

CAMPBELL SOUP CO  
Form 10-Q  
June 10, 2010

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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  
May 2, 2010**

**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**

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 that the registrant was required to submit and post such files).  Yes  No

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  Smaller reporting company   
(Do not check if a 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

There were 339,531,815 shares of capital stock outstanding as of June 3, 2010.

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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 |                | Nine Months Ended |                |
|---------------------------------------|--------------------|----------------|-------------------|----------------|
|                                       | May 2,<br>2010     | May 3,<br>2009 | May 2,<br>2010    | May 3,<br>2009 |
| Net sales                             | <b>\$1,802</b>     | \$1,686        | <b>\$6,158</b>    | \$6,058        |
| Costs and expenses                    |                    |                |                   |                |
| Cost of products sold                 | <b>1,059</b>       | 1,001          | <b>3,621</b>      | 3,665          |
| Marketing and selling expenses        | <b>252</b>         | 246            | <b>837</b>        | 868            |
| Administrative expenses               | <b>156</b>         | 129            | <b>438</b>        | 407            |
| Research and development expenses     | <b>31</b>          | 27             | <b>88</b>         | 83             |
| Other expenses / (income)             |                    | (3)            | <b>1</b>          | (5)            |
| Restructuring charges                 | <b>12</b>          |                | <b>12</b>         |                |
| Total costs and expenses              | <b>1,510</b>       | 1,400          | <b>4,997</b>      | 5,018          |
| Earnings before interest and taxes    | <b>292</b>         | 286            | <b>1,161</b>      | 1,040          |
| Interest expense                      | <b>29</b>          | 26             | <b>84</b>         | 85             |
| Interest income                       | <b>2</b>           |                | <b>4</b>          | 2              |
| Earnings before taxes                 | <b>265</b>         | 260            | <b>1,081</b>      | 957            |
| Taxes on earnings                     | <b>97</b>          | 86             | <b>350</b>        | 294            |
| Earnings from continuing operations   | <b>168</b>         | 174            | <b>731</b>        | 663            |
| Earnings from discontinued operations |                    |                |                   | 4              |
| Net earnings                          | <b>\$ 168</b>      | \$ 174         | <b>\$ 731</b>     | \$ 667         |
| Per share basic                       |                    |                |                   |                |
| Earnings from continuing operations   | <b>\$ .49</b>      | \$ .49         | <b>\$ 2.11</b>    | \$ 1.84        |
| Earnings from discontinued operations |                    |                |                   | .01            |
| Net earnings                          | <b>\$ .49</b>      | \$ .49         | <b>\$ 2.11</b>    | \$ 1.85        |
| Dividends                             | <b>\$ .275</b>     | \$ .25         | <b>\$ .80</b>     | \$ .75         |

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|                                       |                   |               |        |                |         |
|---------------------------------------|-------------------|---------------|--------|----------------|---------|
| Weighted average shares outstanding   | basic             | <b>339</b>    | 350    | <b>341</b>     | 354     |
| Per share assuming dilution           |                   |               |        |                |         |
| Earnings from continuing operations   |                   | \$ <b>.49</b> | \$ .49 | \$ <b>2.09</b> | \$ 1.82 |
| Earnings from discontinued operations |                   |               |        |                | .01     |
| Net earnings                          |                   | \$ <b>.49</b> | \$ .49 | \$ <b>2.09</b> | \$ 1.83 |
| Weighted average shares outstanding   | assuming dilution | <b>342</b>    | 351    | <b>344</b>     | 357     |

See accompanying Notes to Consolidated Financial Statements.

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

(unaudited)

(millions, except per share amounts)

|  | <b>May 2,<br/>2010</b> | August 2,<br>2009 |
|--|------------------------|-------------------|
| Current assets   |                        |                   |
| Cash and cash equivalents  | \$ 80                  | \$ 51             |
| Accounts receivable  | 543                    | 528               |
| Inventories  | 639                    | 824               |
| Other current assets   | 169                    | 148               |
| Total current assets   | <b>1,431</b>           | 1,551             |
| Plant assets, net of depreciation  | <b>1,995</b>           | 1,977             |
| Goodwill   | <b>1,945</b>           | 1,901             |
| Other intangible assets, net of amortization                               | 512                    | 522               |
| Other assets   | <b>103</b>             | 105               |
| Total assets   | <b>\$ 5,986</b>        | \$ 6,056          |
| Current liabilities  |                        |                   |
| Short-term borrowings  | \$ 945                 | \$ 378            |
| Payable to suppliers and others  | 430                    | 569               |
| Accrued liabilities  | 568                    | 579               |
| Dividend payable   | 95                     | 88                |
| Accrued income taxes   | 76                     | 14                |
| Total current liabilities  | <b>2,114</b>           | 1,628             |
| Long-term debt   | <b>1,542</b>           | 2,246             |
| Deferred taxes   | 297                    | 237               |
| Other liabilities  | <b>937</b>             | 1,214             |
| Total liabilities  | <b>4,890</b>           | 5,325             |
| Campbell Soup Company 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   | 328                    | 332               |
| Earnings retained in the business  | 8,742                  | 8,288             |
| Capital stock in treasury, at cost   | (7,377)                | (7,194)           |
| Accumulated other comprehensive loss                                       | (620)                  | (718)             |
| Total Campbell Soup Company shareowners' equity                            | <b>1,093</b>           | 728               |
| Noncontrolling interest  | 3                      | 3                 |

|                              |                 |          |
|------------------------------|-----------------|----------|
| Total equity                 | <b>1,096</b>    | 731      |
| Total liabilities and equity | <b>\$ 5,986</b> | \$ 6,056 |

See accompanying Notes to Consolidated Financial Statements.

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**Table of Contents****CAMPBELL SOUP COMPANY CONSOLIDATED  
Statements of Cash Flows**

(unaudited)

(millions)

|  | Nine Months Ended      |                |
|--|------------------------|----------------|
|  | <b>May 2,<br/>2010</b> | May 3,<br>2009 |
| Cash flows from operating activities:                        |                        |                |
| Net earnings   | <b>\$ 731</b>          | \$ 667         |
| Adjustments to reconcile net earnings to operating cash flow |                        |                |
| Restructuring charges  | <b>12</b>              |                |
| Stock-based compensation                                     | <b>68</b>              | 63             |
| Depreciation and amortization                                | <b>185</b>             | 195            |
| Deferred income taxes  | <b>44</b>              | 137            |
| Other, net   | <b>76</b>              | 38             |
| Changes in working capital                                   |                        |                |
| Accounts receivable  | <b>(6)</b>             | 10             |
| Inventories  | <b>193</b>             | 67             |
| Prepaid assets   | <b>8</b>               | 19             |
| Accounts payable and accrued liabilities                     | <b>(125)</b>           | (302)          |
| Pension fund contributions                                   | <b>(281)</b>           | (5)            |
| Receipts from (payments of) hedging activities               | <b>10</b>              | (50)           |
| Other  | <b>(56)</b>            | (33)           |
| Net cash provided by operating activities                    | <b>859</b>             | 806            |
| Cash flows from investing activities:                        |                        |                |
| Purchases of plant assets                                    | <b>(177)</b>           | (176)          |
| Sales of plant assets  | <b>5</b>               | 1              |
| Sale of business, net of cash divested                       |                        | 38             |
| Other, net   | <b>3</b>               | (6)            |
| Net cash used in investing activities                        | <b>(169)</b>           | (143)          |
| Cash flows from financing activities:                        |                        |                |
| Net short-term repayments                                    | <b>(161)</b>           | (81)           |
| Long-term borrowings   |                        | 300            |
| Repayments of notes payable                                  |                        | (300)          |
| Dividends paid   | <b>(270)</b>           | (261)          |
| Treasury stock purchases                                     | <b>(315)</b>           | (409)          |
| Treasury stock issuances                                     | <b>75</b>              | 69             |
| Excess tax benefits on stock-based compensation              | <b>6</b>               | 18             |
| Other, net   |                        | (5)            |
| Net cash used in financing activities                        | <b>(665)</b>           | (669)          |
| Effect of exchange rate changes on cash                      | <b>4</b>               | (14)           |



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|   |              |       |
|---|--------------|-------|
| Net change in cash and cash equivalents       | <b>29</b>    | (20)  |
| Cash and cash equivalents beginning of period | <b>51</b>    | 81    |
| Cash and cash equivalents end of period       | <b>\$ 80</b> | \$ 61 |

See accompanying Notes to Consolidated Financial Statements.

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

(unaudited)

(millions, except per share amounts)

|   | Campbell Soup Company<br>Capital Stock |        | Company Shareowners   |           | Additional<br>Paid-in<br>Capital | Equity<br>Retained<br>in the Business | Earnings<br>Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Noncontrolling<br>Interest | Total<br>Equity |
|---|--|--------|-----------------------|-----------|----------------------------------|---------------------------------------|---|----------------------------|-----------------|
|   | Issued<br>Shares                       | Amount | In Treasury<br>Shares | Amount    |                                  |                                       |   |                            |                 |
| Balance at<br>August 3, 2008  | 542                                    | \$ 20  | (186)                 | \$(6,812) | \$ 337                           | \$7,909                               | \$(136)   | \$ 3                       | \$1,321         |
| Comprehensive<br>income (loss)  |  |        |                       |           |                                  |                                       |   |                            |                 |
| Net earnings  |  |        |                       |           |                                  | 667                                   |   |                            | 667             |
| Foreign currency<br>translation<br>adjustments, net of<br>tax                       |  |        |                       |           |                                  |                                       | (303)   |                            | (303)           |
| Cash-flow hedges,<br>net of tax   |  |        |                       |           |                                  |                                       | (17)  |                            | (17)            |
| Pension and<br>postretirement<br>benefits, net of tax                               |  |        |                       |           |                                  |                                       | 22  |                            | 22              |
| Other<br>comprehensive<br>income (loss)   |  |        |                       |           |                                  |                                       | (298)   |                            | (298)           |
| Total<br>comprehensive<br>income (loss)   |  |        |                       |           |                                  |                                       |   |                            | 369             |
| Dividends (\$.75<br>per share)  |  |        |                       |           |                                  |                                       | (269)   |                            | (269)           |
| Treasury stock<br>purchased   |  |        | (13)                  | (409)     |                                  |                                       |   |                            | (409)           |
| Treasury stock<br>issued under<br>management<br>incentive and stock<br>option plans |  |        | 4                     | 142       | (21)                             |                                       |   |                            | 121             |
| Balance at May 3,<br>2009   | 542                                    | \$ 20  | (195)                 | \$(7,079) | \$ 316                           | \$8,307                               | \$(434)   | \$ 3                       | \$1,133         |

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|  |            |              |              |                  |               |                |                |             |                |
|--|------------|--------------|--------------|------------------|---------------|----------------|----------------|-------------|----------------|
| Balance at August 2, 2009  | 542        | \$ 20        | (199)        | \$(7,194)        | \$ 332        | \$8,288        | \$(718)        | \$ 3        | \$ 731         |
| <b>Comprehensive income (loss)</b>   |            |              |              |                  |               |                |                |             |                |
| <b>Net earnings</b>  |            |              |              |                  |               | <b>731</b>     |                |             | <b>731</b>     |
| <b>Foreign currency translation adjustments, net of tax</b>                    |            |              |              |                  |               |                | <b>68</b>      |             | <b>68</b>      |
| <b>Cash-flow hedges, net of tax</b>  |            |              |              |                  |               |                | <b>4</b>       |             | <b>4</b>       |
| <b>Pension and postretirement benefits, net of tax</b>                         |            |              |              |                  |               |                | <b>26</b>      |             | <b>26</b>      |
| <b>Other comprehensive income (loss)</b>                                       |            |              |              |                  |               |                | <b>98</b>      |             | <b>98</b>      |
| <b>Total comprehensive income (loss)</b>                                       |            |              |              |                  |               |                |                |             | <b>829</b>     |
| <b>Dividends (\$.80 per share)</b>   |            |              |              |                  |               | <b>(277)</b>   |                |             | <b>(277)</b>   |
| <b>Treasury stock purchased</b>  |            |              | <b>(9)</b>   | <b>(315)</b>     |               |                |                |             | <b>(315)</b>   |
| <b>Treasury stock issued under management incentive and stock option plans</b> |            |              | <b>4</b>     | <b>132</b>       | <b>(4)</b>    |                |                |             | <b>128</b>     |
| <b>Balance at May 2, 2010</b>  | <b>542</b> | <b>\$ 20</b> | <b>(204)</b> | <b>\$(7,377)</b> | <b>\$ 328</b> | <b>\$8,742</b> | <b>\$(620)</b> | <b>\$ 3</b> | <b>\$1,096</b> |

See accompanying Notes to Consolidated Financial Statements.

