

CAMPBELL SOUP CO  
Form 10-Q  
March 07, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q  
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended  
January 28, 2007**

**Commission File Number  
1-3822**

**New Jersey  
State of Incorporation**

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

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

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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Yes  No

There were 389,998,864 shares of Capital Stock outstanding as of March 1, 2007.

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**Certification of Douglas R. Conant pursuant to Rule 13a-14(a)**

**Certification of Robert A. Schiffner pursuant to Rule 13a-14(a)**

**Certification of Douglas R. Conant pursuant to 18 U.S.C. Section 1350**

**Certification of Robert A. Schiffner pursuant to 18 U.S.C. Section 1350**

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**PART I**  
**ITEM 1. FINANCIAL INFORMATION**  
**CAMPBELL SOUP COMPANY CONSOLIDATED**

**Statements of Earnings**

(unaudited)

(millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	<b>January 28, 2007</b>	January 29, 2006	<b>January 28, 2007</b>	January 29, 2006
Net sales	<b>\$2,252</b>	\$ 2,159	<b>\$4,405</b>	\$ 4,161
Costs and expenses				
Cost of products sold	<b>1,286</b>	1,251	<b>2,522</b>	2,407
Marketing and selling expenses	<b>361</b>	357	<b>677</b>	675
Administrative expenses	<b>155</b>	143	<b>290</b>	268
Research and development expenses	<b>25</b>	24	<b>51</b>	48
Other (income) / expense	<b>(20)</b>	1	<b>(18)</b>	(1)
Total costs and expenses	<b>1,807</b>	1,776	<b>3,522</b>	3,397
Earnings before interest and taxes	<b>445</b>	383	<b>883</b>	764
Interest, net	<b>39</b>	43	<b>80</b>	69
Earnings before taxes	<b>406</b>	340	<b>803</b>	695
Taxes on earnings	<b>122</b>	101	<b>250</b>	170
Earnings from continuing operations	<b>284</b>	239	<b>553</b>	525
Earnings from discontinued operations	<b>1</b>	15	<b>23</b>	31
Net earnings	<b>\$ 285</b>	\$ 254	<b>\$ 576</b>	\$ 556
Per share basic				
Earnings from continuing operations	<b>\$ .74</b>	\$ .59	<b>\$ 1.42</b>	\$ 1.28
Earnings from discontinued operations		.04	<b>.06</b>	.08
Net earnings	<b>\$ .74</b>	\$ .62	<b>\$ 1.48</b>	\$ 1.36
Dividends	<b>\$ .20</b>	\$ .18	<b>\$ .40</b>	\$ .36
Weighted average shares outstanding basic	<b>384</b>	408	<b>389</b>	409

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Per share assuming dilution

Earnings from continuing operations	\$ .72	\$ .58	\$ 1.38	\$ 1.27
Earnings from discontinued operations		.04	.06	.07
Net earnings	\$ .72	\$ .61	\$ 1.44	\$ 1.34
Weighted average shares outstanding assuming dilution	395	414	400	414

See Notes to Consolidated Financial Statements.

The sum of the individual per share amounts does not equal net earnings per share due to rounding.

**Table of Contents****CAMPBELL SOUP COMPANY CONSOLIDATED****Balance Sheets**

(unaudited)

(millions, except per share amounts)

	<b>January 28, 2007</b>	July 30, 2006
Current assets		
Cash and cash equivalents	\$ 483	\$ 657
Accounts receivable	747	494
Inventories	730	728
Other current assets	190	133
Current assets of discontinued operations held for sale		100
<b>Total current assets</b>	<b>2,150</b>	2,112
Plant assets, net of depreciation	1,943	1,954
Goodwill	1,772	1,765
Other intangible assets, net of amortization	600	596
Other assets	620	605
Non-current assets of discontinued operations held for sale		838
<b>Total assets</b>	<b>\$ 7,085</b>	\$ 7,870
Current liabilities		
Notes payable	\$ 745	\$ 1,097
Payable to suppliers and others	651	691
Accrued liabilities	727	820
Dividend payable	77	74
Accrued income taxes	299	202
Current liabilities of discontinued operations held for sale		78
<b>Total current liabilities</b>	<b>2,499</b>	2,962
Long-term debt	2,111	2,116
Nonpension postretirement benefits	275	278
Other liabilities, including deferred income taxes of \$479 and \$463	745	721
Non-current liabilities of discontinued operations held for sale		25
<b>Total liabilities</b>	<b>5,630</b>	6,102
Shareowners' equity		
Preferred stock; authorized 40 shares; none issued		
Capital stock, \$.0375 par value; authorized 560 shares; issued 542 shares	20	20
Additional paid-in capital	333	352
Earnings retained in the business	6,960	6,539
Capital stock in treasury, at cost	(5,849)	(5,147)

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Accumulated other comprehensive income / (loss)	(9)	4
Total shareowners' equity	<b>1,455</b>	1,768
Total liabilities and shareowners' equity	<b>\$ 7,085</b>	\$ 7,870

See Notes to Consolidated Financial Statements.

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Table of ContentsCAMPBELL SOUP COMPANY CONSOLIDATEDStatements of Cash Flows(unaudited)  
(millions)

	Six Months Ended	
	January 28, 2007	January 29, 2006
Cash flows from operating activities:		
Net earnings	\$ 576	\$ 556
Non-cash charges to net earnings		
Change in accounting method (Note h)		(8)
Stock-based compensation	41	41
Resolution of tax contingency (Note k)		(60)
Depreciation and amortization	132	137
Deferred income taxes	(42)	2
Other, net	38	38
Changes in working capital		
Accounts receivable	(259)	(209)
Inventories	(3)	47
Prepaid assets	(6)	9
Accounts payable and accrued liabilities	48	152
Pension fund contributions	(27)	(41)
Payments of hedging activities related to divested businesses (Note b)	(83)	
Gain on sale of businesses (Note b)	(39)	
Gain on sale of facility	(23)	
Other	(25)	(15)
Net cash provided by operating activities	328	649
Cash flows from investing activities:		
Purchases of plant assets	(121)	(85)
Sales of plant assets	22	1
Sales of businesses, net of cash divested (Note b)	884	
Other, net	8	
Net cash provided by (used in) investing activities	793	(84)
Cash flows from financing activities:		
Long-term repayments	(8)	
Repayments of notes payable	(300)	
Net short-term repayments	(83)	(105)
Dividends paid	(153)	(144)
Treasury stock purchases	(842)	(127)
Treasury stock issuances	81	38
Excess tax benefits on stock-based compensation	11	1



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Net cash used in financing activities	<b>(1,294)</b>	(337)
Effect of exchange rate changes on cash	<b>(1)</b>	(1)
Net change in cash and cash equivalents	<b>(174)</b>	227
Cash and cash equivalents beginning of period	<b>657</b>	40
Cash and cash equivalents end of period	<b>\$ 483</b>	\$ 267

See Notes to Consolidated Financial Statements.

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**Table of Contents****CAMPBELL SOUP COMPANY CONSOLIDATED  
Statements of Shareowners' Equity**

(unaudited)

(millions, except per share amounts)

	Capital Stock		Additional	Earnings	Accumulated	Total			
	Issued	In Treasury					Paid-in	Retained	Other
	Shares	Amount	Shares	Amount	Capital	Business	Comprehensive	Income	Equity
Balance at July 31, 2005	542	\$ 20	(134)	\$(4,832)	\$ 236	\$6,069	\$(223)		\$ 1,270
Comprehensive income (loss)									
Net earnings						556			556
Foreign currency translation adjustments							3		3
Cash-flow hedges, net of tax							1		1
Minimum pension liability, net of tax							(2)		(2)
Other comprehensive income							2		2
Total comprehensive income									558
Dividends (\$.36 per share)						(148)			(148)
Treasury stock purchased			(4)	(127)					(127)
Treasury stock issued under management incentive and stock option plans			1	(37)	105				68
Balance at January 29, 2006	542	\$ 20	(137)	\$(4,996)	\$ 341	\$6,477	\$(221)		\$ 1,621
<b>Balance at July 30, 2006</b>	<b>542</b>	<b>\$ 20</b>	<b>(140)</b>	<b>\$(5,147)</b>	<b>\$ 352</b>	<b>\$6,539</b>	<b>\$ 4</b>		<b>\$ 1,768</b>
Comprehensive income (loss)									
Net earnings						576			576
Foreign currency translation adjustments							(37)		(37)
Cash-flow hedges, net of tax							7		7
Minimum pension liability, net of tax							17		17
Other comprehensive loss							(13)		(13)
Total comprehensive income									563
Dividends (\$.40 per share)						(155)			(155)
Treasury stock purchased			(22)	(814)	(28)				(842)
Treasury stock issued under management incentive and stock option plans			3	112	9				121

<b>Balance at January 28, 2007</b>	<b>542</b>	<b>\$ 20</b>	<b>(159)</b>	<b>\$(5,849)</b>	<b>\$ 333</b>	<b>\$6,960</b>	<b>\$ (9)</b>	<b>\$ 1,455</b>
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See Notes to Consolidated Financial Statements.

