CAMPBELL SOUP CO
Form 10-Q
June 06, 2007

Table of Contents

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	**Commission File Number**
April 29, 2007	**1-3822**
New Jersey	**21-0419870**
State of Incorporation	**I.R.S. Employer Identification No.**

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ **No** o

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

Large accelerated filer þ **Accelerated filer** o **Non-accelerated filer** o

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

Yes o **No** þ

There were 387,443,947 shares of Capital Stock outstanding as of May 31, 2007.

TABLE OF CONTENTS

Table of Contents

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	
	April 29, 2007	April 30, 2006	**April 29, 2007**	April 30, 2006
Net sales	**$1,868**	$1,728	**$6,273**	$5,889
Costs and expenses				
Cost of products sold	**1,094**	1,021	**3,616**	3,428
Marketing and selling expenses	**336**	284	**1,013**	959
Administrative expenses	**135**	147	**425**	415
Research and development expenses	**26**	26	**77**	74
Other expenses / (income)	**(4)**	2	**(22)**	1
Total costs and expenses	**1,587**	1,480	**5,109**	4,877
Earnings before interest and taxes	**281**	248	**1,164**	1,012
Interest, net	**27**	40	**107**	109
Earnings before taxes	**254**	208	**1,057**	903
Taxes on earnings	**37**	62	**287**	232
Earnings from continuing operations	**217**	146	**770**	671
Earnings from discontinued operations		20	**23**	51
Net earnings	**$ 217**	$ 166	**$ 793**	$ 722
Per share basic				
Earnings from continuing operations	**$ .57**	$ .36	**$ 1.99**	$ 1.64
Earnings from discontinued operations		.05	**.06**	.13
Net earnings	**$ .57**	$ .41	**$ 2.05**	$ 1.77
Dividends	**$ .20**	$ .18	**$ .60**	$ .54
Weighted average shares outstanding basic	**384**	406	**387**	408
Per share assuming dilution				

Earnings from continuing operations	**$ .55**	$ .35	**$ 1.93**	$ 1.62
Earnings from discontinued operations		.05	**.06**	.12
Net earnings	**$ .55**	$ .40	**$ 1.99**	$ 1.74
Weighted average shares outstanding assuming dilution	**395**	413	**398**	414

See Notes to Consolidated Financial Statements.

2

Table of Contents

CAMPBELL SOUP COMPANY CONSOLIDATED
Balance Sheets
(unaudited)
(millions, except per share amounts)

	April 29, 2007	July 30, 2006
Current assets		
Cash and cash equivalents	**$ 274**	$ 657
Accounts receivable	**575**	494
Inventories	**680**	728
Other current assets	**165**	133
Current assets of discontinued operations held for sale		100
Total current assets	**1,694**	2,112
Plant assets, net of depreciation	**1,978**	1,954
Goodwill	**1,849**	1,765
Other intangible assets, net of amortization	**617**	596
Other assets	**616**	605
Non-current assets of discontinued operations held for sale		838
Total assets	**$ 6,754**	$ 7,870
Current liabilities		
Notes payable	**$ 493**	$ 1,097
Payable to suppliers and others	**592**	691
Accrued liabilities	**589**	820
Dividend payable	**77**	74
Accrued income taxes	**213**	202
Current liabilities of discontinued operations held for sale		78
Total current liabilities	**1,964**	2,962
Long-term debt	**2,123**	2,116
Nonpension postretirement benefits	**273**	278
Other liabilities, including deferred income taxes of **$508** and $463	**777**	721
Non-current liabilities of discontinued operations held for sale		25
Total liabilities	**5,137**	6,102
Shareowners equity		
Preferred stock; authorized 40 shares; none issued		
Capital stock, $.0375 par value; authorized 560 shares; issued 542 shares	**20**	20
Additional paid-in capital	**334**	352
Earnings retained in the business	**7,099**	6,539
Capital stock in treasury, at cost	**(5,884)**	(5,147)

Accumulated other comprehensive income	**48**	4
Total shareowners equity	**1,617**	1,768
Total liabilities and shareowners equity	**$ 6,754**	$ 7,870

See Notes to Consolidated Financial Statements

Table of Contents

CAMPBELL SOUP COMPANY CONSOLIDATED
Statements of Cash Flows
(unaudited)
(millions)