**Table of Contents****Notes to Consolidated Financial Statements****(unaudited)**

(currency in millions, except per share amounts)

**1. Basis of Presentation and Significant 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 August 2, 2009, except for the adoption of new financial accounting standards, as discussed in Note 2. Certain amounts in prior-year financial statements were reclassified to conform to the current-year presentation. The results for the period are not necessarily indicative of the results to be expected for other interim periods or the full year.

**2. Recent Accounting Pronouncements**

In December 2007, the Financial Accounting Standards Board (FASB) issued authoritative guidance which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It requires a noncontrolling interest in a subsidiary, which was formerly known as minority interest, to be classified as a separate component of total equity in the consolidated financial statements. The company retrospectively adopted the new noncontrolling interest guidance in the first quarter of fiscal 2010. The adoption did not have a material impact on the financial statements. See Note 9 for additional information.

In December 2007, the FASB issued authoritative guidance for business combinations, which establishes the principles and requirements for how an acquirer recognizes the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date with limited exceptions. The guidance requires acquisition-related transaction costs to be expensed as incurred rather than capitalized as a component of the business combination. The provisions as revised were effective as of the first quarter of fiscal 2010 and will be applied to any business combinations entered into in fiscal 2010 and thereafter.

In September 2006, the FASB issued authoritative guidance for fair value measurements, which establishes a definition of fair value, provides a framework for measuring fair value and expands the disclosure requirements about fair value measurements. This guidance does not require any new fair value measurements but rather applies to all other accounting pronouncements that require or permit fair value measurements. In February 2008, the FASB issued authoritative guidance which delayed by a year the effective date for certain nonfinancial assets and liabilities. The company adopted the provisions of the guidance for financial assets and liabilities in the first quarter of fiscal 2009. The adoption did not have a material impact on the consolidated financial statements. The company adopted the remaining provisions in the first quarter of fiscal 2010 for nonfinancial assets and liabilities, including goodwill and intangible assets. The adoption likewise did not have a material impact on the consolidated financial statements. See Note 13 for additional information.

In January 2010, the FASB issued additional authoritative guidance related to fair value measurements and disclosures. The guidance requires disclosure of details of significant transfers in and out of Level 1 and Level 2 fair value measurements. Level 1 fair value measurements are based on unadjusted quoted market prices. Level 2 fair value measurements are based on significant inputs, other than Level 1, that are observable for the asset/liability through corroboration with observable market data. The guidance also clarifies the existing disclosure requirements for the level of disaggregation of fair value measurements and the disclosures on inputs and valuation techniques. The company adopted these provisions in the third quarter of fiscal 2010. The adoption did not have a material impact on the consolidated financial statements. In addition, the guidance requires a gross presentation of the activity within the Level 3 roll forward, separately presenting information about purchases, sales, issuances and settlements. The roll forward information must be provided by the company for the first quarter of fiscal 2012, as the provision is effective for annual reporting periods beginning after December 15, 2010 and for interim reporting periods within those years.

In June 2008, the FASB issued authoritative guidance related to the calculation of earnings per share. The guidance 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. Upon adoption, a company is required to retrospectively adjust its

earnings per share data (including any amounts related to interim periods, summaries of earnings and selected financial data) to conform with the new provisions. The company adopted the new guidance in the first quarter of fiscal 2010. Prior periods have been restated. See Note 8 for additional information.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)**

In April 2009, the FASB issued authoritative guidance related to interim disclosures about fair value of financial instruments. The company prospectively adopted the interim fair value disclosure guidance in the first quarter of fiscal 2010. The adoption did not have a material impact on the consolidated financial statements. The additional disclosures are included in Note 12.

In June 2009, the FASB Accounting Standards Codification (Codification) was issued to become the source of authoritative U.S. generally accepted accounting principles (GAAP) to be applied by nongovernmental entities and supersede all then-existing non-SEC accounting and reporting standards. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. The Codification was effective for financial statements issued for interim and annual periods ending after September 15, 2009. The company adopted the provisions in the first quarter of 2010. The adoption did not impact the company's consolidated financial statements.

In December 2008, the FASB issued additional authoritative guidance related to employers' disclosures about the plan assets of defined benefit pension or other postretirement plans. The required disclosures include a description of how investment allocation decisions are made, major categories of plan assets, valuation techniques used to measure the fair value of plan assets, the impact of measurements using significant unobservable inputs and concentrations of risk within plan assets. The disclosures about plan assets required by this additional guidance must be provided for fiscal years ending after December 15, 2009, and will be effective for the company for fiscal year-end 2010.

**3. Discontinued Operations**

On March 18, 2008, the company completed the sale of its Godiva Chocolatier business for \$850. The purchase price was subject to certain post-closing adjustments, which resulted in an additional \$20 of proceeds. The company reflected the results of this business as discontinued operations in the consolidated statements of earnings. The company used approximately \$600 of the net proceeds to purchase company stock. The company recognized a \$4 benefit in Earnings from discontinued operations during the three-month period ended February 1, 2009, as a result of an adjustment to the tax liability associated with the sale.

**4. Comprehensive Income (Loss)**

Total comprehensive income (loss) is comprised of net earnings, net foreign currency translation adjustments, net unamortized pension and postretirement benefits adjustments and net unrealized gains and losses on cash-flow hedges. Total comprehensive income for the three-month periods ended May 2, 2010, and May 3, 2009, was \$203 and \$275, respectively. Total comprehensive income for the nine-month periods ended May 2, 2010, and May 3, 2009, was \$829 and \$369, respectively.

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

|  | <b>May 2,<br/>2010</b> | <b>August 2,<br/>2009</b> |
|--|------------------------|---------------------------|
| Foreign currency translation adjustments, net of tax (1)         | \$ 161                 | \$ 93                     |
| Cash-flow hedges, net of tax (2)                                 | (16)                   | (20)                      |
| Unamortized pension and postretirement benefits, net of tax (3): |                        |                           |
| Net actuarial loss   | (762)                  | (787)                     |
| Prior service cost   | (3)                    | (4)                       |
| Total Accumulated other comprehensive income (loss)              | \$ (620)               | \$ (718)                  |

(1) Includes a tax expense of \$3 as of May 2, 2010, and \$7 as of

August 2, 2009.

- (2) Includes a tax benefit of \$9 as of May 2, 2010, and \$11 as of August 2, 2009.
- (3) Includes a tax benefit of \$438 as of May 2, 2010, and \$442 as of August 2, 2009.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****5. Goodwill and Intangible Assets**

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

|   | U.S.<br>Soup,<br>Sauces<br>and<br>Beverages | Baking<br>and<br>Snacking | International<br>Soup,<br>Sauces<br>and<br>Beverages | North<br>America<br>Foodservice | Total    |
|---|---|---------------------------|--|---------------------------------|----------|
| Balance at August 2, 2009               | \$ 434                                      | \$ 700                    | \$ 621   | \$ 146                          | \$ 1,901 |
| Foreign currency translation adjustment |   | 70                        | (26)   |                                 | 44       |
| Balance at May 2, 2010                  | \$ 434                                      | \$ 770                    | \$ 595   | \$ 146                          | \$ 1,945 |

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

|                                   | May 2,<br>2010 | August 2,<br>2009 |
|-----------------------------------|----------------|-------------------|
| Intangible Assets:                |                |                   |
| Non-amortizable intangible assets | \$ 498         | \$ 508            |
| Amortizable intangible assets     | 21             | 21                |
|                                   | 519            | 529               |
| Accumulated amortization          | (7)            | (7)               |
| Total net intangible assets       | \$ 512         | \$ 522            |

Non-amortizable intangible assets consist of trademarks. Amortizable intangible assets consist substantially of process technology and customer intangibles.

Amortization related to these assets was less than \$1 for the nine-month periods ended May 2, 2010, and May 3, 2009. The estimated aggregated amortization expense for each of the five succeeding fiscal years is less than \$1 per year. Asset useful lives range from 10 to 20 years.

**6. Business and Geographic 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, Sauces and Beverages; and North America Foodservice.

The U.S. Soup, Sauces and Beverages segment includes the following retail businesses: *Campbell's* condensed and ready-to-serve soups; *Swanson* broth, stocks and canned poultry; *Prego* pasta sauce; *Pace* Mexican sauce; *Campbell's* canned pasta, gravies, and beans; *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; and *Arnott's* biscuits in Australia and Asia Pacific.

The International Soup, Sauces and Beverages segment includes the soup, sauce and beverage businesses outside of the United States, including Europe, Latin America, the Asia Pacific region, as well as the emerging markets of Russia and China and the retail business in Canada.



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 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 2009 Annual Report on Form 10-K. The company evaluates segment performance before interest and taxes. North America Foodservice 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

**Table of Contents****Notes to Consolidated Financial Statements (Continued)**

manufacturing agreements. Tangible assets of the company's other segments are not allocated to the North America Foodservice operations. Depreciation, however, is allocated to North America Foodservice based on production hours.

|  | <b>Three Months Ended</b> |                        | <b>Nine Months Ended</b> |                        |
|--|---------------------------|------------------------|--------------------------|------------------------|
|  | <b>May 2,<br/>2010</b>    | <b>May 3,<br/>2009</b> | <b>May 2,<br/>2010</b>   | <b>May 3,<br/>2009</b> |
| Net sales                                |                           |                        |                          |                        |
| U.S. Soup, Sauces and Beverages          | \$ 848                    | \$ 808                 | \$ 3,056                 | \$ 3,134               |
| Baking and Snacking                      | 477                       | 431                    | 1,496                    | 1,380                  |
| International Soup, Sauces and Beverages | 331                       | 297                    | 1,142                    | 1,068                  |
| North America Foodservice                | 146                       | 150                    | 464                      | 476                    |
| Total                                    | \$ 1,802                  | \$ 1,686               | \$ 6,158                 | \$ 6,058               |
|  |                           |                        |                          |                        |
|  | <b>Three Months Ended</b> |                        | <b>Nine Months Ended</b> |                        |
|  | <b>May 2,<br/>2010</b>    | <b>May 3,<br/>2009</b> | <b>May 2,<br/>2010</b>   | <b>May 3,<br/>2009</b> |
| Earnings before interest and taxes       |                           |                        |                          |                        |
| U.S. Soup, Sauces and Beverages          | \$ 214                    | \$ 195                 | \$ 804                   | \$ 779                 |
| Baking and Snacking(1)                   | 76                        | 57                     | 249                      | 193                    |
| International Soup, Sauces and Beverages | 37                        | 29                     | 155                      | 117                    |
| North America Foodservice(1)             | (3)                       | 13                     | 40                       | 34                     |
| Corporate(2)                             | (32)                      | (8)                    | (87)                     | (83)                   |
| Total                                    | \$ 292                    | \$ 286                 | \$ 1,161                 | \$ 1,040               |

(1) Earnings before interest and taxes of the North America Foodservice segment included \$12 of restructuring charges in the three- and nine-month periods ended May 2, 2010. Earnings before interest and taxes of the Baking and Snacking and North America Foodservice segments included the effect of restructuring-related costs of \$1 and \$5, respectively, in the

three-month period  
ended May 3, 2009.