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**CAMPBELL SOUP COMPANY CONSOLIDATED**  
**Notes to Consolidated Financial Statements**

(unaudited)

(dollars in millions, except per share amounts)

(a) **Basis of Presentation / Accounting Policies**

The financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results of operations, financial position, and cash flows for the indicated periods. All such adjustments are of a normal recurring nature. The accounting policies used in preparing these financial statements are consistent with those applied in the Annual Report on Form 10-K for the year ended July 30, 2006. Certain reclassifications were made to the prior year amounts to conform with the current presentation. The results for the period are not necessarily indicative of the results to be expected for other interim periods or the full year.

(b) **Discontinued Operations**

On August 15, 2006, the company completed the sale of its businesses in the United Kingdom and Ireland for £460, or approximately \$870, pursuant to a Sale and Purchase Agreement dated July 12, 2006. The United Kingdom and Ireland businesses included *Homepride* sauces, *OXO* stock cubes, *Batchelors* soups and *McDonnells* and *Erin* soups. The Sale and Purchase Agreement provides for working capital and other post-closing adjustments. The company has reflected the results of these businesses as discontinued operations in the consolidated statements of earnings for all periods presented. In the first quarter 2007, the company recorded a pre-tax gain of \$36 (\$22 after tax) on the sale of the businesses. In the second quarter 2007, the post-closing adjustments were finalized. Additional proceeds of \$19 were received and an incremental pre-tax gain of \$3 (\$1 after tax) was recorded.

In connection with the sale, the company recorded deferred tax expense of \$56 in the fourth quarter 2006, which was recognized in accordance with Emerging Issues Task Force Issue No. 93-17 Recognition of Deferred Tax Assets for a Parent Company's Excess Tax Basis in the Stock of a Subsidiary That is Accounted for as a Discontinued Operation due to book/tax basis differences of these businesses. In addition, the company recorded \$7 pre-tax (\$5 after tax) of costs associated with the sale, for a total net after-tax cost of \$61 recognized in the fourth quarter 2006.

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Results of discontinued operations were as follows:

	Three Months Ended		Six Months Ended	
	January 28, 2007	January 29, 2006	January 28, 2007	January 29, 2006
Net sales	\$	\$ 122	\$ 16	\$ 230
Earnings from operations before taxes	\$	\$ 20	\$	\$ 40
Pre-tax gain on sale	3		39	
Taxes on earnings operations		5		9
Tax impact of gain on sale	2		16	
Earnings from discontinued operations	\$ 1	\$ 15	\$ 23	\$ 31

The company used approximately \$620 of the net proceeds to repurchase shares. On September 28, 2006, the company entered into accelerated share repurchase agreements with a financial institution to repurchase approximately \$600 of stock. See Note (m) to the Consolidated Financial Statements for additional information.

Upon completion of the sale, the company paid \$83 to settle cross-currency swap contracts and foreign exchange forward contracts which hedged exposures related to the businesses.

**(c) Stock-based Compensation**

The company provides compensation benefits by issuing stock options, stock appreciation rights, unrestricted stock, restricted stock (including EPS performance restricted stock and total shareowner return (TSR) performance restricted stock) and restricted stock units. In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004)

Share-Based Payment (SFAS No. 123R), which requires stock-based compensation to be measured based on the grant-date fair value of the awards and the cost to be recognized over the period during which an employee is required to provide service in exchange for the award. The company adopted the provisions of SFAS No. 123R as of August 1, 2005. SFAS No. 123R was adopted using the modified prospective transition method.

Total pre-tax stock-based compensation recognized in the Statements of Earnings was \$24 and \$27 for the second quarter ended January 28, 2007 and January 29, 2006, respectively. Tax related benefits of \$9 and \$10 were also recognized for the second quarter of 2007 and 2006, respectively. Total pre-tax stock-based compensation recognized in the Statements of Earnings was \$41 for the six months ended January 28, 2007 and January 29, 2006. Tax related benefits of \$15 were also recognized for the six months ended January 28, 2007 and January 29, 2006. Stock-based compensation associated with discontinued operations was not material. Cash received from the exercise of stock options was \$81 and \$38 for the six

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month periods ended January 28, 2007 and January 29, 2006, respectively, and is reflected in cash flows from financing activities in the Consolidated Statements of Cash Flows.

The following table summarizes stock option activity as of January 28, 2007:

(options in thousands)	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at July 30, 2006	30,607	\$ 27.77		
Granted				
Exercised	(3,017)	\$ 26.86		
Terminated	(903)	\$ 28.35		
Outstanding at January 28, 2007	26,687	\$ 27.86	5.6	\$ 275
Exercisable at January 28, 2007	23,755	\$ 28.01	5.3	\$ 242

The total intrinsic value of options exercised during the six months ended January 28, 2007 and January 29, 2006 was \$33 and \$6, respectively. As of January 28, 2007, total remaining unearned compensation related to unvested stock options was \$9, which will be amortized over the weighted-average remaining service period of less than 1 year. The company measures the fair value of stock options using the Black-Scholes option pricing model.

The following table summarizes time-lapse restricted stock and EPS performance restricted stock as of January 28, 2007:

(restricted stock in thousands)	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at July 30, 2006	3,397	\$ 27.92
Granted	1,227	\$ 35.98
Vested	(645)	\$ 28.94
Forfeited	(112)	\$ 28.99
Nonvested at January 28, 2007	3,867	\$ 30.28

The fair value of time-lapse restricted stock and EPS performance restricted stock is determined based on the number of shares granted and the quoted price of the company's stock at the date of grant. Time-lapse restricted stock granted in fiscal 2004 and 2005 is expensed on a graded-vesting basis. Time-lapse restricted stock granted in fiscal 2006 and 2007 is 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 restricted stock is expensed on a graded-vesting basis, except for awards issued to retirement-eligible participants, which are expensed on an accelerated basis.

As of January 28, 2007, total remaining unearned compensation related to nonvested time-lapse restricted stock and EPS performance restricted stock was \$60, which will be amortized over the weighted-average remaining service period of 2 years. The fair value of restricted stock vested during the six months ended January 28, 2007 and

January 29, 2006 was \$24 and \$1, respectively.

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The following table summarizes TSR performance restricted stock as of January 28, 2007:

(restricted stock in thousands)	Shares	Weighted-Average Grant-Date Fair Value	
Nonvested at July 30, 2006	1,564	\$	28.73
Granted	1,344	\$	26.31
Vested	(10)	\$	28.73
Forfeited	(73)	\$	28.45
Nonvested at January 28, 2007	2,825	\$	27.59

The fair value of TSR performance restricted stock is estimated at the grant date using a Monte Carlo simulation. Expense is recognized on a straight-line basis over the service period. As of January 28, 2007, total remaining unearned compensation related to TSR performance restricted stock was \$52, which will be amortized over the weighted-average remaining service period of 2.2 years.

(d) Goodwill and Intangible Assets

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

	January 28, 2007		July 30, 2006	
	Carrying Amount	Accumulated Amortization	Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization <sup>1</sup> :				
Other	\$ 16	\$ (8)	\$ 15	\$ (7)
Intangible assets not subject to amortization:				
Trademarks	\$ 590		\$ 586	
Pension	2		2	
Total	\$ 592		\$ 588	

<sup>1</sup> Amortization related to these assets was less than \$1 for the six-month periods ended January 28, 2007 and January 29, 2006. The estimated aggregated



amortization  
expense for  
each of the five  
succeeding  
fiscal years is  
less than \$1 per  
year. Asset  
useful lives  
range from  
twelve to  
thirty-four  
years.

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Changes in the carrying amount for goodwill for the period ended January 28, 2007 are as follows:

	U.S. Soup, Sauces and Beverages	Baking and Snacking	International Soup and Sauces	Other	Total
Balance at July 30, 2006	\$ 428	\$ 617	\$ 569	\$ 151	\$ 1,765
Foreign currency translation adjustment		5	2		7
<b>Balance at January 28, 2007</b>	<b>\$ 428</b>	<b>\$ 622</b>	<b>\$ 571</b>	<b>\$ 151</b>	<b>\$ 1,772</b>

**(e) Comprehensive Income**

Total comprehensive income comprises net earnings, net foreign currency translation adjustments, minimum pension liability adjustments, and net unrealized gains (losses) on cash-flow hedges.

Total comprehensive income for the three months ended January 28, 2007 and January 29, 2006, was \$286 and \$265, respectively. Total comprehensive income for the six months ended January 28, 2007 and January 29, 2006, was \$563 and \$558, respectively.

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

	<b>January 28, 2007</b>	January 29, 2006
Foreign currency translation adjustments	\$ 49	\$ 38
Cash-flow hedges, net of tax	(8)	(19)
Minimum pension liability, net of tax <sup>1</sup>	(50)	(240)
<b>Total Accumulated other comprehensive loss</b>	<b>\$ (9)</b>	<b>\$ (221)</b>

<sup>1</sup> Includes a tax benefit of \$25 as of January 28, 2007 and \$141 as of January 29, 2006.

**(f) Earnings Per Share**

For the periods presented in the Statements of Earnings, the calculations of basic EPS and EPS assuming dilution vary in that the weighted average shares outstanding assuming dilution include the incremental effect of stock options and restricted stock programs, except when such effect would be antidilutive. The dilutive impact of the accelerated share repurchase agreements described in Note (m) was not material. Stock options to purchase 1 million shares of capital stock for both the three-month and six-month periods ended January 28, 2007 and 6 million shares of capital stock for both the three-month and six-month periods ended January 29, 2006 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, the effect would be antidilutive.