	Nine Months Ended	
	April 29, 2007	April 30, 2006
Cash flows from operating activities:		
Net earnings	**$ 793**	$ 722
Non-cash charges to net earnings		
Change in accounting method (Note h)		(8)
Stock-based compensation	**65**	65
Resolution of tax matters (Note k)	**(25)**	(60)
Reversal of legal reserves	**(20)**	
Depreciation and amortization	**201**	212
Deferred income taxes	**(1)**	5
Other, net	**55**	60
Changes in working capital		
Accounts receivable	**(66)**	(62)
Inventories	**62**	127
Prepaid assets	**4**	6
Accounts payable and accrued liabilities	**(120)**	(10)
Pension fund contributions	**(29)**	(47)
(Payments) / Receipts for hedging activities	**(186)**	7
Gain on sale of businesses (Note b)	**(39)**	
Gain on sale of facility	**(23)**	
Other	**(48)**	(40)
Net cash provided by operating activities	**623**	977
Cash flows from investing activities:		
Purchases of plant assets	**(187)**	(146)
Sales of plant assets	**22**	1
Sales of businesses, net of cash divested (Note b)	**884**	
Other, net	**8**	7
Net cash provided by (used in) investing activities	**727**	(138)
Cash flows from financing activities:		
Long-term repayments	**(16)**	
Repayments of notes payable	**(600)**	
Net short-term repayments	**(84)**	(55)
Dividends paid	**(230)**	(218)
Treasury stock purchases	**(974)**	(183)
Treasury stock issuances	**149**	100
Excess tax benefits on stock-based compensation	**25**	5

Net cash used in financing activities	**(1,730)**	(351)
Effect of exchange rate changes on cash	**(3)**	2
Net change in cash and cash equivalents	**(383)**	490
Cash and cash equivalents beginning of period	**657**	40
Cash and cash equivalents end of period	**$ 274**	$ 530

See Notes to Consolidated Financial Statements.

Table of Contents

CAMPBELL SOUP COMPANY CONSOLIDATED
Statements of Shareowners Equity
(unaudited)
(millions, except per share amounts)

	Capital Stock Issued Shares	Capital Stock Issued Amount	Capital Stock In Treasury Shares	Capital Stock In Treasury Amount	Additional Paid-in Capital	Earnings Retained in the Business	Accumulated Other Comprehensive Income (Loss)	Total Shareowners Equity
Balance at July 31, 2005	542	$20	(134)	$(4,832)	$236	$6,069	$(223)	$1,270
Comprehensive income (loss)								
Net earnings						722		722
Foreign currency translation adjustments							44	44
Cash-flow hedges, net of tax							2	2
Minimum pension liability, net of tax							(3)	(3)
Other comprehensive income							43	43
Total comprehensive income								765
Dividends ($.54 per share)						(222)		(222)
Treasury stock purchased			(6)	(183)				(183)
Treasury stock issued under management incentive and stock option plans			4	42	108			150
Balance at April 30, 2006	542	$20	(136)	$(4,973)	$344	$6,569	$(180)	$1,780
Balance at July 30, 2006	**542**	**$20**	**(140)**	**$(5,147)**	**$352**	**$6,539**	**$ 4**	**$1,768**

Comprehensive income								
Net earnings						**793**		**793**
Foreign currency translation adjustments							**22**	**22**
Cash-flow hedges, net of tax							**7**	**7**
Minimum pension liability, net of tax							**15**	**15**
Other comprehensive income							**44**	**44**
Total comprehensive income								**837**
Dividends ($.60 per share)						**(233)**		**(233)**
Treasury stock purchased			**(26)**	**(946)**	**(28)**			**(974)**
Treasury stock issued under management incentive and stock option plans			**6**	**209**	**10**			**219**
Balance at April 29, 2007	**542**	**$20**	**(160)**	**$(5,884)**	**$334**	**$7,099**	**$ 48**	**$1,617**

See Notes to Consolidated Financial Statements.

Table of Contents

CAMPBELL SOUP COMPANY CONSOLIDATED
Notes to Consolidated Financial Statements
(unaudited)
(dollars in millions, except per share amounts)

(a) Basis of Presentation / Accounting Policies

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

(b) Discontinued Operations

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

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

Table of Contents

Results of discontinued operations were as follows:

	Three Months Ended		Nine Months Ended	
	April 29, 2007	April 30, 2006	**April 29, 2007**	April 30, 2006
Net sales	**$**	$ 108	**$ 16**	$ 338
Earnings from operations before taxes	**$**	$ 26	**$**	$ 66
Pre-tax gain on sale			**39**	
Taxes on earnings operations		6		15
Tax impact of gain on sale			**16**	
Earnings from discontinued operations	**$**	$ 20	**$ 23**	$ 51

The company used approximately $620 of the net proceeds to repurchase shares. On September 28, 2006, the company entered into accelerated share repurchase agreements with a financial institution to repurchase approximately $600 of stock. See Note (n) to the Consolidated Financial Statements for additional information. Upon completion of the sale, the company paid $83 to settle cross-currency swap contracts and foreign exchange forward contracts which hedged exposures related to the businesses.

(c) Stock-based Compensation

The company provides compensation benefits by issuing stock options, stock appreciation rights, unrestricted stock, restricted stock (including EPS performance restricted stock and total shareowner return (TSR) performance restricted stock) and restricted stock units. In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004) Share-Based Payment (SFAS No. 123R), which requires stock-based compensation to be measured based on the grant-date fair value of the awards and the cost to be recognized over the period during which an employee is required to provide service in exchange for the award. The company adopted the provisions of SFAS No. 123R as of August 1, 2005. SFAS No. 123R was adopted using the modified prospective transition method.