Earnings before  
interest and taxes of  
the Baking and  
Snacking and North  
America

Foodservice  
segments included  
the effect of  
restructuring-related  
costs of \$3 and \$18,  
respectively, in the  
nine-month period  
ended May 3, 2009.

See Note 7 for  
additional  
information on  
restructuring  
charges.

- (2) Represents  
unallocated  
corporate expenses.  
The three-month  
period ended May 3,  
2009, included a  
favorable net  
adjustment on  
commodity hedge  
positions of \$11. The  
nine-month period  
ended May 3, 2009,  
included unrealized  
losses on commodity  
hedges of \$14.

## **7. Restructuring Charges**

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 2008, the company recorded a restructuring charge of \$175 (\$102 after tax or \$.27 per share). The charge consisted of a net loss of \$120 (\$64 after tax) on the sale of certain Australian salty snack food brands and assets; \$45 (\$31 after tax) of employee severance and benefit costs, including the estimated impact of curtailment and other pension charges; and \$10 (\$7 after tax) of property, plant and equipment impairment charges. In addition, approximately \$7 (\$5 after tax or \$.01 per share) of costs related to these initiatives were recorded in Cost of products sold, primarily representing accelerated depreciation on property, plant and equipment. The aggregate after-tax impact of restructuring charges and related costs in 2008 was \$107, or \$.28 per share.

In 2009, the company recorded approximately \$22 (\$15 after tax or \$.04 per share) of costs related to the 2008 initiatives in Cost of products sold. Approximately \$17 (\$12 after tax) of the costs represented accelerated depreciation on property, plant and equipment; approximately \$4 (\$2 after tax) related to other exit costs; and approximately \$1 related to employee severance and benefit costs, including other pension charges. Of the amount

recorded in 2009, costs of \$6 (\$4 after tax or \$.01 per share) were recorded in the third quarter, while costs of \$21 (\$14 after tax or \$.04 per share) were recorded through the nine-month period ended May 3, 2009. Approximately \$17 (\$12 after tax) of the costs represented accelerated depreciation on property, plant and equipment, and approximately \$4 (\$2 after tax) related to other exit costs.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)**

In the third quarter of 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. The pension benefit costs were included in the pension obligation on the Consolidated Balance Sheets. See Note 10 to the Consolidated Financial Statements.

A summary of restructuring reserves at May 2, 2010, is as follows:

|                            | <b>Accrued<br/>Balance<br/>at<br/>August 2,<br/>2009</b> | <b>Cash<br/>Payments</b> | <b>Accrued<br/>Balance<br/>at<br/>May 2,<br/>2010</b> |
|----------------------------|--|--------------------------|---|
| Severance pay and benefits | \$ 4   | (3)                      | \$ 1  |

A summary of restructuring charges incurred in 2008 through 2010 by reportable segment is as follows:

|   | <b>U.S.<br/>Soup,<br/>Sauces<br/>and<br/>Beverages</b> | <b>Baking<br/>And<br/>Snacking</b> | <b>International<br/>Soup,<br/>Sauces<br/>And<br/>Beverages</b> | <b>North<br/>America<br/>Foodservice</b> | <b>Total</b> |
|---|--|------------------------------------|---|--|--------------|
| Severance pay and benefits                | \$   | \$ 14                              | \$ 9  | \$ 35                                    | \$ 58        |
| Asset impairment/accelerated depreciation |  | 131                                |   | 23                                       | 154          |
| Other exit costs                          |  | 2                                  |   | 2  | 4            |
|   | \$   | \$ 147                             | \$ 9  | \$ 60                                    | \$ 216       |

**8. Earnings per Share**

In June 2008, the FASB issued accounting guidance related to the calculation of earnings per share. The guidance 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 company adopted and retrospectively applied the new guidance in the first quarter of fiscal 2010. The retrospective application of the provisions resulted in a reduction of previously reported basic net earnings per share of \$.01, for the three-month period ended May 3, 2009. There was no change to the previously reported diluted net earnings per share for the three-month period ended May 3, 2009. For the nine-month period ended May 3, 2009, the retrospective application resulted in a reduction of the previously reported basic earnings per share from continuing operations and net earnings of \$.03 and of the previously reported diluted earnings per share from continuing operations and net earnings of \$.02. There was no change to the previously reported basic and diluted earnings per share from discontinued operations for the nine-month period ended May 3, 2009.

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

| <b>Three Months Ended</b> |                        | <b>Nine Months Ended</b> |                        |
|---------------------------|------------------------|--------------------------|------------------------|
| <b>May 2,<br/>2010</b>    | <b>May 3,<br/>2009</b> | <b>May 2,<br/>2010</b>   | <b>May 3,<br/>2009</b> |

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|  |               |        |               |        |
|--|---------------|--------|---------------|--------|
| Earnings from continuing operations          | \$ <b>168</b> | \$ 174 | \$ <b>731</b> | \$ 663 |
| Less: Allocation to participating securities | (2)           | (3)    | (12)          | (12)   |
| Available to common shareowners              | \$ <b>166</b> | \$ 171 | \$ <b>719</b> | \$ 651 |
| <br>   |               |        |               |        |
| Earnings from discontinued operations        | \$            | \$     | \$            | \$ 4   |
| Less: Allocation to participating securities |               |        |               |        |
| Available to common shareowners              | \$            | \$     | \$            | \$ 4   |
| <br>   |               |        |               |        |
| Net earnings                                 | \$ <b>168</b> | \$ 174 | \$ <b>731</b> | \$ 667 |
| Less: Allocation to participating securities | (2)           | (3)    | (12)          | (12)   |
| Available to common shareowners              | \$ <b>166</b> | \$ 171 | \$ <b>719</b> | \$ 655 |
| <br>   |               |        |               |        |
| Weighted average shares outstanding basic    | <b>339</b>    | 350    | <b>341</b>    | 354    |
| Effect of dilutive securities: stock options | <b>3</b>      | 1      | <b>3</b>      | 3      |
| Weighted average shares outstanding diluted  | <b>342</b>    | 351    | <b>344</b>    | 357    |

**Table of Contents****Notes to Consolidated Financial Statements (Continued)**

|   | <b>Three Months Ended</b> |                        | <b>Nine Months Ended</b> |                        |
|---|---------------------------|------------------------|--------------------------|------------------------|
|   | <b>May 2,<br/>2010</b>    | <b>May 3,<br/>2009</b> | <b>May 2,<br/>2010</b>   | <b>May 3,<br/>2009</b> |
| Earnings from continuing operations per common share:   |                           |                        |                          |                        |
| Basic   | \$ .49                    | \$ .49                 | \$ 2.11                  | \$ 1.84                |
| Diluted   | \$ .49                    | \$ .49                 | \$ 2.09                  | \$ 1.82                |
| Earnings from discontinued operations per common share: |                           |                        |                          |                        |
| Basic   | \$                        | \$                     | \$                       | \$ .01                 |
| Diluted   | \$                        | \$                     | \$                       | \$ .01                 |
| Net earnings per common share:                          |                           |                        |                          |                        |
| Basic   | \$ .49                    | \$ .49                 | \$ 2.11                  | \$ 1.85                |
| Diluted   | \$ .49                    | \$ .49                 | \$ 2.09                  | \$ 1.83                |

Stock options to purchase less than 1 million shares of capital stock for the nine-month period ended May 2, 2010, and stock options to purchase approximately 6 million and 3 million shares of capital stock for the three-month and nine-month periods ended May 3, 2009, respectively, 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. There were no antidilutive stock options in the three-month period ended May 2, 2010.

Additional historical information is as follows:

|  | <b>Quarter<br/>Ended</b>  | <b>Year-to-Date</b>           |                               |                              |
|--|---------------------------|-------------------------------|-------------------------------|------------------------------|
|  | <b>August 2,<br/>2009</b> | <b>August<br/>2,<br/>2009</b> | <b>August<br/>3,<br/>2008</b> | <b>July<br/>29,<br/>2007</b> |
| Earnings from continuing operations          | \$ 69                     | \$ 732                        | \$ 671                        | \$ 792                       |
| Less: Allocation to participating securities | (1)                       | (12)                          | (12)                          | (13)                         |
| Available to common shareowners basic        | \$ 68                     | \$ 720                        | \$ 659                        | \$ 779                       |
| Earnings from discontinued operations        | \$                        | \$ 4                          | \$ 494                        | \$ 62                        |
| Less: Allocation to participating securities |                           |                               | (10)                          | (1)                          |
| Available to common shareowners basic        | \$                        | \$ 4                          | \$ 484                        | \$ 61                        |
| Net earnings                                 | \$ 69                     | \$ 736                        | \$ 1,165                      | \$ 854                       |
| Less: Allocation to participating securities | (1)                       | (12)                          | (22)                          | (14)                         |

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|   |         |    |     |    |      |    |       |    |      |
|---|---------|----|-----|----|------|----|-------|----|------|
| Available to common shareowners                       | basic   | \$ | 68  | \$ | 724  | \$ | 1,143 | \$ | 840  |
| Earnings from continuing operations                   |         | \$ | 69  | \$ | 732  | \$ | 671   | \$ | 792  |
| Less: Allocation to participating securities          |         |    | (1) |    | (12) |    | (12)  |    | (12) |
| Available to common shareowners                       | diluted | \$ | 68  | \$ | 720  | \$ | 659   | \$ | 780  |
| Earnings from discontinued operations                 |         | \$ |     | \$ | 4    | \$ | 494   | \$ | 62   |
| Less: Allocation to participating securities          |         |    |     |    |      |    | (10)  |    | (2)  |
| Available to common shareowners                       | diluted | \$ |     | \$ | 4    | \$ | 484   | \$ | 60   |
| Net earnings  |         | \$ | 69  | \$ | 736  | \$ | 1,165 | \$ | 854  |
| Less: Allocation to participating securities          |         |    | (1) |    | (12) |    | (22)  |    | (14) |
| Available to common shareowners                       | diluted | \$ | 68  | \$ | 724  | \$ | 1,143 | \$ | 840  |
| Weighted average shares outstanding                   | basic   |    | 346 |    | 352  |    | 373   |    | 386  |
| Effect of dilutive securities: stock options          |         |    | 2   |    | 2    |    | 4     |    | 6    |
| Weighted average shares outstanding                   | diluted |    | 348 |    | 354  |    | 377   |    | 392  |
| Earnings from continuing operations per common share: |         |    |     |    |      |    |       |    |      |
| Basic   |         | \$ | .20 | \$ | 2.05 | \$ | 1.77  | \$ | 2.02 |
| Diluted   |         | \$ | .20 | \$ | 2.03 | \$ | 1.75  | \$ | 1.99 |



**Table of Contents****Notes to Consolidated Financial Statements (Continued)**

|   | <b>Quarter<br/>Ended</b>  |                               | <b>Year-to-Date</b>           |                          |
|---|---------------------------|-------------------------------|-------------------------------|--------------------------|
|   | <b>August 2,<br/>2009</b> | <b>August<br/>2,<br/>2009</b> | <b>August<br/>3,<br/>2008</b> | <b>July 29,<br/>2007</b> |
| Earnings from discontinued operations per common share: |                           |                               |                               |                          |
| Basic   | \$                        | .01                           | \$ 1.30                       | \$ .16                   |
| Diluted   | \$                        | .01                           | \$ 1.28                       | \$ .15                   |
| Net earnings per common share (1):                      |                           |                               |                               |                          |
| Basic   | \$                        | .20                           | \$ 2.06                       | \$ 2.18                  |
| Diluted   | \$                        | .20                           | \$ 2.05                       | \$ 2.14                  |

(1) The sum of the individual per share amounts does not equal due to rounding.