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(g) **Segment Information**

Campbell Soup Company, together with its consolidated subsidiaries, is a global manufacturer and marketer of high quality, branded convenience food products. The company manages and reports the results of operations in the following segments: U.S. Soup, Sauces and Beverages, Baking and Snacking, International Soup and Sauces, and Other.

The U.S. Soup, Sauces and Beverages segment includes the following retail businesses: *Campbell's* condensed and ready-to-serve soups; *Swanson* broth and canned poultry; *Prego* pasta sauce; *Pace* Mexican sauce; *Campbell's Chunky* chili; *Campbell's* canned pasta, gravies, and beans; *Campbell's Supper Bakes* meal kits; *V8* juice and juice drinks; and *Campbell's* tomato juice.

The Baking and Snacking segment includes the following businesses: *Pepperidge Farm* cookies, crackers, bakery and frozen products in U.S. retail; *Arnott's* biscuits in Australia and Asia Pacific; and *Arnott's* salty snacks in Australia.

The International Soup and Sauces segment includes the soup, sauce and beverage businesses outside of the United States, including Europe, Mexico, Latin America, the Asia Pacific region and the retail business in Canada. Also, see Note (b) to the Consolidated Financial Statements for additional information on the sale of the businesses in the United Kingdom and Ireland. These businesses were historically included in this segment. The results of operations of these businesses have been reflected as discontinued operations for all periods presented.

The balance of the portfolio reported in Other includes Godiva Chocolatier worldwide and the company's Away From Home operations, which represent 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 United States and Canada.

Accounting policies for measuring segment assets and earnings before interest and taxes are substantially consistent with those described in the company's 2006 Annual Report on Form 10-K. The company evaluates segment performance before interest and taxes. Away From Home products are principally produced by the tangible assets of the company's other segments, except for refrigerated soups, which are produced in a separate facility, and certain other products, which are produced under contract manufacturing agreements. Accordingly, with the exception of the designated refrigerated soup facility, plant assets are not allocated to the Away From Home operations. Depreciation, however, is allocated to Away From Home based on production hours.

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	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>Earnings</b>		<b>Earnings</b>	
	<b>Before</b>		<b>Before</b>	
	<b>Interest</b>		<b>Interest</b>	
	<b>Net</b>		<b>Net</b>	
	<b>Sales</b>	<b>and Taxes</b>	<b>Sales</b>	<b>and Taxes</b>
<b>U.S. Soup, Sauces and Beverages</b>	<b>\$ 1,028</b>	<b>\$ 274</b>	<b>\$ 2,080</b>	<b>\$ 596</b>
<b>Baking and Snacking</b>	<b>454</b>	<b>77</b>	<b>938</b>	<b>145</b>
<b>International Soup and Sauces</b>	<b>404</b>	<b>59</b>	<b>750</b>	<b>107</b>
<b>Other</b>	<b>366</b>	<b>70</b>	<b>637</b>	<b>96</b>
<b>Corporate <sup>1</sup></b>		<b>(35)</b>		<b>(61)</b>
<b>Total</b>	<b>\$ 2,252</b>	<b>\$ 445</b>	<b>\$ 4,405</b>	<b>\$ 883</b>

January 29, 2006

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>Earnings</b>		<b>Earnings</b>	
	<b>Before</b>		<b>Before</b>	
	<b>Interest</b>		<b>Interest</b>	
	<b>Net</b>		<b>Net</b>	
	<b>Sales</b>	<b>and Taxes</b>	<b>Sales</b>	<b>and Taxes <sup>2</sup></b>
<b>U.S. Soup, Sauces and Beverages</b>	<b>\$ 1,018</b>	<b>\$ 242</b>	<b>\$ 1,988</b>	<b>\$ 530</b>
<b>Baking and Snacking</b>	<b>429</b>	<b>40</b>	<b>887</b>	<b>90</b>
<b>International Soup and Sauces</b>	<b>361</b>	<b>61</b>	<b>673</b>	<b>96</b>
<b>Other</b>	<b>351</b>	<b>69</b>	<b>613</b>	<b>95</b>
<b>Corporate<sup>1</sup></b>		<b>(29)</b>		<b>(47)</b>
<b>Total</b>	<b>\$ 2,159</b>	<b>\$ 383</b>	<b>\$ 4,161</b>	<b>\$ 764</b>

<sup>1</sup> Represents unallocated corporate expenses.

<sup>2</sup> Contributions to earnings before interest and

taxes by  
segment include  
the effect of a  
\$13 benefit due  
to a change in  
the method of  
accounting for  
certain U.S.  
inventories from  
the LIFO  
method to the  
average cost  
method as  
follows: U.S.  
Soup, Sauces  
and Beverages  
\$8 and Baking  
and Snacking  
\$5.

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Historical information on the reporting segments is as follows:

**Fiscal Year 2006****Net Sales:**

	Quarter Ended		Year to Date	
	April 30, 2006	July 30, 2006	April 30, 2006	July 30, 2006
U.S. Soup, Sauces and Beverages	\$ 713	\$ 556	\$ 2,701	\$ 3,257
Baking and Snacking	422	438	1,309	1,747
International Soup and Sauces	322	260	995	1,255
Other	271	200	884	1,084
Total	\$ 1,728	\$ 1,454	\$ 5,889	\$ 7,343

**Earnings Before Interest and Taxes:**

	Quarter Ended		Year to Date	
	April 30, 2006	July 30, 2006	April 30, 2006	July 30, 2006
U.S. Soup, Sauces and Beverages	\$ 171	\$ 114	\$ 701	\$ 815
Baking and Snacking	35	62	125	187
International Soup and Sauces	43	5	139	144
Other	27	(12)	122	110
Corporate	(28)	(30)	(75)	(105)
Total	\$ 248	\$ 139	\$ 1,012	\$ 1,151

**Table of Contents****Fiscal Year 2005****Net Sales:**

	October 31, 2004	Quarter Ended			Year to Date		
		January 30, 2005	May 1, 2005	July 31, 2005	January 30, 2005	May 1, 2005	July 31, 2005
U.S. Soup, Sauces and Beverages	\$ 994	\$ 956	\$ 627	\$ 521	\$ 1,950	\$ 2,577	\$ 3,098
Baking and Snacking	449	433	421	439	882	1,303	1,742
International Soup and Sauces	294	364	313	256	658	971	1,227
Other	232	332	253	188	564	817	1,005
Total	\$ 1,969	\$ 2,085	\$ 1,614	\$ 1,404	\$ 4,054	\$ 5,668	\$ 7,072

**Earnings Before Interest and Taxes:**

	October 31, 2004	Quarter Ended			Year to Date		
		January 30, 2005	May 1, 2005	July 31, 2005	January 30, 2005	May 1, 2005	July 31, 2005
U.S. Soup, Sauces and Beverages	\$ 275	\$ 216	\$ 152	\$ 104	\$ 491	\$ 643	\$ 747
Baking and Snacking	46	47	36	69	93	129	198
International Soup and Sauces	36	50	40	17	86	126	143
Other	22	72	27	(11)	94	121	110
Corporate	(17)	(16)	(15)	(18)	(33)	(48)	(66)
Total	\$ 362	\$ 369	\$ 240	\$ 161	\$ 731	\$ 971	\$ 1,132



**Table of Contents**(h) Inventories

	<b>January 28, 2007</b>	July 30, 2006
Raw materials, containers and supplies	<b>\$ 260</b>	\$ 252
Finished products	<b>470</b>	476
	<b>\$ 730</b>	\$ 728

As of August 1, 2005, the company changed the method of accounting for certain U.S. inventories from the last in, first out (LIFO) method to the average cost method. The impact of the change was a pre-tax \$13 benefit (\$8 after tax or \$.02 per share) recorded in the first quarter 2006. Prior periods were not restated since the impact of the change on previously issued financial statements was not considered material.

(i) Accounting for Derivative Instruments

The company utilizes certain derivative financial instruments to enhance its ability to manage risk including interest rate, foreign currency, commodity and certain equity-linked employee compensation exposures that exist as part of ongoing business operations. A description of the company's use of derivative instruments is included in the Annual Report on Form 10-K for the year ended July 30, 2006.

*Interest Rate Swaps*

The notional amounts of outstanding fair-value interest rate swaps at January 28, 2007 totaled \$775 with a maximum maturity date of October 2013. The fair value of such instruments was a loss of \$22 as of January 28, 2007.

The notional amounts of outstanding variable-to-fixed interest rate swaps accounted for as cash-flow hedges was \$155 as of January 28, 2007. The fair value of the swaps was not material as of January 28, 2007.

*Foreign Currency Contracts*

The fair value of foreign exchange forward and cross-currency swap contracts accounted for as cash-flow hedges was a loss of \$127 at January 28, 2007. The notional amount was \$504 at January 28, 2007.

The company also enters into certain foreign exchange forward and variable-to-variable cross-currency swap contracts that are not designated as accounting hedges. These instruments are primarily intended to reduce volatility of certain intercompany financing transactions. The fair value of these instruments was a loss of \$3 at January 28, 2007. The notional amount was \$185 at January 28, 2007.