Total pre-tax stock-based compensation recognized in the Statements of Earnings was $24 for the third quarter ended April 29, 2007 and April 30, 2006. Tax related benefits of $9 were also recognized for the third quarter of 2007 and 2006. Total pre-tax stock-based compensation recognized in the Statements of Earnings was $65 for the nine months ended April 29, 2007 and April 30, 2006. Tax related benefits of $24 were also recognized for the nine months ended April 29, 2007 and April 30, 2006. Stock-based compensation associated with discontinued operations was not material. Cash received from the exercise of stock options was $149 and $100 for the nine month periods ended April 29, 2007 and April 30, 2006, respectively, and is reflected in cash flows from financing activities in the Consolidated Statements of Cash Flows.

The following table summarizes stock option activity as of April 29, 2007:

(options in thousands)	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at July 30, 2006	30,607	$ 27.77		
Granted				
Exercised	(5,547)	$ 26.86		
Terminated	(991)	$ 28.94		
Outstanding at April 29, 2007	24,069	$ 27.93	5.4	$ 271
Exercisable at April 29, 2007	21,218	$ 28.11	5.1	$ 235

The total intrinsic value of options exercised during the nine months ended April 29, 2007 and April 30, 2006 was $69 and $15, respectively. As of April 29, 2007, total remaining unearned compensation related to unvested stock options was $6, which will be amortized over the weighted-average remaining service period of less than 1 year. The company measures the fair value of stock options using the Black-Scholes option pricing model.

The following table summarizes time-lapse restricted stock and EPS performance restricted stock as of April 29, 2007:

(restricted stock in thousands)	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at July 30, 2006	3,397	$ 27.92
Granted	1,247	$ 36.04
Vested	(1,312)	$ 27.79
Forfeited	(138)	$ 29.59
Nonvested at April 29, 2007	3,194	$ 31.08

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

As of April 29, 2007, total remaining unearned compensation related to nonvested time-lapse restricted stock and EPS performance restricted stock was $50, which will be amortized over the weighted-average remaining service period of 1.9 years. The fair value of restricted stock vested during the nine months ended April 29, 2007 and April 30, 2006 was $50 and $12, respectively.

The following table summarizes TSR performance restricted stock as of April 29, 2007:

(restricted stock in thousands)	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at July 30, 2006	1,564	$ 28.73
Granted	1,344	$ 26.31
Vested	(14)	$ 28.73
Forfeited	(95)	$ 28.24
Nonvested at April 29, 2007	2,799	$ 27.59

The fair value of TSR performance restricted stock is estimated at the grant date using a Monte Carlo simulation. Expense is recognized on a straight-line basis over the service period. As of April 29, 2007, total remaining unearned compensation related to TSR performance restricted stock was $46, which will be amortized over the weighted-average remaining service period of 2 years.

(d) Goodwill and Intangible Assets

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

	April 30, 2007		July 30, 2006	
	Carrying Amount	**Accumulated Amortization**	Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization[1]:				
Other	**$ 16**	**$ (8)**	$ 15	$ (7)
Intangible assets not subject to amortization:				
Trademarks	**$ 607**		$ 586	
Pension	**2**		2	
Total	**$ 609**		$ 588	

1 Amortization related to these assets was approximately $1 for the nine-month periods ended April 29, 2007 and April 30, 2006. The estimated aggregated amortization expense for

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

Table of Contents

Changes in the carrying amount for goodwill for the period ended April 29, 2007 are as follows:

	U.S. Soup, Sauces and Beverages	Baking and Snacking	International Soup and Sauces	Other	Total
Balance at July 30, 2006	$ 428	$ 617	$ 569	$ 151	$ 1,765
Foreign currency translation adjustment		50	34		84
Balance at April 29, 2007	**$ 428**	**$ 667**	**$ 603**	**$ 151**	**$ 1,849**

(e) Comprehensive Income

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

Total comprehensive income for the three months ended April 29, 2007 and April 30, 2006, was $274 and $207, respectively. Total comprehensive income for the nine months ended April 29, 2007 and April 30, 2006, was $837 and $765, respectively.

The balance of Accumulated other comprehensive income (loss) as of April 29, 2007 and April 30, 2006 consisted of the following components:

	April 29, 2007	April 30, 2006
Foreign currency translation adjustments	**$ 108**	$ 79
Cash-flow hedges, net of tax	**(8)**	(18)
Minimum pension liability, net of tax[1]	**(52)**	(241)
Total Accumulated other comprehensive income (loss)	**$ 48**	$ (180)

[1] Includes a tax benefit of $26 as of April 29, 2007 and $142 as of April 30, 2006.

(f) Earnings Per Share

For the periods presented in the Statements of Earnings, the calculations of basic EPS and EPS assuming dilution vary in that the weighted average shares outstanding assuming dilution include the incremental effect of stock options and restricted stock programs, except when such effect would be antidilutive. The dilutive impact of the accelerated share repurchase agreements described in Note (n) was not material. Stock options to purchase 1 million shares of capital stock for both the three-month and nine-month periods ended April 29, 2007 and 5 million shares of capital stock for both the three-month and nine-month periods ended April 30, 2006 were not included in the calculation of diluted earnings per share because the exercise price of the stock options exceeded the average market price of the capital stock and therefore, the effect would be antidilutive.