**9. Noncontrolling Interest**

The company owns a 70% controlling interest in a Malaysian manufacturing company. The noncontrolling interest in this entity is included in Total equity in the Consolidated Balance Sheets. The earnings attributable to the noncontrolling interest were less than \$1 for the three- and nine-month periods ended May 2, 2010, and May 3, 2009, and were included in Other expenses/(income) in the Consolidated Statements of Earnings.

**10. Pension and Postretirement 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>Nine Months Ended</b>   |                        |                            |                        |
|------------------------------------|----------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|
|                                    | <b>Pension</b>             |                        | <b>Postretirement</b>      |                        | <b>Pension</b>             |                        | <b>Postretirement</b>      |                        |
|                                    | <b>May<br/>2,<br/>2010</b> | <b>May 3,<br/>2009</b> | <b>May<br/>2,<br/>2010</b> | <b>May 3,<br/>2009</b> | <b>May<br/>2,<br/>2010</b> | <b>May 3,<br/>2009</b> | <b>May<br/>2,<br/>2010</b> | <b>May 3,<br/>2009</b> |
| Service cost                       | \$ 14                      | \$ 11                  | \$ 1                       | \$ 1                   | \$ 41                      | \$ 34                  | \$ 3                       | \$ 3                   |
| Interest cost                      | 30                         | 30                     | 4                          | 5                      | 91                         | 91                     | 14                         | 16                     |
| Expected return on plan assets     | (43)                       | (40)                   |                            |                        | (128)                      | (122)                  |                            |                        |
| Settlement costs                   | 12                         |                        |                            |                        | 12                         |                        |                            |                        |
| Amortization of prior service cost | 1                          | 1                      |                            |                        | 2                          | 2                      |                            |                        |
| Recognized net actuarial loss      | 12                         | 4                      | 1                          |                        | 36                         | 13                     | 1                          |                        |

|                              |    |           |    |   |    |          |    |   |    |           |    |    |    |           |    |    |
|------------------------------|----|-----------|----|---|----|----------|----|---|----|-----------|----|----|----|-----------|----|----|
| Net periodic benefit expense | \$ | <b>26</b> | \$ | 6 | \$ | <b>6</b> | \$ | 6 | \$ | <b>54</b> | \$ | 18 | \$ | <b>18</b> | \$ | 19 |
|------------------------------|----|-----------|----|---|----|----------|----|---|----|-----------|----|----|----|-----------|----|----|

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 7 for additional information.

As of May 2, 2010, a contribution of \$260 was made to a U.S. pension plan and contributions of \$21 were made to non-U.S. pension plans. No additional U.S. pension plan contributions are expected this fiscal year. Contributions to non-U.S. pension plans are expected to be approximately \$5 during the remainder of the fiscal year.

**11. Taxes on Earnings**

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.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****12. Financial Instruments**

The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximate fair value. The fair value of short-term borrowings and long-term debt as of May 2, 2010, was \$979 and \$1,661, respectively, and was based on quoted market prices or pricing models using current market rates.

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, forwards, commodity futures and option contracts. 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.

The company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. The company minimizes the counterparty credit risk on these transactions by dealing only with leading, credit-worthy financial institutions having long-term credit ratings of A or better. In addition, the contracts are distributed among several financial institutions, thus minimizing credit-risk concentration. The company does not have credit-risk-related contingent features in its derivative instruments as of May 2, 2010.

***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. The company utilizes foreign exchange forward purchase and sale contracts as well as cross-currency swaps to hedge these exposures. The contracts are designated as cash-flow hedging instruments or are undesignated. The company typically hedges portions of its forecasted foreign currency transaction exposure with foreign exchange forward contracts for 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 May 2, 2010, cross-currency swap contracts mature in 2010 through 2014. Principal currencies hedged include the Australian dollar, euro, Canadian dollar, Swedish krona, New Zealand dollar, British pound and Japanese yen. The notional amount of foreign exchange forward and cross-currency swap contracts accounted for as cash-flow hedges was \$339 and \$325 at May 2, 2010, and May 3, 2009, respectively. The effective portion of the changes in fair value on these instruments is recorded in other comprehensive income (loss) and is reclassified into the Statements of Earnings on the same line item and same period in which the underlying hedge transaction affects earnings. The notional amount of foreign exchange forward and cross-currency swap contracts that are not designated as accounting hedges was \$852 and \$726 at May 2, 2010, and May 3, 2009, 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 May 2, 2010, and May 3, 2009. These swaps mature in fiscal 2013 through fiscal 2014.

During fiscal 2010, the company entered into forward starting interest rate swap contracts accounted for as cash-flow hedges with a combined notional value of \$200 to hedge an anticipated debt offering.

In June 2008, the company entered into two forward starting interest rate swap contracts accounted for as cash-flow hedges with a combined notional value of \$200 to hedge an anticipated debt offering in fiscal 2009. These swaps were settled as of November 2, 2008, at a loss of \$13, which was recorded in other comprehensive income (loss). In January 2009, the company issued \$300 ten-year 4.50% notes. The loss on the swap contracts is being amortized over the life of the debt as additional interest expense.



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****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 and options contracts to reduce the volatility of price fluctuations of natural gas, diesel fuel, wheat, soybean oil, cocoa, aluminum and corn, which impact the cost of raw materials. Commodity futures and option contracts are accounted for as cash-flow hedges or are not designated as accounting hedges. Commodity futures and option contracts are typically entered into to hedge a portion of commodity requirements for periods up to 18 months. The notional amount of commodity contracts accounted for as cash-flow hedges was \$13 and \$23 at May 2, 2010, and May 3, 2009, respectively. The notional amount of commodity contracts that are not designated as accounting hedges was \$46 and \$64 at May 2, 2010, and May 3, 2009, respectively. As of May 2, 2010, all commodity contracts mature within 12 months.

**Equity Price Risk**

The company hedges a portion of exposures relating to certain deferred compensation obligations linked to the total return of the Standard & Poor's 500 Index, the total return of the company's capital stock and the total return of the Puritan Fund. Under these contracts, the company pays variable interest rates and receives from the counterparty either the total return of the Standard & Poor's 500 Index, the total return on company capital stock, or the total return of the Puritan Fund. These instruments are not designated as hedges for accounting purposes. The contracts are typically entered into for periods not exceeding 12 months. The notional amount of the company's deferred compensation hedges as of May 2, 2010, and May 3, 2009, were \$72 and \$43, respectively.

The following table summarizes the fair value of derivative instruments recorded in the Consolidated Balance Sheets as of May 2, 2010, and August 2, 2009:

|  | <b>Balance Sheet Classification</b> | <b>May 2,<br/>2010</b> | <b>August<br/>2,<br/>2009</b> |
|--|-------------------------------------|------------------------|-------------------------------|
| <b>Asset Derivatives</b>                   |                                     |                        |                               |
| Derivatives designated as hedges:          |                                     |                        |                               |
| Foreign exchange forward contracts         | Other current assets                | \$ 1                   | \$ 1                          |
| Cross-currency swap contracts              | Other current assets                |                        | 3                             |
| Interest rate swaps                        | Other assets                        | 41                     | 38                            |
| Total derivatives designated as hedges     |                                     | \$ 42                  | \$ 42                         |
| Derivatives not designated as hedges:      |                                     |                        |                               |
| Foreign exchange forward contracts         | Other current assets                | \$                     | \$ 3                          |
| Commodity contracts                        | Other current assets                | 4                      | 6                             |
| Cross-currency swap contracts              | Other current assets                | 11                     |                               |
| Cross-currency swap contracts              | Other assets                        |                        | 7                             |
| Deferred compensation contracts            | Other current assets                | 2                      | 4                             |
| Total derivatives not designated as hedges |                                     | \$ 17                  | \$ 20                         |
| Total asset derivatives                    |                                     | \$ 59                  | \$ 62                         |

**Table of Contents****Notes to Consolidated Financial Statements (Continued)**

|  | <b>Balance Sheet Classification</b> | <b>May 2,<br/>2010</b> | <b>August<br/>2,<br/>2009</b> |
|--|-------------------------------------|------------------------|-------------------------------|
| <b>Liability Derivatives</b>               |                                     |                        |                               |
| Derivatives designated as hedges:          |                                     |                        |                               |
| Foreign exchange forward contracts         | Accrued liabilities                 | \$ 3                   | \$ 3                          |
| Commodity contracts                        | Accrued liabilities                 | 1                      |                               |
| Cross-currency swap contracts              | Accrued liabilities                 | 2                      | 1                             |
| Interest rate swaps                        | Accrued liabilities                 | 5                      |                               |
| Cross-currency swap contracts              | Other liabilities                   | 25                     | 31                            |
| Total derivatives designated as hedges     |                                     | \$ 36                  | \$ 35                         |
| Derivatives not designated as hedges:      |                                     |                        |                               |
| Foreign exchange forward contracts         | Accrued liabilities                 | \$ 4                   | \$ 11                         |
| Commodity contracts                        | Accrued liabilities                 | 3                      | 6                             |
| Cross-currency swap contracts              | Accrued liabilities                 | 30                     | 5                             |
| Cross-currency swap contracts              | Other liabilities                   | 5                      | 8                             |
| Total derivatives not designated as hedges |                                     | \$ 42                  | \$ 30                         |
| Total liability derivatives                |                                     | \$ 78                  | \$ 65                         |

The derivative assets and liabilities are presented on a gross basis in the table. Certain derivative asset and liability balances, including cash collateral, are offset in the balance sheet when a legally enforceable right of offset exists.

The following tables show the effect of the company's derivative instruments designated as cash-flow hedges for the three- and nine-month periods ended May 2, 2010, and May 3, 2009, on other comprehensive income (loss) (OCI) and the Consolidated Statements of Earnings:

**Derivatives Designated as Cash-Flow Hedges**

|   | <b>Total<br/>Cash-Flow<br/>Hedge<br/>OCI Activity</b> |             |
|---|---|-------------|
|   | <b>2010</b>   | <b>2009</b> |
| <b>Three Months Ended May 2, 2010, and May 3, 2009</b>        |   |             |
| OCI derivative gain/(loss) at beginning of quarter            | \$ (22)   | \$ (14)     |
| Effective portion of changes in fair value recognized in OCI: |   |             |
| Foreign exchange forward contracts                            | (6)   | (4)         |
| Cross-currency swap contracts                                 | 1   | (2)         |
| Forward starting interest rate swaps                          | (3)   |             |
| Commodity contracts   | 1   | 2           |
| Amount of (gain) or loss reclassified from OCI to earnings:   |   |             |
|   | <b><u>Location in Earnings</u></b>                    |             |
| Foreign exchange forward contracts                            |   | (1)         |
| Foreign exchange forward contracts                            | 4   | (3)         |

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|  |                       |         |         |
|--|-----------------------|---------|---------|
| Forward starting interest rate swaps         | Interest expense      |         |         |
| Commodity contracts                          | Cost of products sold |         | 4       |
| OCI derivative gain/(loss) at end of quarter |                       | \$ (25) | \$ (18) |