Foreign exchange forward contracts typically have maturities of less than eighteen months. Cross-currency swap contracts mature in 2007 through 2014. Principal currencies include the Australian dollar, Canadian dollar, euro, Japanese yen, and Swedish krona.

As of January 28, 2007, the accumulated derivative net loss in other comprehensive income for cash-flow hedges, including the foreign exchange forward and cross-currency contracts,

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forward starting swap contracts, and treasury lock agreements was \$8, net of tax. As of January 29, 2006, the accumulated derivative net loss in other comprehensive income was \$19, net of tax. Reclassifications from Accumulated other comprehensive income (loss) into the Statements of Earnings during the six-month period ended January 28, 2007 were losses of \$6, primarily for derivatives which hedged exposures related to the businesses in the United Kingdom and Ireland sold in August 2006. Reclassifications during the remainder of 2007 are not expected to be material. At January 28, 2007, the maximum maturity date of any cash-flow hedge was August 2013.

(j) **Pension and Postretirement Medical Benefits**

The company sponsors certain defined benefit plans and postretirement medical benefit plans for employees. Components of benefit expense were as follows:

<b>Three Months Ended</b>	<b>Pension</b>		<b>Postretirement</b>	
	<b>January 28, 2007</b>	<b>January 29, 2006</b>	<b>January 28, 2007</b>	<b>January 29, 2006</b>
Service cost	\$ 12	\$ 14	\$ 1	\$ 1
Interest cost	28	28	6	5
Expected return on plan assets	(39)	(40)		
Amortization of prior service cost			(1)	
Recognized net actuarial loss	7	10		1
Net periodic benefit expense	\$ 8	\$ 12	\$ 6	\$ 7
<b>Six Months Ended</b>	<b>Pension</b>		<b>Postretirement</b>	
	<b>January 28, 2007</b>	<b>January 29, 2006</b>	<b>January 28, 2007</b>	<b>January 29, 2006</b>
Service cost	\$ 24	\$ 28	\$ 2	\$ 2
Interest cost	56	56	11	10
Expected return on plan assets	(78)	(81)		
Amortization of prior service cost		1	(1)	(1)
Recognized net actuarial loss	14	21		2
Net periodic benefit expense	\$ 16	\$ 25	\$ 12	\$ 13

Pension expense of \$2 and \$4 was recorded by the United Kingdom and Ireland businesses for the three- and six-month periods ended January 28, 2006 and is included in Earnings from discontinued operations. See Note (b) to the Consolidated Financial Statements for additional information.

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In the first quarter 2007, the company made a \$22 voluntary contribution to a U.S. pension plan. Additional contributions to the U.S. pension plans are not expected this fiscal year. Contributions of \$5 were made to the non-U.S. plans as of January 28, 2007.

(k) Contingencies

On March 30, 1998, the company effected a spinoff of several of its non-core businesses to Vlastic Foods International Inc. (VFI). VFI and several of its affiliates (collectively, Vlastic) commenced cases under Chapter 11 of the Bankruptcy Code on January 29, 2001 in the United States Bankruptcy Court for the District of Delaware. Vlastic's Second Amended Joint Plan of Distribution under Chapter 11 (the Plan) was confirmed by an order of the Bankruptcy Court dated November 16, 2001, and became effective on or about November 29, 2001. The Plan provides for the assignment of various causes of action allegedly belonging to the Vlastic estates, including claims against the company allegedly arising from the spinoff, to VFB L.L.C., a limited liability company (VFB) whose membership interests are to be distributed under the Plan to Vlastic's general unsecured creditors.

On February 19, 2002, VFB commenced a lawsuit against the company and several of its subsidiaries in the United States District Court for the District of Delaware alleging, among other things, fraudulent conveyance, illegal dividends and breaches of fiduciary duty by Vlastic directors alleged to be under the company's control. The lawsuit seeks to hold the company liable in an amount necessary to satisfy all unpaid claims against Vlastic (which VFB estimates in the amended complaint to be \$200), plus unspecified exemplary and punitive damages.

Following a trial on the merits, on September 13, 2005, the District Court issued Post-Trial Findings of Fact and Conclusions of Law, ruling in favor of the company and against VFB on all claims. The Court ruled that VFB failed to prove that the spinoff was a constructive or actual fraudulent transfer. The Court also rejected VFB's claim of breach of fiduciary duty, VFB's claim that VFI was an alter ego of the company, and VFB's claim that the spinoff should be deemed an illegal dividend. On November 1, 2005, VFB appealed the decision to the United States Court of Appeals for the Third Circuit. While the ultimate disposition of complex litigation is inherently difficult to assess, the company continues to believe this action is without merit and is defending the case vigorously.

The company received an Examination Report from the Internal Revenue Service (IRS) on December 23, 2002, which included a challenge to the treatment of gains and interest deductions claimed in the company's fiscal 1995 federal income tax return, relating to transactions involving government securities. If the proposed adjustment had been upheld, it would have required the company to pay a net amount of over \$100 in taxes, accumulated interest and penalties. The company had maintained a reserve for a portion of this contingency. In November 2005, the company negotiated a settlement of this matter with the IRS. As a result of the settlement in the first quarter ended October 30, 2005, the company adjusted tax reserves and recorded a \$47 tax benefit. In addition, the company reduced interest expense and accrued interest payable by \$21 and adjusted deferred tax expense by \$8 (\$13 after tax) in the same quarter. The aggregate non-cash impact of the settlement on earnings from continuing operations was \$60, or \$.14 per share. The settlement did not have a material impact on the company's consolidated cash flow.

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The company is a party to other legal proceedings and claims, tax issues and environmental matters arising out of the normal course of business.

Management assesses the probability of loss for all legal proceedings and claims, tax issues and environmental matters 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, tax issues and environmental matters will not have a material adverse effect on the consolidated results of operations or financial condition of the company.

(l) **Supplemental Cash Flow Information**

Other cash used in operating activities for the six-month periods is comprised of the following:

	<b>January 28, 2007</b>	January 29, 2006
Receipts/(Payments) for hedging activities	\$ (3)	\$ 1
Benefit related payments	(18)	(16)
Other	(4)	
	<b>\$ (25)</b>	<b>\$ (15)</b>

(m) **Accelerated Share Repurchase Agreements**

On September 28, 2006, the company entered into two accelerated share repurchase agreements (Agreements) with Lehman Brothers Finance S.A. (Lehman), an affiliate of Lehman Brothers Inc. Under the first Agreement (the Fixed Share ASR), the company purchased approximately 8.3 million shares of its stock from Lehman for \$300, or \$35.95 per share. Lehman is expected to purchase an equivalent number of shares under the Fixed Share ASR. At the end of the Fixed Share ASR's term, the company may receive from, or be required to pay to, Lehman a price adjustment based upon the volume weighted-average price of the company's common stock during the period Lehman purchases the equivalent number of shares. The price adjustment may be settled at the company's option in shares of the company's stock or cash. The price adjustment is accounted for as an equity instrument and changes in its fair value are not recorded. Upon settlement, which is expected to occur in the fourth quarter of 2007, the price adjustment will be recorded as equity. If the stock price from January 28, 2007 through the end of the term of the Agreement remains at the January 28, 2007 closing price of \$38.18, then the company would owe Lehman a price adjustment of approximately \$12 upon settlement, which is payable in cash or company stock.

Under the second Agreement (the Fixed Dollar ASR), the company purchased approximately \$300 of its common stock from Lehman. Lehman made an initial delivery of 6.3 million shares on September 29, 2006 at \$35.95 per share, and a second delivery of 1.3 million shares on October 25, 2006 at \$36.72 per share. The \$273 purchase price for these initial deliveries has been recorded as capital stock in treasury, at cost. The remaining \$28 has been recorded as a reduction of additional paid-in capital and will be reclassified to capital stock in treasury upon settlement of the Fixed Dollar ASR. The exact number of additional shares (if any) to be delivered to the company at settlement under the Fixed Dollar ASR will be based on the volume weighted-average price of company stock during

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the term of the Fixed Dollar ASR, subject to a minimum and maximum price for the purchased shares. Lehman is expected to purchase a number of shares equivalent to the number delivered to the company under the Fixed Dollar ASR. The Fixed Dollar ASR is expected to be completed in the fourth quarter of fiscal 2007. If the stock price from January 28, 2007 through the end of the term of the Agreement remains at the January 28, 2007 closing price of \$38.18, then Lehman would deliver to the company approximately 400,000 shares upon settlement, which have a value of approximately \$15 as of January 28, 2007.

(n) **Recently Issued Accounting Pronouncements**

In October 2004, the American Jobs Creation Act (the AJCA) was signed into law. The AJCA provides for a deduction of 85% of certain non-U.S. earnings that are repatriated, as defined by the AJCA, and a phased-in tax deduction related to profits from domestic manufacturing activities. In December 2004, the FASB issued FASB Staff Position FAS 109-1 and 109-2 to address the accounting and disclosure requirements related to the AJCA. The total amount repatriated in 2006 under the AJCA was \$494 and the related tax cost was \$20. In 2005, the company recorded tax expense of \$7 associated with \$200 of anticipated earnings to be repatriated. In 2006, the company finalized its plan under the AJCA and recorded \$13 in tax expense for \$294 of earnings repatriated. Of this amount, \$1 was recorded in the second quarter of 2006 and \$9 in the six-month period ended January 29, 2006.