(g) Segment Information

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

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

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

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

The balance of the portfolio reported in Other includes Godiva Chocolatier worldwide and the company s Away From Home operations, which represent the distribution of products such as soup, specialty entrees, beverage products, other prepared foods and Pepperidge Farm products through various food service channels in the United States and Canada.

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

Table of Contents

April 29, 2007

	Three Months Ended		Nine Months Ended	
	Net Sales	**Earnings Before Interest and Taxes**	**Net Sales**	**Earnings Before Interest and Taxes**
U.S. Soup, Sauces and Beverages	**$ 807**	**$ 182**	**$2,887**	**$ 778**
Baking and Snacking	**441**	**46**	**1,379**	**191**
International Soup and Sauces	**340**	**43**	**1,090**	**150**
Other	**280**	**23**	**917**	**119**
Corporate[1]		**(13)**		**(74)**
Total	**$1,868**	**$ 281**	**$6,273**	**$ 1,164**

April 30, 2006

	Three Months Ended		Nine Months Ended	
	Net Sales	Earnings Before Interest and Taxes	Net Sales	Earnings Before Interest and Taxes[2]
U.S. Soup, Sauces and Beverages	$ 713	$ 171	$2,701	$ 701
Baking and Snacking	422	35	1,309	125
International Soup and Sauces	322	43	995	139
Other	271	27	884	122
Corporate[1]		(28)		(75)
Total	$1,728	$ 248	$5,889	$ 1,012

1 Represents unallocated corporate expenses.

2 Contributions to earnings before interest and

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

Table of Contents

Historical information on the reporting segments is as follows:

Fiscal Year 2006

Net Sales:

	Quarter Ended July 30, 2006	Year to Date July 30, 2006
U.S. Soup, Sauces and Beverages	$ 556	$ 3,257
Baking and Snacking	438	1,747
International Soup and Sauces	260	1,255
Other	200	1,084
Total	$ 1,454	$ 7,343

Earnings Before Interest and Taxes:

	Quarter Ended July 30, 2006	Year to Date July 30, 2006
U.S. Soup, Sauces and Beverages	$ 114	$ 815
Baking and Snacking	62	187
International Soup and Sauces	5	144
Other	(12)	110
Corporate[1]	(30)	(105)
Total	$ 139	$ 1,151

[1] Represents unallocated corporate expenses.

Table of Contents

Fiscal Year 2005
Net Sales:

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

Earnings Before Interest and Taxes:

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

[1] Represents unallocated corporate

expenses.

Table of Contents

(h) Inventories

	April 29, 2007	July 30, 2006
Raw materials, containers and supplies	**$238**	$ 252
Finished products	**442**	476
	$680	$ 728

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

(i) Accounting for Derivative Instruments

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

Interest Rate Swaps

The notional amounts of outstanding fair-value interest rate swaps at April 29, 2007 totaled $675 with a maximum maturity date of October 2013. The fair value of such instruments was a loss of $15 as of April 29, 2007.

The notional amounts of outstanding variable-to-fixed interest rate swaps accounted for as cash-flow hedges was $166 as of April 29, 2007. The fair value of the swaps was not material as of April 29, 2007.

Foreign Currency Contracts

The fair value of foreign exchange forward and cross-currency swap contracts accounted for as cash-flow hedges was a loss of $51 at April 29, 2007. The notional amount was $434 at April 29, 2007.

The company also enters into certain foreign exchange forward and variable-to-variable cross-currency swap contracts that are not designated as accounting hedges. These instruments are primarily intended to reduce volatility of certain intercompany financing transactions. The fair value of these instruments was a loss of $8 at April 29, 2007. The notional amount was $289 at April 29, 2007.

Foreign exchange forward contracts typically have maturities of less than eighteen months. Cross-currency swap contracts mature in 2008 through 2014. Principal currencies include the euro, Canadian dollar, Swedish krona, New Zealand dollar, British pound, Australian dollar and Japanese yen.

Table of Contents

As of April 29, 2007, the accumulated derivative net loss in other comprehensive income for cash-flow hedges, including the foreign exchange forward and cross-currency contracts, forward starting swap contracts, and treasury lock agreements was $7, net of tax. As of April 30, 2006, the accumulated derivative net loss in other comprehensive income was $18, net of tax. Reclassifications from Accumulated other comprehensive income (loss) into the Statements of Earnings during the nine-month period ended April 29, 2007 were losses of $6, primarily for derivatives which hedged exposures related to the businesses in the United Kingdom and Ireland sold in August 2006. Reclassifications during the remainder of 2007 are not expected to be material. At April 29, 2007, the maximum maturity date of any cash-flow hedge was August 2013.