**Table of Contents****Notes to Consolidated Financial Statements (Continued)**

|   | <b>Total<br/>Cash-Flow<br/>Hedge<br/>OCI Activity</b> |             |
|---|---|-------------|
|   | <b>2010</b>   | <b>2009</b> |
| <b>Nine Months Ended May 2, 2010, and May 3, 2009</b>         |   |             |
| OCI derivative gain/(loss) at beginning of year               | \$ (31)   | \$ 8        |
| Effective portion of changes in fair value recognized in OCI: |   |             |
| Foreign exchange forward contracts                            | (7)   | 7           |
| Cross-currency swap contracts                                 | 3   | (5)         |
| Forward starting interest rate swaps                          | (5)   | (15)        |
| Commodity contracts   |   | (11)        |
| Amount of (gain) or loss reclassified from OCI to earnings:   |   |             |
|   | <b><u>Location in Earnings</u></b>                    |             |
| Foreign exchange forward contracts                            | (1)   | (2)         |
| Foreign exchange forward contracts                            | 14  | (4)         |
| Forward starting interest rate swaps                          | 1   |             |
| Commodity contracts   | 1   | 4           |
| OCI derivative gain/(loss) at end of quarter                  | \$ (25)   | \$ (18)     |

The amount expected to be reclassified from other comprehensive income into earnings within the next 12 months is a loss of \$9. 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 on the Consolidated Statements of Earnings:

| <b>Derivatives Designated<br/>as Fair-Value Hedges</b> | <b>Location of Gain or (Loss)<br/>Recognized in Earnings</b> | <b>Amount of<br/>Gain or (Loss)<br/>Recognized in<br/>Earnings<br/>on Derivatives</b> |                            | <b>Amount of<br/>Gain or (Loss)<br/>Recognized in<br/>Earnings<br/>on Hedged Item</b> |                        |
|--|--|---|----------------------------|---|------------------------|
|  |  | <b>May<br/>2,<br/>2010</b>  | <b>May<br/>3,<br/>2009</b> | <b>May<br/>2,<br/>2010</b>  | <b>May 3,<br/>2009</b> |
| <b>Three Months Ended</b>                              |  |   |                            |   |                        |
| Interest rate swaps                                    | Interest expense   | \$ (2)  | \$ (1)                     | \$ 2  | \$ 1                   |
| <b>Nine Months Ended</b>                               |  |   |                            |   |                        |
| Interest rate swaps                                    | Interest expense   | \$ 3  | \$ 29                      | \$ (3)  | \$ (29)                |

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

**Amount of Gain or (Loss)  
Recognized in Earnings**



|   | Location of Gain or (Loss)<br>Recognized in Earnings | On Derivatives        |                   |                      |                   |
|---|--|-----------------------|-------------------|----------------------|-------------------|
|   |  | Three Months<br>Ended |                   | Nine Months<br>Ended |                   |
|   |  | May<br>2,<br>2010     | May<br>3,<br>2009 | May<br>2,<br>2010    | May<br>3,<br>2009 |
| <b>Derivatives not Designated as Hedges</b> |  |                       |                   |                      |                   |
| Foreign exchange forward contracts          | Other expenses/income                                | \$ 1                  | \$ 4              | \$ (3)               | \$ 7              |
| Foreign exchange forward contracts          | Cost of products sold                                |                       | 1                 |                      | 2                 |
| Cross-currency swap contracts               | Other expenses/income                                | (9)                   | (33)              | (19)                 | 92                |
| Commodity contracts                         | Cost of products sold                                | 3                     |                   |                      | (29)              |
| Deferred compensation contracts             | Administrative expenses                              | 6                     | (3)               | 10                   | (16)              |
| Total                                       |  | \$ 1                  | \$ (31)           | \$ (12)              | \$ 56             |

### 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.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)**

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. Items valued using internally generated models are classified according to the lowest level input or value driver that is significant to the calculation.

The following table presents the company's financial assets and liabilities that are measured at fair value on a recurring basis at May 2, 2010, consistent with the fair value hierarchy:

|  | Fair<br>Value<br>as of<br>May 2,<br>2010 | Fair Value Measurements at<br>May 2, 2010 Using<br>Fair Value Hierarchy |         |            |
|--|--|---|---------|------------|
|  |  | Level<br>1  | Level 2 | Level<br>3 |
| <b>Assets</b>                          |  |   |         |            |
| Interest rate swaps (1)                | \$ 41                                    | \$  | \$ 41   | \$         |
| Foreign exchange forward contracts (2) | 1  |   | 1       |            |
| Cross-currency swap contracts (3)      | 11                                       |   | 11      |            |
| Deferred compensation derivatives (4)  | 2  |   | 2       |            |
| Commodity derivatives (5)              | 4  | 4   |         |            |
| Total assets at fair value             | \$ 59                                    | \$ 4  | \$ 55   | \$         |

|  | Fair<br>Value<br>as of<br>May 2,<br>2010 | Fair Value Measurements at<br>May 2, 2010 Using<br>Fair Value Hierarchy |         |            |
|--|--|---|---------|------------|
|  |  | Level<br>1  | Level 2 | Level<br>3 |
| <b>Liabilities</b>                     |  |   |         |            |
| Interest rate swaps (1)                | \$ 5                                     | \$  | \$ 5    | \$         |
| Foreign exchange forward contracts (2) | 7  |   | 7       |            |
| Cross-currency swap contracts (3)      | 62                                       |   | 62      |            |
| Commodity derivatives (5)              | 4  | 4   |         |            |
| Deferred compensation obligation (6)   | 148                                      | 96  | 52      |            |
| Total liabilities at fair value        | \$ 226                                   | \$ 100  | \$ 126  | \$         |

(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.

#### **14. 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. In addition to this publicly announced program, the company repurchases shares to offset the impact of dilution from shares issued under the company's stock compensation plans.

During the nine-month period ended May 2, 2010, the company repurchased 9 million shares at a cost of \$315. Of this amount, \$182 was used to repurchase shares pursuant to the company's June 2008 publicly announced share repurchase program. Approximately \$618 remains available under this program as of May 2, 2010.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)**

During the nine-month period ended May 3, 2009, the company repurchased 13 million shares at a cost of \$409. Of this amount, \$291 was used to repurchase shares pursuant to the company's June 2008 publicly announced share repurchase program.

**15. Stock-based Compensation**

The company provides compensation benefits by issuing unrestricted stock, restricted stock and restricted stock units (including EPS performance restricted stock/units and total shareholder return (TSR) performance restricted stock/units). In previous fiscal years, the company also issued stock options and stock appreciation rights to provide compensation benefits.

Total pre-tax stock-based compensation recognized in Earnings from continuing operations was \$23 and \$19 for the three-month periods ended May 2, 2010, and May 3, 2009, respectively. Tax-related benefits of \$8 and \$7 were also recognized for the three-month periods ended May 2, 2010, and May 3, 2009, respectively. Total pre-tax stock-based compensation recognized in Earnings from continuing operations was \$68 and \$63 for the nine-month periods ended May 2, 2010, and May 3, 2009, respectively. Tax-related benefits of \$25 and \$23 were also recognized for the nine-month periods ended May 2, 2010, and May 3, 2009, respectively. Cash received from the exercise of stock options was \$75 and \$69 for the nine-month periods ended May 2, 2010, and May 3, 2009, 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 May 2, 2010:

|                               | Options | Weighted-Average Exercise Price<br>(Options in thousands) | Weighted-Average Remaining Contractual Life | Aggregate Intrinsic Value |
|-------------------------------|---------|---|---|---------------------------|
| Outstanding at August 2, 2009 | 17,552  | \$ 27.08  |   |                           |
| Granted                       |         | \$  |   |                           |
| Exercised                     | (2,724) | \$ 27.93  |   |                           |
| Terminated                    | (82)    | \$ 34.02  |   |                           |
| Outstanding at May 2, 2010    | 14,746  | \$ 26.84  | 2.8   | \$ 133                    |
| Exercisable at May 2, 2010    | 14,746  | \$ 26.84  | 2.8   | \$ 133                    |

The total intrinsic value of options exercised during the nine-month periods ended May 2, 2010, and May 3, 2009, was \$17 and \$30, 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 and EPS performance restricted stock/units as of May 2, 2010:

|                             | Shares/Units<br>(Restricted stock/units in thousands) | Weighted-Average Grant-Date Fair Value |
|-----------------------------|---|--|
| Nonvested at August 2, 2009 | 2,073   | \$ 38.17                               |
| Granted                     | 1,395   | \$ 32.21                               |
| Vested                      | (955)   | \$ 37.66                               |

|                          |       |          |
|--------------------------|-------|----------|
| Forfeited                | (87)  | \$ 35.43 |
| Nonvested at May 2, 2010 | 2,426 | \$ 35.04 |

The fair value of time-lapse restricted stock/units and EPS performance restricted stock/units 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/units granted in fiscal 2006 and forward 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 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.

As of May 2, 2010, total remaining unearned compensation related to nonvested time-lapse restricted stock/units and EPS performance restricted stock/units was \$43, which will be amortized over the weighted-average remaining service period of 1.8 years.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)**

The fair value of restricted stock/units vested during the nine-month periods ended May 2, 2010, and May 3, 2009, was \$31 and \$47, respectively. The weighted-average grant-date fair value of the restricted stock/units granted during the nine-month period ended May 3, 2009, was \$39.59.

The following table summarizes TSR performance restricted stock/units as of May 2, 2010:

|                             | Shares/Units<br>(Restricted stock/units in<br>thousands) | Weighted-<br>Average<br>Grant-Date<br>Fair Value |
|-----------------------------|--|--|
| Nonvested at August 2, 2009 | 3,349  | \$ 36.08   |
| Granted                     | 1,518  | \$ 33.84   |
| Vested                      | (950)  | \$ 26.43   |
| Forfeited                   | (289)  | \$ 31.77   |
| Nonvested at May 2, 2010    | 3,628  | \$ 38.01   |

The fair value of TSR performance restricted stock/units 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 May 2, 2010, total remaining unearned compensation related to TSR performance restricted stock/units was \$64, which will be amortized over the weighted-average remaining service period of 1.9 years. In the first quarter of fiscal 2010, recipients of TSR performance restricted stock/units earned 85% of their initial grants based upon the company's total shareholder return ranking in a performance peer group during a three-year period ended July 31, 2009. As a result, approximately 165,000 shares were forfeited. The total fair value of TSR performance restricted stock/units vested during the nine-month periods ended May 2, 2010, and May 3, 2009, was \$31 and \$57, respectively. The grant-date fair value of TSR performance restricted stock/units granted during the nine-month period ended May 3, 2009, was \$47.20.

Prior to fiscal 2009, employees could elect to defer all types of restricted stock awards. These awards are classified as liabilities because of the possibility that they may be settled in cash. The fair value is adjusted quarterly. Total cash paid to settle the liabilities during the nine-month periods ended May 2, 2010, and May 3, 2009, was not material.

The excess tax benefits on the exercise of stock options and vested restricted stock presented as cash flows from financing activities for the nine-month periods ended May 2, 2010, and May 3, 2009, were \$6 and \$18, respectively.

**16. Inventories**

|  | May 2,<br>2010 | August 2,<br>2009 |
|--|----------------|-------------------|
| Raw materials, containers and supplies | \$ 226         | \$ 324            |
| Finished products                      | 413            | 500               |
|  | \$ 639         | \$ 824            |

**17. Supplemental Cash Flow Information**

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

|                          | May 2,<br>2010 | May 3,<br>2009 |
|--------------------------|----------------|----------------|
| Benefit related payments | \$ (47)        | \$ (41)        |
| Other                    | (9)            | 8              |

\$ (56) \$ (33)

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**Item 2.**

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

**OVERVIEW**

***Description of the Company***

Campbell Soup Company is a global manufacturer and marketer of high-quality, branded convenience food products. The company is organized and reports in the following segments: U.S. Soup, Sauces and Beverages; Baking and Snacking; International Soup, Sauces and Beverages; and North America Foodservice. The company's well-known brands are sold in approximately 120 countries. Its principal geographies are the United States, Canada, Australia, France, Germany and Belgium.