In July 2006, the FASB issued FASB Interpretation No. 48 (FIN 48) Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109. FIN 48 clarifies the criteria that must be met for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. This Interpretation also addresses derecognition, recognition of related penalties and interest, classification of liabilities and disclosures of unrecognized tax benefits. FIN 48 is effective for fiscal years beginning after December 15, 2006. The company is currently evaluating the impact of FIN 48.

In September 2006, the FASB issued SFAS No. 157 Fair Value Measurements, which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 establishes a definition of fair value, provides a framework for measuring fair value and expands the disclosure requirements about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted. The company is currently evaluating the impact of SFAS No. 157.

In September 2006, the FASB issued SFAS No. 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R). SFAS No. 158 requires an employer to recognize the funded status of defined benefit postretirement plans as an asset or liability on the balance sheet and requires any unrecognized prior service cost and actuarial gains/losses to be recognized in other comprehensive income. In addition, SFAS No. 158 requires that changes in the funded status of a defined benefit postretirement plan be recognized in comprehensive income in the year in which the changes occur. The requirement to recognize the funded status of a defined benefit postretirement plan and other disclosure requirements of SFAS No. 158 are effective for fiscal years ending after December 15, 2006. The company will adopt SFAS No. 158 as of the end of fiscal 2007. The company had net unrecognized defined benefit

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pension and postretirement benefit plan obligations of approximately \$550 as of July 30, 2006. If this standard had been adopted as of July 30, 2006, these amounts would have been recognized in comprehensive income, net of deferred tax benefits, resulting in a reduction of approximately \$350 in shareowners' equity. Since plan assets and obligations are measured on an annual basis as of the end of the fiscal year, the actual impact on the company's balance sheet will depend on the factors affecting this measurement as of July 29, 2007. The adoption will not impact the consolidated results of operations or cash flows of the company.

In February 2007, the FASB issued SFAS No. 159 - The Fair Value Option for Financial Assets and Liabilities Including an amendment of FASB Statement No. 115. SFAS No. 159 allows companies to choose, at specific election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The company is currently evaluating the impact of SFAS No. 159.

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**ITEM 2.**

**CAMPBELL SOUP COMPANY CONSOLIDATED  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

**Overview**

On August 15, 2006, the company completed the sale of its businesses in the United Kingdom and Ireland for £460 million, or approximately \$870 million, pursuant to a Sale and Purchase Agreement dated July 12, 2006. The United Kingdom and Ireland businesses included *Homepride* sauces, *OXO* stock cubes, *Batchelors* soups and *McDonnells* and *Erin* soups. The purchase price was subject to working capital and other post-closing adjustments, which resulted in an additional \$19 million of proceeds. The company has reflected the results of these businesses as discontinued operations in the consolidated statements of earnings for all periods presented. The company used approximately \$620 million of the net proceeds to purchase company stock. See Note (m) to the Consolidated Financial Statements for additional information.

The company reported earnings from continuing operations of \$284 million for the second quarter ended January 28, 2007, versus \$239 million in the comparable quarter a year ago. Earnings per share from continuing operations were \$.72 compared to \$.58 a year ago. (All earnings per share amounts included in Management's Discussion and Analysis are presented on a diluted basis.) Net sales increased 4% to \$2.3 billion in 2007 from \$2.2 billion last year.

Earnings from continuing operations and earnings per share from continuing operations in the current quarter included a pre-tax gain of \$23 million (\$14 million after tax or \$.04 per share) from the sale of an idle manufacturing facility.

In addition, the comparability of earnings per share from continuing operations was impacted by the use of proceeds from the sale of the United Kingdom and Ireland businesses in the first quarter 2007. During the first quarter 2007, the company completed its previously announced program utilizing \$620 million of the net proceeds to repurchase shares.

The pro forma impact on the year-ago quarter of utilizing those proceeds to repurchase 17 million shares (based on the average stock price in the first quarter) and reduce shares outstanding in the calculation of earnings per share from continuing operations for the quarter ended January 29, 2006 would have resulted in a \$.02 increase in earnings per share from continuing operations. The remaining increase in earnings from continuing operations from 2006 was due to the increase in sales and gross margin as a percentage of sales, partially offset by higher administrative expenses.

For the six months ended January 28, 2007, earnings from continuing operations were \$553 million compared to \$525 million a year ago. Earnings per share from continuing operations were \$1.38 compared to \$1.27 a year ago.

Earnings from continuing operations and earnings per share from continuing operations in the current year included the pre-tax gain of \$23 million (\$14 million after tax or \$.04 per share) from the sale of an idle manufacturing facility.

As previously disclosed, in 2006, the following tax matters and change in accounting method were recorded in the first quarter and impacted earnings from continuing operations and earnings per share from continuing operations:

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The company recorded a non-cash tax benefit of \$47 million resulting from the favorable resolution of a U.S. tax contingency related to a prior period. In addition, the company reduced interest expense and accrued interest payable by \$21 million and adjusted deferred tax expense by \$8 million (\$13 million after tax). The aggregate non-cash impact of the settlement on earnings was \$60 million, or \$.14 per share.

The company changed the method of determining the cost of certain U.S. inventories from the LIFO method to the average cost method. As a result, the company recorded a \$13 million pre-tax gain (\$8 million after tax or \$.02 per share) from the change in accounting method.

The company recorded incremental tax expense of \$8 million, or \$.02 per share, associated with the repatriation of earnings under the American Jobs Creation Act (the AJCA).

The items impacting comparability are summarized below:

(millions, except per share amounts)	2007		2006	
	Earnings Impact	EPS Impact	Earnings Impact	EPS Impact
Earnings from continuing operations	\$ 553	\$ 1.38	\$ 525	\$ 1.27
Gain on the sale of facility	\$ 14	\$ 0.04	\$	\$
Favorable resolution of a U.S. tax contingency			60	0.14
Impact of change in inventory method			8	0.02
Tax expense on repatriation of earnings under the AJCA			(8)	(0.02)
Impact of significant items on continuing operations	\$ 14	\$ 0.04	\$ 60	\$ 0.14

In addition, the comparability of earnings per share from continuing operations was impacted by the use of proceeds from the sale of the United Kingdom and Ireland businesses previously discussed. The pro forma impact on the year-ago period of utilizing \$620 million of those proceeds to repurchase 17 million shares (based on the average stock price in the first quarter) and reduce shares outstanding in the calculation of earnings per share from continuing operations for the six months ended January 29, 2006 would have resulted in a \$.05 increase in earnings per share from continuing operations.

The remaining increase in earnings from continuing operations was primarily due to the increase in sales and gross margin as a percentage of sales, partially offset by higher administrative expenses.



**Table of Contents****SECOND QUARTER****Sales**

An analysis of net sales by reportable segment follows:

	(millions)		
	2007	2006	% Change
U.S. Soup, Sauces and Beverages	<b>\$1,028</b>	\$1,018	1%
Baking and Snacking	<b>454</b>	429	6
International Soup and Sauces	<b>404</b>	361	12
Other	<b>366</b>	351	4
	<b>\$2,252</b>	\$2,159	4%

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

	U.S. Soup, Sauces and Beverages	Baking and Snacking	International Soup and Sauces	Other	Total
Volume and Mix	(2)%	1%	6%	1%	1%
Price and Sales Allowances	3	3		3	2
Increased Promotional Spending <sup>1</sup>				(1)	
Currency		2	6	1	1
	1%	6%	12%	4%	4%

<sup>1</sup> Represents revenue reductions from trade promotion and consumer coupon redemption programs.

In U.S. Soup, Sauces and Beverages, total U.S. soup sales decreased 1% as condensed soup sales were equal to prior year, ready-to-serve soup sales decreased 6% and broth sales increased 15%. Soup sales were negatively impacted by lower seasonal customer inventory builds in the current quarter. Within condensed soup, sales gains in cooking varieties, which responded well to new casserole focused advertising, were offset by a decline in eating varieties. The ready-to-serve sales decrease was primarily due to declines in *Campbell's Chunky* and *Campbell's Select* soups. However, sales of *Campbell's Select Gold Label* premium soups and sales of the convenience platform, which includes soups in microwavable bowls and cups, grew in the quarter. The *Swanson* broth sales increase was due to successful holiday promotional activity and higher levels of more effective advertising. Sales of *Prego* pasta sauces grew due to higher and more effective advertising and promotional activity. Sales of *Pace* Mexican sauces decreased slightly due to a decline in marketing activity. Beverage sales grew significantly as *V8* vegetable juice sales increased double digits primarily due to lower sodium varieties. *V8 V-Fusion*, which was introduced in the year-ago quarter, also contributed to sales growth.