(j) Pension and Postretirement Medical Benefits

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

	Pension		Postretirement	
Three Months Ended	**April 29, 2007**	April 30, 2006	**April 29, 2007**	April 30, 2006
Service cost	**$ 13**	$ 15	**$ 1**	$ 1
Interest cost	**27**	28	**5**	5
Expected return on plan assets	**(40)**	(41)		
Amortization of prior service cost	**1**			(1)
Recognized net actuarial loss	**7**	11	**1**	1
Net periodic benefit expense	**$ 8**	$ 13	**$ 7**	$ 6

	Pension		Postretirement	
Nine Months Ended	**April 29, 2007**	April 30, 2006	**April 29, 2007**	April 30, 2006
Service cost	**$ 37**	$ 43	**$ 3**	$ 3
Interest cost	**83**	84	**16**	15
Expected return on plan assets	**(118)**	(122)		
Amortization of prior service cost	**1**	1	**(1)**	(2)
Recognized net actuarial loss	**21**	32	**1**	3
Net periodic benefit expense	**$ 24**	$ 38	**$ 19**	$ 19

Pension expense of $2 and $6 were recorded by the United Kingdom and Ireland businesses for the three-month and nine-month periods ended April 30, 2006 and is included in Earnings from discontinued operations. See Note (b) to the Consolidated Financial Statements for additional information.

In the first quarter 2007, the company made a $22 voluntary contribution to a U.S. pension plan. Additional contributions to the U.S. pension plans are not expected this fiscal year. Contributions of $7 were made to the non-U.S. plans as of April 29, 2007.

Table of Contents

(k) Taxes on Earnings

In the third quarter of 2007, the company recorded a tax benefit of $22 resulting from the settlement of bilateral advance pricing agreements (APA) among the company, the United States, and Canada related to royalties. In addition, the company reduced net interest expense by $4 ($3 after tax). The aggregate impact on earnings from continuing operations was $25, or $.06 per share. The current year effective tax rate was also impacted by an additional net benefit of $27, primarily related to the finalization of the 2000-2004 U.S. federal tax audits, which was partially offset by higher taxes on foreign earnings.

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

In October 2004, the American Jobs Creation Act (the AJCA) was signed into law. The AJCA provides for a deduction of 85% of certain non-U.S. earnings that are repatriated, as defined by the AJCA, and a phased-in tax deduction related to profits from domestic manufacturing activities. In December 2004, the FASB issued FASB Staff Position FAS 109-1 and 109-2 to address the accounting and disclosure requirements related to the AJCA. The total amount repatriated in 2006 under the AJCA was $494 and the related tax cost was $20. In 2005, the company recorded tax expense of $7 associated with $200 of anticipated earnings to be repatriated. In 2006, the company finalized its plan under the AJCA and recorded $13 in tax expense for $294 of earnings repatriated. Of this amount, $1 was recorded in the third quarter of 2006 and $10 in the nine-month period ended April 30, 2006.

The 2006 effective tax rate was also impacted by a benefit of $10 related to the favorable resolution of the 1996-1999 U.S. federal tax audits.

(l) Contingencies

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

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

Following a trial on the merits, on September 13, 2005, the District Court issued Post-Trial Findings of Fact and Conclusions of Law, ruling in favor of the company and against VFB on all claims. The Court ruled that VFB failed to prove that the spinoff was a constructive or actual fraudulent transfer. The Court also rejected VFB s claim of breach of fiduciary duty, VFB s claim that VFI was an alter ego of the company, and VFB s claim that the spinoff should be deemed an illegal dividend. On November 1, 2005, VFB appealed the decision to the United States Court of Appeals for the Third Circuit. The judgment of the District Court was affirmed by the United States Court of Appeals for the Third Circuit on March 30, 2007.

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

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

(m) Supplemental Cash Flow Information

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

	April 29, 2007	April 30, 2006
Benefit related payments	**$ (41)**	$ (39)
Other	**(7)**	(1)
	$ (48)	$ (40)

(n) Accelerated Share Repurchase Agreements

On September 28, 2006, the company entered into two accelerated share repurchase agreements (Agreements) with Lehman Brothers Finance S.A. (Lehman), an affiliate of Lehman Brothers Inc. Under the first Agreement (the Fixed Share ASR), the company purchased approximately 8.3 million shares of its stock from Lehman for $300, or $35.95 per share. Lehman is expected to purchase an equivalent number of shares under the Fixed Share ASR. At the end of the Fixed Share ASR s term, the company may receive from, or be required to pay to, Lehman a

Table of Contents

price adjustment based upon the volume weighted-average price of the company s common stock during the period Lehman purchases the equivalent number of shares. The price adjustment may be settled at the company s option in shares of the company s stock or cash. The price adjustment is accounted for as an equity instrument and changes in its fair value are not recorded. Upon settlement, which is expected to occur in the fourth quarter of 2007, the price adjustment will be recorded as equity. If the stock price from April 29, 2007 through the end of the term of the Agreement remains at the April 29, 2007 closing price of $39.20, then the company would owe Lehman a price adjustment of approximately $18 upon settlement, which is payable in cash or company stock.