***Executive Summary***

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

Net sales increased 7% in the quarter to \$1.802 billion.

Currency translation contributed 5 percentage points of sales growth.

U.S. soup sales increased 2% on volume gains of 5%. U.S. beverages sales increased 13%.

Gross profit, as a percent of sales, increased to 41.2% in the quarter, reflecting cost savings from productivity initiatives.

Net earnings per share for the quarter of \$.49 were comparable to the prior year. The current quarter included \$.05 of expenses from items that impacted comparability, as discussed below.

For the first nine months of 2010, cash from operations increased to \$859 million.

***Items Impacting Comparability***

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

**Continuing Operations**

In the third quarter of fiscal 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 previously announced initiatives to improve operational efficiency and long-term profitability. In the third quarter of fiscal 2009, the company recorded pre-tax restructuring-related costs of \$6 million (\$4 million after tax or \$.01 per share) in Cost of products sold associated with the previously announced initiatives. In the nine months ended May 3, 2009, the company recorded pre-tax restructuring-related costs of \$21 million (\$14 million after tax or \$.04 per share) in Cost of products sold. See Note 7 to the Consolidated Financial Statements for additional information.

In the third quarter of fiscal 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.

In the third quarter of fiscal 2009, the company recognized an \$11 million (\$7 million after tax or \$.02 per share) favorable net adjustment in Cost of products sold on commodity hedge positions. The year-to-date impact in 2009 from open commodity hedges was \$14 million (\$9 million after tax or \$.03 per share) of unrealized losses.

**Discontinued Operations**

In the second quarter of 2009, the company recorded a \$4 million tax benefit (\$.01 per share) related to the sale of the Godiva Chocolatier business.



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The items impacting comparability are summarized below:

|  | Three Months Ended |               |                    |               | Nine Months Ended  |               |                    |               |
|--|--------------------|---------------|--------------------|---------------|--------------------|---------------|--------------------|---------------|
|  | May 2,<br>2010     |               | May 3,<br>2009     |               | May 2,<br>2010     |               | May 3,<br>2009     |               |
| (Millions, except per share amounts)                   | Earnings<br>Impact | EPS<br>Impact | Earnings<br>Impact | EPS<br>Impact | Earnings<br>Impact | EPS<br>Impact | Earnings<br>Impact | EPS<br>Impact |
| Earnings from continuing operations                    | \$ 168             | \$ .49        | \$ 174             | \$ .49        | \$ 731             | \$ 2.09       | \$ 663             | \$ 1.82       |
| Earnings from discontinued operations                  | \$                 | \$            | \$                 | \$            | \$                 | \$            | \$ 4               | \$ .01        |
| Net earnings   | \$ 168             | \$ .49        | \$ 174             | \$ .49        | \$ 731             | \$ 2.09       | \$ 667             | \$ 1.83       |
| <u>Continuing operations:</u>                          |                    |               |                    |               |                    |               |                    |               |
| Deferred tax expense from U.S. health care legislation | \$ (10)            | \$ (.03)      | \$                 | \$            | \$ (10)            | \$ (.03)      | \$                 | \$            |
| Restructuring charges and related costs                | (8)                | (.02)         | (4)                | (.01)         | (8)                | (.02)         | (14)               | (.04)         |
| Unrealized gains (losses) on commodity hedges          |                    |               | 7                  | .02           |                    |               | (9)                | (.03)         |
| <u>Discontinued operations:</u>                        |                    |               |                    |               |                    |               |                    |               |
| Tax benefit from sale of Godiva Chocolatier business   |                    |               |                    |               |                    |               | 4                  | .01           |
| Impact of significant items on net earnings            | \$ (18)            | \$ (.05)      | \$ 3               | \$ .01        | \$ (18)            | \$ (.05)      | \$ (19)            | \$ (.06)      |

**Earnings from Continuing and Discontinued Operations**

The company reported earnings from continuing operations of \$168 million for the quarter ended May 2, 2010, versus \$174 million in the comparable quarter a year ago. Earnings per share from continuing operations were \$.49 in both periods. After adjusting for the items impacting comparability, earnings from continuing operations for the quarter increased primarily due to an improved gross margin percentage, higher sales, and the impact of currency, partially offset by higher administrative expenses. Earnings per share from continuing operations in the current quarter 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 program. Earnings per share from continuing operations were positively impacted by \$.03 from currency translation.

For the nine months ended May 2, 2010, earnings from continuing operations were \$731 million compared to \$663 million a year ago. Earnings per share from continuing operations were \$2.09 compared to \$1.82 a year ago. After adjusting for the items impacting comparability, earnings from continuing operations in the current period increased primarily due to an improved gross margin percentage, the impact of currency, and lower advertising expenses partially offset by lower sales volumes and increased administrative costs. Earnings per share from continuing operations in the current period 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 program. Earnings per share from continuing operations were positively impacted by \$.08 from currency translation.

Earnings from discontinued operations of \$4 million, or \$.01 per share, for the nine-months ended May 3, 2009, represented an adjustment to the tax liability associated with the sale of the Godiva Chocolatier business.

***Basis of Presentation***

All earnings per share amounts included in Management's Discussion and Analysis are presented on a diluted basis.

In June 2008, the Financial Accounting Standards Board (FASB) issued accounting guidance related to the calculation of earnings per share. The guidance 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 company adopted and retrospectively applied the new guidance in the first quarter of 2010. The retrospective application of the provisions resulted in a reduction of previously reported basic net earnings per share of \$.01 for the three-month

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period ended May 3, 2009. There was no change to the previously reported diluted net earnings per share for the three-month period ended May 3, 2009. The retrospective application of the provisions resulted in a reduction of previously reported basic earnings per share from continuing operations and net earnings of \$.03 and of the previously reported diluted earnings per share from continuing operations and net earnings of \$.02, for the nine-month period ended May 3, 2009. There was no change to the previously reported basic and diluted earnings per share from discontinued operations for the nine-month period ended May 3, 2009. See Note 8 to the Consolidated Financial Statements for additional information.

**THIRD-QUARTER DISCUSSION AND ANALYSIS****Sales**

An analysis of net sales by reportable segment follows:

|  | <b>2010</b>       | <b>2009</b> | <b>%</b>      |
|--|-------------------|-------------|---------------|
|  | <b>(Millions)</b> |             | <b>Change</b> |
| U.S. Soup, Sauces and Beverages          | <b>\$ 848</b>     | \$ 808      | 5%            |
| Baking and Snacking                      | <b>477</b>        | 431         | 11            |
| International Soup, Sauces and Beverages | <b>331</b>        | 297         | 11            |
| North America Foodservice                | <b>146</b>        | 150         | (3)           |
|  | <b>\$ 1,802</b>   | \$ 1,686    | 7%            |

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

|                                    | <b>U.S.<br/>Soup,<br/>Sauces<br/>and<br/>Beverages</b> | <b>Baking<br/>and<br/>Snacking</b> | <b>International<br/>Soup,<br/>Sauces<br/>and<br/>Beverages</b> | <b>North<br/>America<br/>Foodservice</b> | <b>Total</b> |
|------------------------------------|--|------------------------------------|---|--|--------------|
| Volume and Mix                     | 8%   | 3%                                 | (2)%  | (5)%                                     | 4%           |
| Price and Sales Allowances         | 1  | 1                                  |   |  | 1            |
| Increased Promotional Spending (1) | (4)  | (3)                                |   | (1)                                      | (3)          |
| Currency                           |  | 9                                  | 13  | 3  | 5            |
| Acquisitions/(Divestitures)        |  | 1                                  |   |  |              |
|                                    | 5%   | 11%                                | 11%   | (3)%                                     | 7%           |

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

In U.S. Soup, Sauces and Beverages, U.S. soup sales increased 2% as 5% volume growth was partly offset by increased promotional spending. Further details below:

Sales of *Campbell's* condensed soups declined 1% with declines in cooking and eating varieties, as increased promotional spending was only partially offset by volume gains.

Sales of ready-to-serve soups increased 4%. Volume gains in *Campbell's Chunky* and *Select Harvest* canned soups were partially offset by increased promotional spending and declines in microwavable varieties.

Broth sales increased 9%.

Beverage sales increased 13% driven by volume gains. *V8 V-Fusion* juice sales increased significantly due to increased advertising and promotional activity and successful new item launches. Sales of *V8* vegetable juice and *V8 Splash* juice drinks contributed to sales growth as both benefitted from increased promotional activity. Sauce sales improved reflecting gains in *Prego* pasta sauce and double-digit growth in *Pace* Mexican sauce.

In Baking and Snacking, sales at Pepperidge Farm increased primarily due to the acquisition of *Ecce Panis, Inc.* in May 2009 and gains in the cookies and crackers business. In the Pepperidge Farm cookies and crackers business, sales increased reflecting the solid growth of *Goldfish* snack crackers, partly offset by a decline in cookies. In Australia, sales increased due to currency and growth in *Arnott's*, led by chocolate snacks, partially offset by declines in both savory and sweet biscuit products.

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In International Soup, Sauces and Beverages, sales increased primarily due to currency. In Europe, sales increased primarily due to currency and higher sales in Germany, partly offset by lower sales in France. In Asia Pacific, sales increased primarily due to currency. In Canada, sales increased due to currency, partially offset by lower soup sales.

In North America Foodservice, sales declined primarily due to continued weakness in the food service sector.

**Gross Profit**

Gross profit, defined as Net sales less Cost of products sold, increased by \$58 million in 2010. As a percent of sales, gross profit increased from 40.6% in 2009 to 41.2% in 2010. The percentage point increase was due to productivity improvements (approximately 2.1 percentage points), higher selling prices (approximately 0.4 percentage point), and costs in the prior year related to the initiatives to improve operational efficiency and long-term profitability (approximately 0.4 percentage point), partially offset by increased promotional spending (approximately 1.4 percentage points), a favorable adjustment on commodity hedge positions in the prior year (approximately 0.7 percentage point), unfavorable mix (approximately 0.1 percentage point), and the impact of cost inflation and other factors (approximately 0.1 percentage point).

**Marketing and Selling Expenses**

Marketing and selling expenses as a percent of sales were 14.0% in 2010 and 14.6% in 2009. Marketing and selling expenses increased 2% in 2010 from 2009. The increase was primarily due to the impact of currency (approximately 4 percentage points) and higher selling expenses (approximately 2 percentage points), partially offset by lower advertising and consumer promotion expenses (approximately 4 percentage points). The lower advertising expenses were due in part to a reduction in media rates and a shift to trade promotion in many businesses.

**Administrative Expenses**

Administrative expenses as a percent of sales were 8.7% in 2010 and 7.7% in 2009. Administrative expenses increased by 21% in 2010 from 2009, primarily due to an increase in employee benefit costs, including equity-related benefit expenses and pension costs (approximately 14 percentage points), the impact of currency (approximately 4 percentage points), and higher general administrative costs (approximately 3 percentage points).

**Operating Earnings**

Segment operating earnings increased 10% in 2010 from 2009.

An analysis of operating earnings by segment follows:

|  | 2010(1)       | 2009(2) | %      |
|--|---------------|---------|--------|
|  | (Millions)    |         | Change |
| U.S. Soup, Sauces and Beverages          | \$ 214        | \$ 195  | 10%    |
| Baking and Snacking                      | 76            | 57      | 33     |
| International Soup, Sauces and Beverages | 37            | 29      | 28     |
| North America Foodservice                | (3)           | 13      | (123)  |
|  | <b>324</b>    | 294     | 10%    |
| Corporate                                | <b>(32)</b>   | (8)     |        |
|  | <b>\$ 292</b> | \$ 286  |        |

(1) Operating earnings for the North America Foodservice segment included \$12 million of

restructuring charges. See Note 7 for additional information on restructuring charges.