In Baking and Snacking, Pepperidge Farm reported sales increases in its bakery and cookies and crackers businesses, partially offset by a slight decline in the frozen business. Sales of bakery



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products increased primarily due to the performance of *Pepperidge Farm* whole grain breads. Sales of *Pepperidge Farm Goldfish* snack crackers increased double digits due to the performance of 100-calorie packs, expanded distribution of single-serve packages, and consumer response to higher levels of advertising. Frozen sales decreased slightly due to the loss of distribution of pot pies in the club channel. Arnott's sales increased, primarily due to the favorable impact of currency and the growth of chocolate cookie varieties, principally in the *Tim Tam* brand. These gains were partially offset by declines in the snack foods business.

In International Soup and Sauces, sales increased in Europe primarily due to the favorable impact of currency and growth in the business in Germany due to successful promotional activity and expanded distribution. In addition, Canada sales increased driven by strong performances in ready-to-serve soup and aseptically-packaged broth and the favorable impact of currency.

In Other, Godiva Chocolatier sales increased in North America, Europe and Asia. In North America, Godiva Chocolatier sales to wholesale customers and through direct channels increased while same-store sales declined slightly. Away From Home sales increased primarily due to strong growth of frozen and canned soups and beverages, partially offset by a decline in refrigerated soups.

**Gross Margin**

Gross margin, defined as Net sales less Cost of products sold, increased \$58 million in 2007. As a percent of sales, gross margin increased from 42.1% in 2006 to 42.9% in 2007. The percentage point increase was due to productivity improvements (approximately 1.6 percentage points) and higher selling prices (approximately 1.4 percentage points), partially offset by cost inflation and other factors (approximately 2.0 percentage points) and higher promotional spending (approximately 0.2 percentage points).

**Marketing and Selling Expenses**

Marketing and selling expenses increased 1% in 2007 as a result of higher selling expenses (approximately 1 percentage point) and the impact of currency (approximately 1 percentage point), offset by lower advertising (approximately 1 percentage point). As a percent of sales, Marketing and selling expenses were 16% in 2007 and 17% in 2006.

**Administrative Expenses**

Administrative expenses increased by \$12 million, or 8% in 2007, primarily due to higher compensation costs (approximately 4 percentage points), expenses related to the ongoing implementation of the SAP enterprise-resource planning system in North America (approximately 1 percentage point), expenses to establish businesses in Russia and China (approximately 1 percentage point) and the impact of currency (approximately 1 percentage point). As a percent of sales, Administrative expenses were 7% in both 2007 and 2006.

**Other Income**

Other income of \$20 million in 2007 included the \$23 million gain related to the sale of an idle manufacturing facility.

**Table of Contents****Operating Earnings**

Segment operating earnings increased 17% from the prior year.

An analysis of operating earnings by reportable segment follows:

	(millions)		
	2007	2006	% Change
U.S. Soup, Sauces and Beverages	\$ 274	\$ 242	13%
Baking and Snacking	77	40	93
International Soup and Sauces	59	61	(3)
Other	70	69	1
	<b>480</b>	412	17
Corporate	(35)	(29)	
	<b>\$ 445</b>	\$ 383	16%

Earnings from U.S. Soup, Sauces and Beverages increased 13% in 2007 versus 2006. The increase was primarily due to higher selling prices, improved productivity, and lower advertising, which were partially offset by cost inflation and lower volume.

Earnings from Baking and Snacking increased \$37 million in 2007 from 2006. The current year included a gain of \$23 million related to the sale of an idle Pepperidge Farm manufacturing facility. Excluding this item, operating earnings increased double digits in both Pepperidge Farm and Arnott's.

Earnings from International Soup and Sauces declined 3% in 2007 versus 2006. The decline was primarily due to increased marketing expenses in Europe to support new products, partially offset by the favorable impact of currency. Earnings were also negatively impacted by expenses to establish the company's businesses in Russia and China. Earnings from Other increased 1%, or \$1 million in 2007 from 2006.

Corporate expenses increased \$6 million to \$35 million in 2007 from 2006. The increase was primarily due to higher compensation expenses and expenses associated with the ongoing implementation of the SAP enterprise-resource planning system in North America.

**Nonoperating Items**

Net interest expense decreased to \$39 million from \$43 million in the prior year, primarily due to lower levels of debt, higher interest income, and an increase in the amount of interest capitalized, partially offset by higher interest rates. The effective tax rate for the quarter was 30.0% in 2007. The effective rate for the year-ago quarter was 29.7%. The higher tax rate as compared to the year-ago period was due primarily to changes in the mix of income among taxing jurisdictions.

**Table of Contents****SIX MONTHS****Sales**

An analysis of net sales by reportable segment follows:

	(millions)		%
	2007	2006	Change
U.S. Soup, Sauces and Beverages	\$ 2,080	\$ 1,988	5%
Baking and Snacking	938	887	6
International Soup and Sauces	750	673	11
Other	637	613	4
	<b>\$ 4,405</b>	<b>\$ 4,161</b>	<b>6%</b>

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

	U.S. Soup, Sauces and Beverages	Baking and Snacking	International Soup and Sauces	Other	Total
Volume and Mix	1%	3%	5%	1%	2%
Price and Sales Allowances	3	2	1	3	3
Decreased/(Increased) Promotional Spending <sup>1</sup>	1			(1)	
Currency		1	5	1	1
	5%	6%	11%	4%	6%

<sup>1</sup> Represents revenue reductions from trade promotion and consumer coupon redemption programs.

In U.S. Soup, Sauces and Beverages, total U.S. soup sales increased 4%. Condensed and ready-to-serve soup sales each increased 4% and broth sales increased 11%. In condensed, sales of eating varieties increased due to higher levels of more effective advertising. Cooking varieties grew as a result of increased advertising focused on casseroles and other simple meals. Sales growth in ready-to-serve was driven by gains in *Campbell's Chunky* and *Campbell's Select* soups. The convenience platform, which includes soups in microwavable bowls and cups, grew double digits. The introduction in 2007 of new lower sodium varieties of condensed and ready-to-serve soups also contributed to the soup growth. *Swanson* broth sales grew due to increased advertising behind a more effective campaign and growth of aseptically-packaged products. Sales of *Prego* pasta sauces and *Pace* Mexican sauces increased. Beverage sales grew double digits as *V8* vegetable juice sales increased significantly. The introduction of *V8 V-Fusion*, which was launched during the second quarter a year ago, and the addition of new varieties also contributed to beverage sales growth.

In Baking and Snacking, Pepperidge Farm sales increased as a result of gains in the bakery and cookies and crackers businesses. The bakery sales growth was driven by gains in *Pepperidge Farm* whole grain breads. The cookies and crackers sales growth was primarily due to the performance of *Pepperidge Farm Goldfish* snack crackers. Arnott's sales increased, primarily due to strong branded

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sales performance and the favorable impact of currency, partially offset by a decline in the snack foods business. In International Soup and Sauces, sales increased in Europe primarily due to the favorable impact of currency and growth in the businesses in Germany and France. Sales in Asia Pacific increased driven by growth in the Australian soup business. In Canada, sales increased due to growth in ready-to-serve soups and aseptically-packaged broth and the favorable impact of currency.

In Other, sales increased due to Godiva Chocolatier sales growth in all regions. Away From Home sales increased primarily due to strong growth of frozen soups and beverages, partially offset by a decline in refrigerated and canned soups.

**Gross Margin**

Gross margin, defined as Net sales less Cost of products sold, increased \$129 million in 2007. As a percent of sales, gross margin increased from 42.2% in 2006 to 42.7% in 2007. The percentage point increase was due to higher selling prices (approximately 1.4 percentage points), productivity improvements (approximately 1.5 percentage points), favorable product mix (approximately 0.1 percentage points) and lower promotional spending (approximately 0.1 percentage points), partially offset by cost inflation and other factors (approximately 2.3 percentage points) and a benefit in the prior year from a change in the method of accounting for inventories (approximately 0.3 percentage points).

**Marketing and Selling Expenses**

Marketing and selling expenses increased by \$2 million in 2007 from 2006 as higher selling expenses (approximately 1 percentage point) and the favorable impact of currency (approximately 1 percentage point) were offset by lower advertising expenses (approximately 2 percentage points). As a percent of sales, Marketing and selling expenses were 15% in 2007 and 16% in 2006.

**Administrative Expenses**

Administrative expenses increased by \$22 million, or 8% in 2007, primarily due to higher compensation expenses (approximately 4 percentage points), costs associated with the ongoing implementation of the SAP enterprise-resource planning system in North America (approximately 1 percentage point), expenses to establish businesses in Russia and China (approximately 1 percentage point) and currency (approximately 1 percentage point). As a percent of sales, Administrative expenses were 7% in 2007 and 6% in 2006.

**Other Income**

Other income of \$18 million in 2007 included the \$23 million gain related to the sale of an idle manufacturing facility.

**Operating Earnings**

Segment operating earnings increased 16% from the prior year.

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An analysis of operating earnings by reportable segment follows:

	(millions)		
	2007	2006 <sup>1</sup>	% Change
U.S. Soup, Sauces and Beverages	\$ 596	\$ 530	12%
Baking and Snacking	145	90	61
International Soup and Sauces	107	96	11
Other	96	95	1
	<b>944</b>	811	16
Corporate	<b>(61)</b>	(47)	
	<b>\$ 883</b>	\$ 764	16%

<sup>1</sup> Includes a one-time benefit from change in method of accounting for certain U.S. inventories.

