1-3822) for the fiscal quarter ended February 1, 2009, and is incorporated herein by reference.
- 10(q) First Amendment to the Campbell Soup Company Supplemental Employees' Retirement Plan, effective as of December 31, 2010, was filed with the SEC with Campbell's Form 10-Q (SEC file number 1-3822) for the fiscal quarter ended January 30, 2011, and is incorporated herein by reference.
- 10(r) 2003 Long-Term Incentive Plan Time-Lapse Restricted Stock Unit Agreement, dated as of November 1, 2008, between the company and B. Craig Owens was filed with the SEC with Campbell's Form 10-Q (SEC file number 1-3822) for the fiscal quarter ended November 2, 2008, and is incorporated herein by reference.
- 10(s) Form of 2005 Long-Term Incentive Plan Time-Lapse Restricted Stock Unit Agreement, which is applicable to the July 1, 2011 restricted stock unit grants to each of B. Craig Owens, Ellen O. Kaden and Mark R. Alexander, was filed with the SEC on a Form 8-K (SEC file number 1-3822) on July 1, 2011, and is incorporated herein by reference.
- 21 Subsidiaries (Direct and Indirect) of the company.
- 23 Consent of Independent Registered Public Accounting Firm.
- 24 Power of Attorney.

- 31(a) Certification of Denise M. Morrison pursuant to Rule 13a-14(a).
- 31(b) Certification of B. Craig Owens pursuant to Rule 13a-14(a).
- 32(a) Certification of Denise M. Morrison pursuant to 18 U.S.C. Section 1350.
- 32(b) Certification of B. Craig Owens pursuant to 18 U.S.C. Section 1350.
- 101.INS XBRL Instance Document
- 101.SCH XBRL Schema Document
- 101.CAL XBRL Calculation Linkbase Document
- 101.DEF XBRL Definition Linkbase Document
- 101.LAB XBRL Label Linkbase Document
- 101.PRE XBRL Presentation Linkbase Document

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Campbell has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: September 27, 2012

**CAMPBELL SOUP COMPANY**

By: /s/ B. Craig Owens

B. Craig Owens

Senior Vice President - Chief Financial  
Officer and Chief Administrative Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Campbell and in the capacity and on the date indicated.

Date: September 27, 2012

/s/ B. Craig Owens

B. Craig Owens

Senior Vice President - Chief Financial  
Officer and Chief Administrative Officer

/s/ John P. Waldron

John P. Waldron

Vice President — Controller

Paul R. Charron	Chairman and Director	}
Denise M. Morrison	President, Chief Executive Officer and Director	}
Edmund M. Carpenter	Director	}
Bennett Dorrance	Director	}
Lawrence C. Karlson	Director	}
Randall W. Larrimore	Director	}
Mary Alice D. Malone	Director	}
Sara Mathew	Director	}
William D. Perez	Director	}
Charles R. Perrin	Director	}
A. Barry Rand	Director	}
Nick Shreiber	Director	}
Tracey T. Travis	Director	}
Archbold D. van Beuren	Director	}
Les C. Vinney	Director	}
Charlotte C. Weber	Director	}

By: /s/ Ellen Oran Kaden

Ellen Oran Kaden

Senior Vice President — Chief Legal  
and Public Affairs Officer

**CAMPBELL SOUP COMPANY**  
**Valuation and Qualifying Accounts**

**For the Fiscal Years ended July 29, 2012, July 31, 2011, and August 1, 2010**  
**(Dollars in millions)**

	Balance at Beginning of Period	Charged to/ (Reduction In) Costs and Expenses	Deductions	Balance at End of Period
Fiscal year ended July 29, 2012				
Cash discount	\$ 5	\$ 112	\$ (113)	\$ 4
Bad debt reserve	2	1	(1)	2
Returns reserve (1)	4	—	—	4
Total Accounts receivable allowances	<u>\$ 11</u>	<u>\$ 113</u>	<u>\$ (114)</u>	<u>\$ 10</u>
Fiscal year ended July 31, 2011				
Cash discount	\$ 5	\$ 113	\$ (113)	\$ 5
Bad debt reserve	4	2	(4)	2
Returns reserve (1)	8	(2)	(2)	4
Total Accounts receivable allowances	<u>\$ 17</u>	<u>\$ 113</u>	<u>\$ (119)</u>	<u>\$ 11</u>
Fiscal year ended August 1, 2010				
Cash discount	\$ 5	\$ 116	\$ (116)	\$ 5
Bad debt reserve	3	2	(1)	4
Returns reserve (1)	11	(3)	—	8
Total Accounts receivable allowances	<u>\$ 19</u>	<u>\$ 115</u>	<u>\$ (117)</u>	<u>\$ 17</u>

- (1) The returns reserve is evaluated quarterly and adjusted accordingly. During each period, returns are charged to net sales in the Consolidated Statements of Earnings as incurred. Actual returns were approximately \$122 in 2012, \$145 in 2011, and \$130 in 2010, or less than 2% of net sales.

**CERTIFICATION PURSUANT  
TO RULE 13a-14(a)**

I, Denise M. Morrison, certify that:

1. I have reviewed this Annual Report on Form 10-K of Campbell Soup Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 27, 2012

By: /s/ Denise M. Morrison

Name: Denise M. Morrison

Title: President and Chief Executive Officer

**CERTIFICATION PURSUANT  
TO RULE 13a-14(a)**

I, B. Craig Owens, certify that:

1. I have reviewed this Annual Report on Form 10-K of Campbell Soup Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 27, 2012

By: /s/ B. Craig Owens

Name: B. Craig Owens

Title: Senior Vice President — Chief Financial  
Officer and Chief Administrative Officer



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350**

In connection with the Annual Report of Campbell Soup Company (the "Company") on Form 10-K for the fiscal year ended July 29, 2012 (the "Report"), I, Denise M. Morrison, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 27, 2012

By: /s/ Denise M. Morrison

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Name: Denise M. Morrison

Title: President and Chief Executive Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350**

In connection with the Annual Report of Campbell Soup Company (the “Company”) on Form 10-K for the fiscal year ended July 29, 2012 (the “Report”), I, B. Craig Owens, Senior Vice President — Chief Financial Officer and Chief Administrative Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 27, 2012

By: /s/ B. Craig Owens

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Name: B. Craig Owens

Title: Senior Vice President — Chief Financial  
Officer and Chief Administrative Officer