- (2) Operating earnings by segment included the effect of restructuring-related costs of \$1 million in Baking and Snacking and \$5 million in North America Foodservice, and a favorable net adjustment on commodity hedge positions of \$11 million in Corporate. See Note 7 to the Consolidated Financial Statements for additional information on restructuring charges.

Earnings from U.S. Soup, Sauces and Beverages increased 10% in 2010 versus 2009 primarily due to higher sales and an improved gross margin percentage.

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Earnings from Baking and Snacking increased 33% in 2010 versus 2009 primarily due to the impact of currency and margin growth in Pepperidge Farm. The prior year included \$1 million in costs related to the initiatives to improve operational efficiency and long-term profitability.

Earnings from International Soup, Sauces and Beverages increased 28% in 2010 versus 2009. The increase in operating earnings was due to the impact of currency and margin growth in Europe, partially offset by a decline in Canada.

Earnings from North America Foodservice in 2010 decreased \$16 million to a loss of \$3 million from earnings of \$13 million in 2009. The current year included \$12 million in restructuring charges related to the initiatives to improve operational efficiency and long-term profitability, and the prior year included \$5 million in costs related to the restructuring. The remaining decrease was primarily due to lower manufacturing costs in the prior year and lower sales in the current year.

Corporate expenses increased from \$8 million in 2009 to \$32 million in 2010. The prior year included an \$11 million favorable net adjustment on commodity hedge positions. The remainder of the increase was due primarily to higher equity-related benefit costs.

**Interest Expense/Income**

Interest expense increased to \$29 million from \$26 million in the prior year, primarily due to an increase in fixed-rate debt, partially offset by lower average short-term rates.

**Taxes on Earnings**

The effective tax rate for the current quarter was 36.6%. The effective rate for the year-ago quarter was 33.1%. The increase in the effective rate was primarily due to deferred tax expense of \$10 million recognized in the current quarter as a result of 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. The company recorded the adjustment to reduce the value of the deferred tax asset associated with the subsidy.

**NINE-MONTH DISCUSSION AND ANALYSIS****Sales**

An analysis of net sales by reportable segment follows:

|  | 2010            | 2009            | %         |
|--|-----------------|-----------------|-----------|
|  | (Millions)      |                 | Change    |
| U.S. Soup, Sauces and Beverages          | \$ 3,056        | \$ 3,134        | (2)%      |
| Baking and Snacking                      | 1,496           | 1,380           | 8         |
| International Soup, Sauces and Beverages | 1,142           | 1,068           | 7         |
| North America Foodservice                | 464             | 476             | (3)       |
|  | <b>\$ 6,158</b> | <b>\$ 6,058</b> | <b>2%</b> |

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

|                                    | <b>U.S.<br/>Soup,<br/>Sauces<br/>and<br/>Beverages</b> | <b>Baking<br/>and<br/>Snacking</b> | <b>International<br/>Soup,<br/>Sauces<br/>And<br/>Beverages</b> | <b>North<br/>America<br/>Foodservice</b> | <b>Total</b> |
|------------------------------------|--|------------------------------------|---|--|--------------|
| Volume and Mix                     | (2)%   | 2%                                 | (2)%  | (4)%                                     | (1)%         |
| Price and Sales Allowances         | 2  | 1                                  | 3   |  | 2            |
| Increased Promotional Spending (1) | (2)  | (3)                                | (2)   | (1)                                      | (2)          |
| Currency                           |  | 7                                  | 9   | 2  | 3            |
| Acquisitions/(Divestitures)        |  | 1                                  | (1)   |  |              |
|                                    | (2)%   | 8%                                 | 7%  | (3)%                                     | 2%           |

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

In U.S. Soup, Sauces and Beverages, U.S. soup sales decreased 4%, due to the following:

Sales of *Campbell's* condensed soups declined 1%, as declines in eating varieties were partially offset by gains in cooking varieties.

Sales of ready-to-serve soups decreased 10%.

Broth sales increased 2%.

Beverage sales increased primarily due to higher sales of *V8 V-Fusion* juice, partly offset by lower sales of *V8* vegetable juice. *Prego* pasta sauce sales increased, while *Pace* Mexican sauce sales declined slightly.

In Baking and Snacking, sales at *Pepperidge Farm* increased primarily due to the acquisition of *Ecce Panis, Inc.* in May 2009. Within *Pepperidge Farm*, sales in the bakery business increased due to the acquisition, partially offset by a decline in the base business. In the *Pepperidge Farm* cookies and crackers business, sales increased reflecting the growth of *Goldfish* snack crackers, partly offset by a decline in cookies. Sales declined in the *Pepperidge Farm* frozen business. In Australia, sales increased due to currency and growth in *Arnott's* products.

In International Soup, Sauces and Beverages, sales increased primarily due to currency, partly offset by the divestiture of the company's French sauce and mayonnaise business in September 2008. In Europe, sales increased due to currency, partly offset by the divestiture and lower sales in Germany. In Asia Pacific, sales increased primarily due to currency and gains in Japan. In Canada, sales increased due to currency.

In North America Foodservice, sales declined primarily due to continued weakness in the food service sector.

**Gross Profit**

Gross profit, defined as Net sales less Cost of products sold, increased by \$144 million in 2010. As a percent of sales, gross profit increased from 39.5% in 2009 to 41.2% in 2010. The percentage point increase was due to productivity improvements (approximately 2.1 percentage points), higher selling prices (approximately 1.0 percentage point), unrealized losses on commodity hedges in the prior year (approximately 0.2 percentage point), costs in the



prior year related to the initiatives to improve operational efficiency and long-term profitability (approximately 0.4 percentage point), and favorable mix (approximately 0.1 percentage point), partially offset by increased promotional spending (approximately 1.1 percentage points), and the impact of cost inflation and other factors (approximately 1.0 percentage point).

***Marketing and Selling Expenses***

Marketing and selling expenses as a percent of sales were 13.6% in 2010 and 14.3% in 2009. Marketing and selling expenses decreased 4% in 2010 from 2009. The decrease was primarily due to lower advertising expenses (approximately 5 percentage points), and lower other marketing expenses (approximately 2 percentage points), partially offset by the impact of currency (approximately 2 percentage points) and higher selling expenses (approximately 1 percentage point). The lower advertising expenses in the current year reflected a reduction in media rates and a shift to trade promotion in many of the businesses.

**Table of Contents****Administrative Expenses**

Administrative expenses as a percent of sales were 7.1% in 2010 and 6.7% in 2009. Administrative expenses increased by 8% in 2010 from 2009, primarily due to an increase in employee benefit costs, including equity-related benefit expenses and pension expense, (approximately 5 percentage points), and the impact of currency (approximately 3 percentage points).

**Operating Earnings**

Segment operating earnings increased 11% in 2010 from 2009.

An analysis of operating earnings by segment follows:

|  | 2010(1)         | 2009(2)  | %      |
|--|-----------------|----------|--------|
|  | (Millions)      |          | Change |
| U.S. Soup, Sauces and Beverages          | \$ 804          | \$ 779   | 3%     |
| Baking and Snacking                      | 249             | 193      | 29     |
| International Soup, Sauces and Beverages | 155             | 117      | 32     |
| North America Foodservice                | 40              | 34       | 18     |
|  | <b>1,248</b>    | 1,123    | 11%    |
| Corporate                                | (87)            | (83)     |        |
|  | <b>\$ 1,161</b> | \$ 1,040 |        |

(1) Operating earnings for the North America Foodservice segment included \$12 million of restructuring charges. See Note 7 for additional information on restructuring charges.

(2) Operating earnings by segment included the effect of restructuring-related costs of \$3 million in Baking and Snacking and \$18 million in North America Foodservice, and unrealized losses on commodity hedges of \$14 million in Corporate. See Note

7 to the  
Consolidated  
Financial Statements  
for additional  
information on  
restructuring  
charges.

Earnings from U.S. Soup, Sauces and Beverages increased 3% in 2010 versus 2009 due to an improvement in gross margin percentage, and lower advertising expenses, partially offset by lower sales.

Earnings from Baking and Snacking increased 29% in 2010 versus 2009. The prior year included \$3 million in restructuring-related costs. The increase in operating earnings was due to the impact of currency and margin growth in Pepperidge Farm and Arnott's.

Earnings from International Soup, Sauces and Beverages increased 32% in 2010 versus 2009. The increase in operating earnings was primarily due to the impact of currency and growth in the businesses in Europe.

Earnings from North America Foodservice increased to \$40 million in 2010 from \$34 million in 2009. The current year included \$12 million in restructuring charges, and the prior year included \$18 million in restructuring-related costs.

Corporate expenses increased from \$83 million in 2009 to \$87 million in 2010. The prior year included \$14 million in unrealized losses on commodity hedges. The current year increase was primarily due to higher equity-related benefit costs.

***Interest Expense/Income***

Interest expense decreased to \$84 million from \$85 million in the prior year, primarily due to lower average interest rates, partially offset by higher average debt levels.

***Taxes on Earnings***

The effective tax rate for the current period was 32.4%. The effective rate for the year-ago period was 30.7%. The current year included \$10 million of deferred tax expense to reduce deferred tax assets resulting from the enacted changes in U.S. health care legislation in March 2010. The remaining increase in the effective rate was primarily due to higher state taxes in the U.S.

**Table of Contents*****Restructuring Charges***

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 2008, the company recorded a restructuring charge of \$175 million (\$102 million after tax or \$.27 per share). The charge consisted of a net loss of \$120 million (\$64 million after tax) on the sale of certain Australian salty snack food brands and assets; \$45 million (\$31 million after tax) of employee severance and benefit costs, including the estimated impact of curtailment and other pension charges; and \$10 million (\$7 million after tax) of property, plant and equipment impairment charges. In addition, approximately \$7 million (\$5 million after tax or \$.01 per share) of costs related to these initiatives were recorded in Cost of products sold, primarily representing accelerated depreciation on property, plant and equipment. The aggregate after-tax impact of restructuring charges and related costs in 2008 was \$107 million, or \$.28 per share.

In 2009, the company recorded approximately \$22 million (\$15 million after tax or \$.04 per share) of costs related to the 2008 initiatives in Cost of products sold. Approximately \$17 million (\$12 million after tax) of the costs represented accelerated depreciation on property, plant and equipment; approximately \$4 million (\$2 million after tax) related to other exit costs; and approximately \$1 million related to employee severance and benefit costs, including other pension charges. Of the amount recorded in 2009, costs of \$21 million (\$14 million after tax or \$.04 per share) were recorded through the end of the third quarter. Approximately \$17 million (\$12 million after tax) of the costs represented accelerated depreciation on property, plant and equipment, and approximately \$4 million (\$2 million after tax) related to other exit costs.

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, which represented the final costs associated with the 2008 initiatives.

In aggregate, the company incurred pre-tax costs of approximately \$216 million in 2008 through 2010 by segment as follows: Baking and Snacking \$147 million, International Soup, Sauces and Beverages \$9 million and North America Foodservice \$60 million.

See Note 7 to the Consolidated Financial Statements for additional information.

**LIQUIDITY AND CAPITAL RESOURCES**

The company expects that foreseeable liquidity and capital resource requirements, including cash outflows to repurchase shares, 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. The company expects 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 may be negatively impacted by capital and credit market disruptions and will depend on the market conditions and the company's financial position at the time.

The company generated cash from operations of \$859 million in 2010, compared to \$806 million last year. The increase was primarily due to improvements in working capital requirements and higher earnings, partially offset by a \$260 million contribution to a U.S. pension plan.