Earnings from U.S. Soup, Sauces and Beverages increased 12% in 2007 versus 2006. The 2006 results included an \$8 million benefit from the change in method of accounting for inventories. The increase was primarily due to higher selling prices, higher volume, improved productivity and lower marketing expenses, partially offset by higher cost inflation.

Earnings from Baking and Snacking increased \$55 million in 2007 from 2006. The current year included a gain of \$23 million related to the sale of an idle Pepperidge Farm manufacturing facility. The 2006 results included a \$5 million benefit from the change in method of accounting for inventories. The increase was primarily due to strong gains at Pepperidge Farm and Arnott's.

Earnings from International Soup and Sauces increased 11% in 2007 versus 2006. The increase was primarily due to double-digit increases in Canada and the favorable impact of currency, partially offset by lower earnings in Europe and expenses to establish businesses in Russia and China.

Earnings from Other increased by 1%, or \$1 million in 2007 from 2006.

Corporate expenses increased \$14 million from 2006 to \$61 million in 2007. The increase was primarily due to higher compensation expenses and costs associated with the ongoing implementation of the SAP enterprise-resource planning system in North America.

**Nonoperating Items**

Net interest expense increased to \$80 million from \$69 million in the prior year, primarily due to a non-cash reduction of \$21 million related to the favorable settlement of a U.S. tax contingency in the prior year. The remaining change was due to higher interest rates in the current year, partially offset by higher cash balances and an increase in capitalized interest.

The effective tax rate for the six months was 31.1% in 2007. The effective tax rate for the six months was 24.5% in 2006. The lower tax rate in the year-ago period was due to a non-cash tax benefit of \$47 million recorded in the prior year resulting from the favorable resolution of a U.S. tax



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contingency, the favorable resolution of the 1996-1999 U.S. federal tax audit and other audits, and tax planning strategies, partially offset by \$9 million incremental expense associated with the repatriation of non-U.S. earnings under the AJCA.

**Discontinued Operations**

The results of the company's businesses in the United Kingdom and Ireland are classified as discontinued operations. Results of the businesses are summarized below:

	(millions)	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
		<b>January 28, 2007</b>	January 29, 2006	<b>January 28, 2007</b>	January 29, 2006
Net sales		\$	\$ 122	\$ 16	\$ 230
Earnings from operations before taxes		\$	\$ 20	\$	\$ 40
Pre-tax gain on sale		3		39	
Taxes on earnings operations			5		9
Tax impact of gain on sale		2		16	
Earnings from discontinued operations		\$ 1	\$ 15	\$ 23	\$ 31

See also Note (b) to the Consolidated Financial Statements for additional information.

**Liquidity and Capital Resources**

The company generated cash from operations of \$328 million compared to \$649 million last year. The decrease is primarily related to higher increases in working capital and the payment of \$83 million to settle foreign currency hedges related to the divested United Kingdom and Ireland businesses.

Capital expenditures were \$121 million compared to \$85 million a year ago. Capital expenditures are expected to be approximately \$325 to \$350 million in 2007.

Net cash provided by investing activities in 2007 includes the proceeds from the sale of the businesses in the United Kingdom and Ireland, net of cash divested.

The repayment of notes payable in 2007 represents the cash paid for 6.90% notes due in October 2006.

Excluding shares owned and tendered by employees to satisfy tax withholding requirements on the vesting of restricted shares, the company repurchased 22 million shares and paid \$842 million in connection with repurchases in the six-month period ended January 28, 2007. The majority of these repurchases were made pursuant to the company's two publicly announced share repurchase programs. Under the first program, which was announced on November 21, 2005, the company's

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Board of Directors authorized the purchase of up to \$600 million of company stock through fiscal 2008. Under the second program, which was announced on August 15, 2006, the company's Board of Directors authorized using up to \$620 million of the net proceeds from the sale of the United Kingdom and Ireland businesses to purchase company stock. Pursuant to the August 2006 program, the company entered into two accelerated share repurchase agreements on September 28, 2006 with a financial institution to repurchase approximately \$600 million of stock. See also Note (m) to the Consolidated Financial Statements for more information on the accelerated share repurchase agreements. In addition to the two publicly announced share repurchase programs, 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. Excluding shares owned and tendered by employees to satisfy tax withholding requirements on the vesting of restricted shares, the company repurchased 4 million shares at a cost of \$127 million in the six-month period ended January 29, 2006. See "Unregistered Sales of Equity Securities and Use of Proceeds" for more information.

At January 28, 2007, the company had approximately \$745 million of notes payable due within one year and \$33 million of standby letters of credit issued on behalf of the company. The company maintains \$1.5 billion of committed revolving credit facilities, which remain unused at January 28, 2007, except for \$1 million of standby letters of credit issued on behalf of the company. Another \$32 million of standby letters of credit were issued on behalf of the company under a separate facility. The company is in compliance with the covenants contained in its revolving credit facilities and debt securities.

The company believes that foreseeable liquidity and capital resource requirements, including notes payable due within one year and cash outflows to repurchase shares and pay dividends, are expected to be met through cash and cash equivalents, anticipated cash flows from operations, long-term borrowings under its shelf registration statement, and short-term borrowings, including commercial paper. The company believes that its sources of financing are adequate to meet its future liquidity and capital resource requirements. The cost and terms of any future financing arrangements depend on the market conditions and the company's financial position at that time.

**Off-Balance Sheet Arrangements**

On September 28, 2006, the company entered into two accelerated share repurchase agreements (Agreements) with Lehman Brothers Finance S.A. (Lehman), an affiliate of Lehman Brothers Inc., to repurchase approximately \$600 million of stock. Under the first Agreement (the Fixed Share ASR), the company purchased approximately 8.3 million shares of its stock from Lehman for \$300 million, or \$35.95 per share. Lehman is expected to purchase an equivalent number of shares under the Fixed Share ASR. At the end of the Fixed Share ASR's term, the company may receive from, or be required to pay to, Lehman a price adjustment based upon the volume weighted-average price of the company's common stock during the period Lehman purchases the equivalent number of shares. The price adjustment may be settled at the company's option in shares of the company's stock or cash. The price adjustment is accounted for as an equity instrument and changes in its fair value are not recorded. Upon settlement, which is expected to occur in the fourth quarter of 2007, the price adjustment will be recorded as equity. If the stock price from January 28, 2007 through the end of the term of the Agreement remains at the January 28, 2007 closing price of \$38.18, then the company would owe Lehman a price adjustment of approximately \$12 million upon settlement, which is payable in cash or company stock.

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Under the second Agreement (the Fixed Dollar ASR), the company purchased approximately \$300 million of its common stock from Lehman. Lehman made an initial delivery of 6.3 million shares on September 29, 2006 at \$35.95 per share, and a second delivery of 1.3 million shares on October 25, 2006 at \$36.72 per share. The exact number of additional shares (if any) to be delivered to the company at settlement under the Fixed Dollar ASR will be based on the volume weighted-average price of company stock during the term of the Fixed Dollar ASR, subject to a minimum and maximum price for the purchased shares. Lehman is expected to purchase a number of shares equivalent to the number delivered to the company under the Fixed Dollar ASR. The Fixed Dollar ASR is expected to be completed in the fourth quarter of fiscal 2007. If the stock price from January 28, 2007 through the end of the term of the Agreement remains at the January 28, 2007 closing price of \$38.18, then Lehman would deliver to the company approximately 400,000 shares upon settlement, which have a value of approximately \$15 million as of January 28, 2007.

For additional information on the Agreements, see Note (m) to the Consolidated Financial Statements.

**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. The significant accounting policies of the company are described in Note 1 to the Consolidated Financial Statements and the significant accounting estimates are described in Management's Discussion and Analysis included in the 2006 Annual Report on Form 10-K. The impact of new accounting standards is discussed in the following section. There have been no other changes in the company's accounting policies in the current period that had a material impact on the company's consolidated financial condition or results of operation.

**Recently Issued Accounting Pronouncements**

In October 2004, the AJCA was signed into law. The AJCA provides for a deduction of 85% of certain non-U.S. earnings that are repatriated, as defined by the AJCA, and a phased-in tax deduction related to profits from domestic manufacturing activities. In December 2004, the Financial Accounting Standards Board (FASB) issued FASB Staff Position FAS 109-1 and 109-2 to address the accounting and disclosure requirements related to the AJCA. The total amount repatriated in 2006 under the AJCA was \$494 million and the related tax cost was \$20 million. In 2005, the company recorded tax expense of \$7 million associated with \$200 million of anticipated earnings to be repatriated. In 2006, the company finalized its plan under the AJCA and recorded \$13 million in tax expense for \$294 million of earnings repatriated. Of this amount, \$1 million was recorded in the second quarter of 2006 and \$9 million in the six-month period ended January 29, 2006.

In July 2006, the FASB issued FASB Interpretation No. 48 (FIN 48) Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109. FIN 48 clarifies the criteria that must be met for financial statement recognition and measurement of tax positions taken or expected

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to be taken in a tax return. This Interpretation also addresses derecognition, recognition of related penalties and interest, classification of liabilities and disclosures of unrecognized tax benefits. FIN 48 is effective for fiscal years beginning after disclosure of unrecognized tax benefits. FIN 48 is effective for fiscal years beginning after December 15, 2006. The company is currently evaluating the impact of FIN 48.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157 Fair Value Measurements, which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 establishes a definition of fair value, provides a framework for measuring fair value and expands the disclosure requirements about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted. The company is currently evaluating the impact of SFAS No. 157.