Under the second Agreement (the Fixed Dollar ASR), the company purchased approximately $300 of its common stock from Lehman. Lehman made an initial delivery of 6.3 million shares on September 29, 2006 at $35.95 per share, and a second delivery of 1.3 million shares on October 25, 2006 at $36.72 per share. The $273 purchase price for these initial deliveries has been recorded as capital stock in treasury, at cost. The remaining $28 has been recorded as a reduction of additional paid-in capital and will be reclassified to capital stock in treasury upon settlement of the Fixed Dollar ASR. The exact number of additional shares (if any) to be delivered to the company at settlement under the Fixed Dollar ASR will be based on the volume weighted-average price of company stock during the term of the Fixed Dollar ASR, subject to a minimum and maximum price for the purchased shares. Lehman is expected to purchase a number of shares equivalent to the number delivered to the company under the Fixed Dollar ASR. The Fixed Dollar ASR is expected to be completed in the fourth quarter of fiscal 2007. If the stock price from April 29, 2007 through the end of the term of the Agreement remains at the April 29, 2007 closing price of $39.20, then Lehman would deliver to the company approximately 235,000 shares upon settlement, which have a value of approximately $9 as of April 29, 2007.

(o) Recently Issued Accounting Pronouncements

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

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

In September 2006, the FASB issued SFAS No. 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R). SFAS No. 158 requires an employer to recognize the funded status of defined benefit postretirement plans as an asset or liability on the balance sheet and requires

Table of Contents

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

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

Table of Contents

ITEM 2.

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

Overview

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

The company reported earnings from continuing operations of $217 million for the third quarter ended April 29, 2007, versus $146 million in the comparable quarter a year ago. Earnings per share from continuing operations were $.55 compared to $.35 a year ago. (All earnings per share amounts included in Management s Discussion and Analysis are presented on a diluted basis.) Net sales increased 8% to $1.9 billion in 2007 from $1.7 billion last year.

Earnings from continuing operations and earnings per share from continuing operations in the current quarter included the following items that impacted comparability:

The company recorded a pre-tax non-cash benefit of $20 million ($13 million after tax or $.03 per share) from the reversal of legal reserves due to favorable results in litigation.

The company recorded a tax benefit of $22 million resulting from the settlement of bilateral advance pricing agreements (APA) among the company, the United States, and Canada related to royalties. In addition, the company reduced net interest by $4 million ($3 million after tax). The aggregate impact on earnings from continuing operations was $25 million, or $.06 per share.

In addition, the comparability of earnings per share from continuing operations was impacted by the use of proceeds from the sale of the United Kingdom and Ireland businesses in the first quarter 2007. During the first quarter 2007, the company completed its previously announced program utilizing $620 million of the net proceeds to repurchase shares. The pro forma impact on the year-ago quarter of utilizing those proceeds to repurchase 17 million shares (based on the average stock price in the first quarter) and reduce shares outstanding in the calculation of earnings per share from continuing operations for the quarter ended April 30, 2006 would have resulted in a $.02 increase in earnings per share from continuing operations.

Table of Contents

The remaining increase in earnings from continuing operations was primarily due to the increase in sales, a lower effective tax rate, lower net interest expense, and a higher gross margin as a percentage of sales, partially offset by higher marketing expenses and administrative costs.

For the nine months ended April 29, 2007, earnings from continuing operations were $770 million compared to $671 million a year ago. Earnings per share from continuing operations were $1.93 compared to $1.62 a year ago. In addition to the items recorded in the third quarter, earnings from continuing operations and earnings per share from continuing operations in the current year included the pre-tax gain of $23 million ($14 million after tax or $.04 per share) from the sale of an idle manufacturing facility. As previously disclosed, in 2006, the following tax matters and change in accounting method were recorded in the first quarter and impacted earnings from continuing operations and earnings per share from continuing operations:

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

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

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

Table of Contents

The items impacting comparability are summarized below:

	2007		2006	
(millions, except per share amounts)	Earnings Impact	EPS Impact	Earnings Impact	EPS Impact
Earnings from continuing operations	**$ 770**	**$ 1.93**	$ 671	$ 1.62
Reversal of legal reserves	**$ 13**	**$ 0.03**	$	$
Tax benefit from resolution of the APA	**25**	**0.06**		
Gain on the sale of facility	**14**	**0.04**		
Impact of change in inventory method			8	0.02
Favorable resolution of a U.S. tax contingency			60	0.14
Tax expense on repatriation of earnings under the AJCA			(8)	(0.02)
Impact of significant items on continuing operations	**$ 52**	**$ 0.13**	$ 60	$ 0.14

In addition, the comparability of earnings per share from continuing operations was impacted by the use of proceeds from the sale of the United Kingdom and Ireland businesses previously discussed. The pro forma impact on the year-ago period of utilizing $620 million of those proceeds to repurchase 17 million shares (based on the average stock price in the first quarter) and reduce shares outstanding in the calculation of earnings per share from continuing operations for the nine months ended April 30, 2006 would have resulted in a $.06 increase in earnings per share from continuing operations.