Capital expenditures were \$177 million in 2010 compared to \$176 million a year ago. Capital expenditures in 2010 included expansion and enhancements of the company's corporate headquarters (approximately \$25 million), expansion of Arnott's production capacity (approximately \$15 million), the ongoing implementation of SAP in Australia and New Zealand (approximately \$12 million) and expansion of Pepperidge Farm's production capacity (approximately \$9 million). Capital expenditures are expected to total approximately \$350 million in 2010.

Net cash provided by investing activities in 2009 included the proceeds from the sale of the sauce and mayonnaise business in France, net of cash divested.

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 9 million shares at a cost of \$315 million during the nine-month period in 2010 and 13 million shares at a cost of \$409 million during the nine-month period in 2009. Approximately 5 million of the shares repurchased in the current year and approximately 9 million of the shares repurchased in the prior-year period were repurchased



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pursuant to the company's June 2008 publicly announced share repurchase program. Approximately \$618 million remains available under the June 2008 repurchase program as of May 2, 2010. 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. The company expects to continue this practice in the future. See Unregistered Sales of Equity Securities and Use of Proceeds for more information.

At May 2, 2010, the company had \$945 million of short-term borrowings due within one year and \$25 million of standby letters of credit issued on behalf of the company. The company has a \$1.5 billion committed revolving credit facility maturing in 2011, which remained unused at May 2, 2010, except for \$25 million of standby letters of credit issued on behalf of the company. This agreement supports the company's commercial paper programs.

In November 2008, the company filed a registration statement with the Securities and Exchange Commission that registered an indeterminate amount of debt securities. Under the registration statement, the company may issue debt securities, depending on market conditions. During fiscal 2010, the company entered into forward starting interest rate swap contracts with a combined notional value of \$200 million to hedge an anticipated debt offering.

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

**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. The significant accounting estimates are described in Management's Discussion and Analysis included in the 2009 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.

**RECENT ACCOUNTING PRONOUNCEMENTS**

In addition to the guidance related to the calculation of earnings per share described in Basis of Presentation and in Note 8 to the Consolidated Financial Statements, recent accounting pronouncements are as follows:

In December 2007, the FASB issued authoritative guidance which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It requires a noncontrolling interest in a subsidiary, which was formerly known as minority interest, to be classified as a separate component of total equity in the consolidated financial statements. The company retrospectively adopted the new noncontrolling interest guidance in the first quarter of fiscal 2010. The adoption did not have a material impact on the financial statements. See Note 9 for additional information.

In December 2007, the FASB issued authoritative guidance for business combinations, which establishes the principles and requirements for how an acquirer recognizes the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date with limited exceptions. The guidance requires acquisition-related transaction costs to be expensed as incurred rather than capitalized as a component of the business combination. The provisions as revised were effective as of the first quarter of fiscal 2010 and will be applied to any business combinations entered into in fiscal 2010 and thereafter.

In September 2006, the FASB issued authoritative guidance for fair value measurements, which establishes a definition of fair value, provides a framework for measuring fair value and expands the disclosure requirements about fair value measurements. This guidance does not require any new fair value measurements but rather applies to all other accounting pronouncements that require or permit fair value measurements. In February 2008, the FASB issued authoritative guidance which delayed by a year the effective date for certain nonfinancial assets and liabilities. The company adopted the provisions of the guidance for financial assets and liabilities in the first quarter of fiscal 2009. The adoption did not have a material impact on the consolidated financial statements. The company adopted the remaining provisions in the first quarter of fiscal 2010 for nonfinancial assets and liabilities, including goodwill and intangible assets. The adoption likewise did not have a material impact on the consolidated financial statements. See Note 13 for additional information.



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In January 2010, the FASB issued additional authoritative guidance related to fair value measurements and disclosures. The guidance requires disclosure of details of significant transfers in and out of Level 1 and Level 2 fair value measurements. Level 1 fair value measurements are based on unadjusted quoted market prices. Level 2 fair value measurements are based on significant inputs, other than Level 1, that are observable for the asset/liability through corroboration with observable market data. The guidance also clarifies the existing disclosure requirements for the level of disaggregation of fair value measurements and the disclosures on inputs and valuation techniques. The company adopted these provisions in the third quarter of fiscal 2010. The adoption did not have a material impact on the consolidated financial statements. In addition, the guidance requires a gross presentation of the activity within the Level 3 roll forward, separately presenting information about purchases, sales, issuances and settlements. The roll forward information must be provided by the company for the first quarter of fiscal 2012, as the provision is effective for annual reporting periods beginning after December 15, 2010 and for interim reporting periods within those years.

In April 2009, the FASB issued authoritative guidance related to interim disclosures about fair value of financial instruments. The company prospectively adopted the interim fair value disclosure guidance in the first quarter of fiscal 2010. The adoption did not have a material impact on the consolidated financial statements. The additional disclosures are included in Note 12.

In June 2009, the FASB Accounting Standards Codification (Codification) was issued to become the source of authoritative U.S. generally accepted accounting principles (GAAP) to be applied by nongovernmental entities and supersede all then-existing non-SEC accounting and reporting standards. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. The Codification was effective for financial statements issued for interim and annual periods ending after September 15, 2009. The company adopted the provisions in the first quarter of 2010. The adoption did not impact the company's consolidated financial statements.

In December 2008, the FASB issued additional authoritative guidance related to employers' disclosures about the plan assets of defined benefit pension or other postretirement plans. The required disclosures include a description of how investment allocation decisions are made, major categories of plan assets, valuation techniques used to measure the fair value of plan assets, the impact of measurements using significant unobservable inputs and concentrations of risk within plan assets. The disclosures about plan assets required by this additional guidance must be provided for fiscal years ending after December 15, 2009, and will be effective for the company for fiscal year-end 2010.

**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 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 2009 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, new product introductions, and pricing and promotional strategies;



the company's ability to achieve sales and earnings guidance, which are based on assumptions about sales volume, product mix, the development and success of new products, the impact of marketing and pricing actions, product costs and currency;

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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 manage changes to its business processes, including selling, distribution, manufacturing, information management systems and the integration of acquisitions;

the 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 and inflation in energy, raw and packaging materials cost;

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, 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 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 2009 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 2009 year-end, except that during fiscal 2010, the company entered into four forward starting interest rate swap contracts accounted for as cash-flow hedges to hedge interest-rate uncertainty related to an anticipated debt offering. The notional amount of these swaps at May 2, 2010, was \$200 million, and the fair value was a loss of \$5 million.

**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 – 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 (the Exchange Act)) as of May 2, 2010 (the 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.

**b. Changes in Internal Controls**

During the quarter ended May 2, 2010, the company made the following changes to its internal control over financial reporting that materially affected such internal control over financial reporting:

As part of the previously announced SAP enterprise-resource planning system implementation, the company implemented SAP software at its Arnott's headquarters in Australia and its Huntingwood, New South Wales, Australia manufacturing facility. In conjunction with this SAP implementation, the company modified the design, operation and



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documentation of its internal control over financial reporting. Specifically, the company modified controls in the business processes impacted by the new system, such as user access security, system reporting and authorization and reconciliation procedures.

The company implemented a new SAP-based consolidation system for external and management reporting, which includes new information technology infrastructure supporting the company's consolidation processes.

Except for the foregoing, there were no changes in the company's internal control over financial reporting that materially affected, or were 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<br/>Number<br/>of Shares<br/>Purchased(1)</b> | <b>Average<br/>Price<br/>Paid<br/>Per<br/>Share(2)</b> | <b>Total Number<br/>of<br/>Shares<br/>Purchased<br/>as Part of<br/>Publicly<br/>Announced<br/>Plans or<br/>Programs(3)</b> | <b>Approximate<br/>Dollar<br/>Value of<br/>Shares that<br/>may yet<br/>be<br/>Purchased<br/>Under the<br/>Plans or<br/>Programs<br/>(\$ in<br/>Millions)(3)</b> |
|----------------|--|--|--|---|
| 2/1/10 2/28/10 | 883,155(4)   | \$ 33.24(4)  | 449,310  | \$ 667  |
| 3/1/10 3/31/10 | 1,331,359(5)   | \$ 34.55(5)  | 710,670  | \$ 643  |
| 4/1/10 5/2/10  | 1,015,790(6)   | \$ 35.54(6)  | 715,680  | \$ 618  |
| <b>Total</b>   | <b>3,230,304</b>                                       | <b>\$ 34.50</b>  | <b>1,875,660</b>   | <b>\$ 618</b>   |

(1) Includes  
(i) 1,078,440  
shares repurchased  
in open-market  
transactions to  
offset the dilutive  
impact to existing  
shareowners of  
issuances under  
the company's  
stock  
compensation  
plans, (ii) 12,704  
shares owned and  
tendered by  
employees to  
satisfy tax  
withholding  
obligations on the  
vesting of  
restricted shares  
and (iii) 263,500  
shares purchased  
by the  
counterparty to a  
deferred

compensation hedge entered into by the company during the third quarter of fiscal 2010 (the Hedge Shares ). The purchase of the Hedge Shares is being disclosed because the counterparty may be an affiliated purchaser as defined by Rule 10b-18(a)(3) of the Exchange Act. The company disclaims all beneficial ownership of the Hedge 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 third quarter of fiscal 2010, the company had one publicly announced share repurchase program. Under

this program, which was announced on June 30, 2008, the company's Board of Directors authorized the purchase of up to \$1.2 billion of company stock through the end of fiscal 2011. In addition to the publicly announced share repurchase program, 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) 431,790 shares repurchased in open-market transactions at an average price of \$33.24 to offset the dilutive impact to existing shareowners of issuances under the company's stock compensation plans, and
  - (ii) 2,055 shares owned and tendered by employees at an average price per

share of \$32.89 to satisfy tax withholding requirements on the vesting of restricted shares.

- (5) Includes
- (i) 354,330 shares repurchased in open-market transactions at an average price of \$34.33 to offset the dilutive impact to existing shareowners of issuances under the company's stock compensation plans, (ii) 2,859 shares owned and tendered by employees at an average price per share of \$34.27 to satisfy tax withholding requirements on the vesting of restricted shares, and (iii) the Hedge Shares at an average price per share of \$35.17.

- (6) Includes
- (i) 292,320 shares repurchased in open-market transactions at an average price of \$35.54 to offset the dilutive impact to existing shareowners of issuances under the company's stock compensation



plans, and  
(ii) 7,790 shares  
owned and  
tendered by  
employees at an  
average price per  
share of \$35.75 to  
satisfy tax  
withholding  
requirements on  
the vesting of  
restricted shares.

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**Item 6. EXHIBITS**

- 3(i) Campbell Soup Company By-Laws, effective March 25, 2010, were filed with the SEC with a Form 8-K (SEC file number 1-3822) on March 30, 2010, and are incorporated herein by reference.
- 31(a) Certification of Douglas R. Conant pursuant to Rule 13a-14(a).
- 31(b) Certification of B. Craig Owens pursuant to Rule 13a-14(a).
- 32(a) Certification of Douglas R. Conant 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\*

\* In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to the Quarterly Report on Form 10-Q shall be deemed furnished and not filed.

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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.

Date: June 10, 2010

**CAMPBELL SOUP COMPANY**

By: /s/ B. Craig Owens  
B. Craig Owens  
Senior Vice President Chief  
Financial Officer and Chief  
Administrative Officer

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

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**INDEX TO EXHIBITS**

|         |  |
|---------|--|
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| 101.SCH | XBRL Schema Document*  |
| 101.CAL | XBRL Calculation Linkbase Document*  |
| 101.DEF | XBRL Definition Linkbase Document*   |
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| 101.PRE | XBRL Presentation Linkbase Document*   |

\* In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to the Quarterly Report on Form 10-Q shall be deemed furnished and not filed.