In September 2006, the FASB issued SFAS No. 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R). SFAS No. 158 requires an employer to recognize the funded status of defined benefit postretirement plans as an asset or liability on the balance sheet and requires any unrecognized prior service cost and actuarial gains/losses to be recognized in other comprehensive income. In addition, SFAS No. 158 requires that changes in the funded status of a defined benefit postretirement plan be recognized in comprehensive income in the year in which the changes occur. The requirement to recognize the funded status of a defined benefit postretirement plan and other disclosure requirements of SFAS No. 158 are effective for fiscal years ending after December 15, 2006. The company will adopt SFAS No. 158 as of the end of fiscal 2007. The company had net unrecognized defined benefit pension and postretirement benefit plan obligations of approximately \$550 million as of July 30, 2006. If this standard had been adopted as of July 30, 2006, these amounts would have been recognized in comprehensive income, net of deferred tax benefits, resulting in a reduction of approximately \$350 million in shareowners' equity. Since plan assets and obligations are measured on an annual basis as of the end of the fiscal year, the actual impact on the company's balance sheet will depend on the factors affecting this measurement as of July 29, 2007. The adoption will not impact the consolidated results of operations or cash flows of the company.

In February 2007, the FASB issued SFAS No. 159 The Fair Value Option for Financial Assets and Liabilities Including an amendment of FASB Statement No. 115. SFAS No. 159 allows companies to choose, at specific election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The company is currently evaluating the impact of SFAS No. 159.

**Forward-Looking Statements**

This quarterly report contains certain 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

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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 other Securities and Exchange Commission filings of the company, or in the company's 2006 Annual Report on Form 10-K, 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 and new product introductions;

the company's ability to achieve sales and earnings forecasts, which are based on assumptions about sales volume and product mix, and the impact of marketing and pricing actions;

the company's ability to realize projected cost savings and benefits, including those contemplated by restructuring programs and other cost-savings initiatives;

the company's ability to successfully manage changes to its business processes, including selling, distribution, production capacity, information management systems and the integration of acquisitions;  
the increased significance of certain of the company's key trade customers;

the impact of fluctuations in the supply and cost of energy and raw materials;

the risks associated with portfolio changes and completion of acquisitions and divestitures;

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, 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 any forward-looking statements made by the company in order to reflect new information, events or circumstances after the date they are made.

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**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

For information regarding the company's exposure to certain market risk, see Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in the 2006 Annual Report on Form 10-K. There have been no significant changes in the company's portfolio of financial instruments or market risk exposures from the fiscal 2006 year-end.

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**ITEM 4. CONTROLS AND PROCEDURES**

a. Evaluation of Disclosure Controls and Procedures

The company, under the supervision and with the participation of its management, including the President and Chief Executive Officer and the Senior Vice President and Chief Financial 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 (the Exchange Act)) as of January 28, 2007 (the Evaluation Date). Based on such evaluation, the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer have concluded that, as of the Evaluation Date, the company's disclosure controls and procedures are effective, and are reasonably designed to ensure that all material information relating to the company (including its consolidated subsidiaries) required to be included in the company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

b. Changes in Internal Controls

During the quarter ended January 28, 2007, there were no changes in the company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, such internal control over financial reporting.

**Table of Contents****PART II****ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Issuer Purchases of Equity Securities**

<b>Period</b>		<b>Total Number of Shares Purchased<sup>(1)</sup></b>	<b>Average Price Paid Per Share<sup>(2)</sup></b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs<sup>(3)</sup></b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (\$ in millions)<sup>(3)</sup></b>
10/30/06	11/30/06	661,604 <sup>(4)</sup>	\$37.38 <sup>(4)</sup>	310,000	\$378
12/1/06	12/31/06	883,173 <sup>(5)</sup>	\$39.12 <sup>(5)</sup>	492,800	\$359
1/1/07	1/28/07	850,926 <sup>(6)</sup>	\$38.13 <sup>(6)</sup>	476,000	\$341
Total		2,395,703	\$38.29	1,278,800	

- (1) Includes
- (i) 1,101,685 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) 15,218 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) The company has two publicly announced share repurchase programs. Under the first program, which was announced on November 21, 2005, the company's Board of Directors authorized the purchase of up to \$600 million of company capital stock on the open market or through privately negotiated transactions through the end of fiscal 2008. Under the second program, which was announced on August 15, 2006, the company's Board of Directors authorized the purchase of up to an additional \$620 million of company capital stock in fiscal 2007. Pursuant to the August 2006 program, the

company entered into two accelerated share repurchase agreements on September 28, 2006 with a financial institution to repurchase approximately \$600 million of stock. In September 2006, \$573 million of purchases were made under the accelerated share repurchase agreements, which is the cost of the shares delivered to date under such agreements. The remaining \$28 million has been recorded as additional paid-in capital and will be reclassified to capital stock in treasury upon settlement of the accelerated share repurchase agreements, which is expected to occur in the fourth quarter of fiscal 2007. Upon such settlement, the purchase price for the shares and/or the number of shares purchased under such agreements will be adjusted. For additional

information on the accelerated share repurchase agreements, see Note (m) to the Consolidated Financial Statements. In addition to the two publicly announced share repurchase programs, the company will continue to purchase shares, under separate authorization, as part of its practice of buying back shares sufficient to offset shares issued under incentive compensation plans.

- (4) Includes
- (i) 340,485 shares repurchased in open-market transactions at an average price of \$37.35 to offset the dilutive impact to existing shareowners of issuances under the company's stock compensation plans, and (ii)

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11,119 shares owned and tendered by employees at an average price per share of \$37.38 to satisfy tax withholding requirements on the vesting of restricted shares.

- (5) Includes
- (i) 387,200 shares repurchased in open-market transactions at an average price of \$39.12 to offset the dilutive impact to existing shareowners of issuances under the company's stock compensation plans, and
  - (ii) 3,173 shares owned and tendered by employees at an average price per share of \$38.67 to satisfy tax withholding requirements on the vesting of restricted shares.

- (6) Includes
- (i) 374,000 shares repurchased in open-market

transactions at an average price of \$38.13 to offset the dilutive impact to existing shareowners of issuances under the company's stock compensation plans, and (ii) 926 shares owned and tendered by employees at an average price per share of \$38.54 to satisfy tax withholding requirements on the vesting of restricted shares.

**Table of Contents****ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

a. The company's Annual Meeting of Shareowners was held on November 16, 2006.

b. The matters voted upon and the results of the vote are as follows:

**Election of Directors**

Name	Number of Shares	
	For	Withheld
Edmund M. Carpenter	360,012,533	6,601,394
Paul R. Charron	364,837,537	1,776,390
Douglas R. Conant	360,354,355	6,259,572
Bennett Dorrance	360,265,037	6,348,890
Kent B. Foster	364,499,313	2,114,614
Harvey Golub	364,797,437	1,816,490
Randall W. Larrimore	364,835,895	1,778,032
Philip E. Lippincott	360,165,227	6,448,700
Mary Alice D. Malone	360,271,218	6,342,709
Sara Mathew	364,774,876	1,839,051
David C. Patterson	364,824,446	1,789,481
Charles R. Perrin	364,858,628	1,755,299
A. Barry Rand	364,734,316	1,879,610
George Strawbridge, Jr.	360,223,248	6,390,678
Les C. Vinney	364,342,741	2,271,186
Charlotte C. Weber	360,257,006	6,356,920

**Ratification of Appointment of PricewaterhouseCoopers LLP as Independent Registered Public Accounting Firm**

	For	Against	Abstentions	Broker Non-Votes
Ratification of PricewaterhouseCoopers LLP	359,144,997	6,147,645	1,321,284	6,485,343

**Shareowner Proposal Concerning the Issuance of a Sustainability Report**

	For	Against	Abstentions	Broker Non-Votes
Shareowner Proposal on a Sustainability Report	44,145,186	281,121,667	18,141,882	29,690,535

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**ITEM 6. EXHIBITS**

31(i) Certification of Douglas R. Conant pursuant to Rule 13a-14(a).

31(ii) Certification of Robert A. Schiffner pursuant to Rule 13a-14(a).

32(i) Certification of Douglas R. Conant pursuant to 18 U.S.C. Section 1350.

32(ii) Certification of Robert A. Schiffner pursuant to 18 U.S.C. Section 1350.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**CAMPBELL SOUP COMPANY**

Date: March 7, 2007

By: /s/ Robert A. Schiffner  
Robert A. Schiffner  
Senior Vice President and  
Chief Financial Officer

By: /s/ Ellen Oran Kaden  
Ellen Oran Kaden  
Senior Vice President -  
Law and Government Affairs

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**INDEX TO EXHIBITS**

Exhibits

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31(ii) Certification of Robert A. Schiffner pursuant to Rule 13a-14(a).

32(i) Certification of Douglas R. Conant pursuant to 18 U.S.C. Section 1350.

32(ii) Certification of Robert A. Schiffner pursuant to 18 U.S.C. Section 1350.

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