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

THIRD QUARTER

Sales

An analysis of net sales by reportable segment follows:

	(millions)		
	2007	2006	% **Change**
U.S. Soup, Sauces and Beverages	**$ 807**	$ 713	13%
Baking and Snacking	**441**	422	5
International Soup and Sauces	**340**	322	6
Other	**280**	271	3
	$1,868	$1,728	8%

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

	U.S. Soup, Sauces and Beverages	Baking and Snacking	International Soup and Sauces	Other	Total
Volume and Mix	11%	1%	1%	2%	5%
Price and Sales Allowances	2	2	2	2	2
Increased Promotional Spending [1]		(1)	(2)	(1)	(1)
Currency		3	5		2
	13%	5%	6%	3%	8%

[1] Represents revenue reductions from trade promotion and consumer coupon redemption programs.

In U.S. Soup, Sauces and Beverages, total U.S. soup sales increased 10% as condensed soup sales increased 4%, ready-to-serve soup sales grew 17% and broth sales increased 17%. *Campbell s* lower sodium soups, which were introduced in fiscal 2007, had a positive impact on sales. Within condensed soup, both eating and cooking varieties delivered solid sales gains primarily due to higher levels of advertising. The ready-to-serve sales increase was primarily due to gains in *Campbell s Chunky* and *Campbell s Select* soups. *Campbell s Chunky* soups achieved double-digit growth primarily due to higher levels of promotional activity and advertising. The convenience platform, which includes soups in microwavable bowls and cups, also had solid sales gains. The *Swanson* broth sales increase was due to higher levels of advertising and continued strong consumer demand for aseptically-packaged broth. Beverages sales grew significantly as the *V8* brand responded well to successful new advertising campaigns and to increased levels of advertising. Sales of *V8* vegetable juice and *V8 V-Fusion* vegetable and fruit juice increased significantly. *V8 Splash* juice drinks also contributed to the sales growth in the quarter. Sales of *Prego* pasta sauces increased due to higher levels of promotional activity. Sales of *Pace* Mexican sauces decreased slightly as a result of increased competitive activity.

In Baking and Snacking, Pepperidge Farm reported sales increases driven by cookies and crackers and bakery products. Sales of *Pepperidge Farm Goldfish* snack crackers increased double digits due to

24

higher levels of advertising, the performance of 100-calorie packs and expanded distribution of single-serve packages. Gains in *Pepperidge Farm Goldfish* snack crackers were partially offset by declines in cookies. Sales of bakery products increased due to the performance of *Pepperidge Farm* whole grain breads, as well as growth in sandwich rolls. Arnott s sales increased due to the favorable impact of currency. Excluding currency, sales declined as the business faced a challenging competitive environment.

In International Soup and Sauces, sales increased in Europe primarily due to the favorable impact of currency, gains from the launch of new varieties of wet soup in France and increased condiment sales. Sales in Canada declined.

In Other, Godiva Chocolatier sales increased primarily from double-digit gains in Asia driven by the continued addition of new stores. In North America, sales increased slightly with strong internet sales and a gain in wholesale sales, partially offset by a decline in retail sales. Within retail sales, same-store sales in North America increased slightly. Away From Home sales increased slightly primarily due to growth of frozen soups and beverages.

Gross Margin

Gross margin, defined as Net sales less Cost of products sold, increased $67 million. As a percent of sales, gross margin increased from 40.9% in 2006 to 41.4% in 2007. The percentage point increase was due to productivity improvements (approximately 1.6 percentage points), higher selling prices (approximately 1.3 percentage points), and favorable mix (approximately 0.4 percentage points), partially offset by the impact of cost inflation and other factors (approximately 2.3 percentage points) and higher promotional spending (approximately 0.5 percentage points).

Marketing and Selling Expenses

Marketing and selling expenses increased 18% in 2007 as a result of higher advertising expenses (approximately 13 percentage points), higher selling expenses (approximately 1 percentage point), the impact of currency (approximately 1 percentage point) and an increase in other marketing expenses (approximately 3 percentage points). As a percent of sales, Marketing and selling expenses were 18% in 2007 and 16% in 2006.

Administrative Expenses

Administrative expenses decreased by $12 million, or 8%, primarily due to the reversal of $20 million of legal reserves resulting from favorable results in litigation (approximately 13 percentage points), partially offset by higher incentive compensation costs (approximately 2 percentage points), expenses related to the ongoing implementation of the SAP enterprise-resource planning system in North America (approximately 1 percentage point), expenses to establish businesses in Russia and China (approximately 1 percentage point) and the impact of currency (approximately 1 percentage point). As a percent of sales, Administrative expenses were 7% in 2007 and 9% in 2006.

Operating Earnings

Segment operating earnings increased 7% from the prior year.

Table of Contents

An analysis of operating earnings by reportable segment follows:

	(millions)		
	2007	2006	**% Change**
U.S. Soup, Sauces and Beverages	**$182**	$171	6%
Baking and Snacking	**46**	35	31
International Soup and Sauces	**43**	43	
Other	**23**	27	(15)
	294	276	7
Corporate	**(13)**	(28)	
	$281	$248	13%

Earnings from U.S. Soup, Sauces and Beverages increased 6% from $171 million in 2006 to $182 million in 2007 primarily due to higher volume, partially offset by increased advertising expenses.

Earnings from Baking and Snacking increased 31% from $35 million in 2006 to $46 million in 2007 due to double-digit gains at Pepperidge Farm and an increase in Arnott s.

Earnings from International Soup and Sauces were $43 million in both 2006 and 2007. The favorable impact of currency was offset by declines in Canada.

Earnings from Other decreased 15% from $27 million to $23 million primarily due to declines at Godiva Chocolatier resulting from increased marketing expenses to support new product launches in Asia and North America.

Corporate expenses decreased from $28 million in 2006 to $13 million in 2007. The decrease was primarily due to the reversal of $20 million of legal reserves resulting from favorable results in litigation, partially offset by higher incentive compensation expenses and expenses associated with the ongoing implementation of the SAP enterprise-resource planning system in North America.

Nonoperating Items

Net interest expense decreased to $27 million in 2007 from $40 million in 2006, primarily due to the reversal of interest accruals associated with the resolution of certain income tax matters, including the $4 million impact of the APA tax settlement, and lower debt balances.

The effective tax rate for the quarter was 14.6% in 2007. The effective rate for the year-ago quarter was 29.8%. The lower effective tax rate was due to a benefit of $22 million resulting from the favorable settlement of the APA among the company, the United States, and Canada related to royalties and an additional net tax benefit of $27 million, primarily related to the finalization of the 2000-2004 U.S. federal tax audits, partially offset by higher taxes on foreign earnings.

Table of Contents

NINE MONTHS

Sales

An analysis of net sales by reportable segment follows:

	(millions)		
	2007	2006	% Change
U.S. Soup, Sauces and Beverages	**$2,887**	$2,701	7%
Baking and Snacking	**1,379**	1,309	5
International Soup and Sauces	**1,090**	995	10
Other	**917**	884	4
	$6,273	$5,889	7%

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

	U.S. Soup, Sauces and Beverages	Baking and Snacking	International Soup and Sauces	Other	Total
Volume and Mix	4%	2%	4%	1%	3%
Price and Sales Allowances	3	2	2	3	3
Increased Promotional Spending[1]			(1)	(1)	
Currency		1	5	1	1
	7%	5%	10%	4%	7%

[1] Represents revenue reductions from trade promotion and consumer coupon redemption programs.

In U.S. Soup, Sauces and Beverages, total U.S. soup sales increased 6% as condensed soup sales increased 4%, ready-to-serve soup sales increased 7% and broth sales increased 12%. The introduction in 2007 of new lower sodium varieties of condensed and ready-to-serve soups contributed to the sales growth. Within condensed soup, both eating and cooking varieties delivered solid sales gains primarily due to higher levels of advertising. Sales growth in ready-to-serve was driven by gains in *Campbell s Chunky* and *Campbell s Select* soups. The convenience platform, which includes soups in microwavable bowls and cups, grew double digits. *Swanson* broth sales grew due to increased advertising, a strong holiday season and growth of aseptically-packaged products. Beverage sales grew significantly as *V8* vegetable juice and *V8 V-Fusion* vegetable and fruit juice, introduced in the second quarter of 2006, responded to new advertising campaigns and increased levels of advertising. *V8 Splash* juice drinks also experienced growth. Sales of *Prego* pasta sauces and *Pace* Mexican sauces increased.

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

Table of Contents

crackers. Arnott s sales increased, primarily due to the favorable impact of currency and strong branded biscuits sales performance, partially offset by a decline in the snack foods business.

In International Soup and Sauces, sales increased in Europe primarily due to the favorable impact of currency and growth in the businesses in France and Germany. Sales in Asia Pacific increased due to the favorable impact of currency and gains in the Australian and Asian businesses. The Mexican business also contributed to the sales growth.

In Canada, sales increased due to the favorable impact of currency and growth in ready-to-serve soups and broth.

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

Gross Margin

Gross margin, defined as Net sales less Cost of products sold, increased $196 million. As a percent of sales, gross margin increased from 41.8% in 2006 to 42.4% in 2007. The percentage point increase was due to productivity improvements (approximately 1.7 percentage points), higher selling prices (approximately 1.4 percentage points), favorable product mix (approximately 0.1 percentage points), partially offset by a change in the method of accounting for inventory in 2006 (approximately 0.2 percentage points) and the impact of cost inflation and other factors (approximately 2.4 percentage points).

Marketing and Selling Expenses

Marketing and selling expenses increased 6% in 2007 versus 2006 primarily due to higher advertising expenses (approximately 3 percentage points), higher selling expenses (approximately 1 percentage point) and currency (approximately 1 percentage point). As a percent of sales, Marketing and selling expenses were 16% in both 2007 and 2006.

Administrative Expenses

Administrative expenses increased by $10 million in 2007, or 2%, primarily due to higher incentive compensation expenses (approximately 3 percentage points), costs associated with the implementation of the SAP enterprise-resource planning system in North America (approximately 2 percentage points), expenses to establish businesses in Russia and China (approximately 1 percentage point) and the impact of currency (approximately 1 percentage point), partially offset by the reversal of $20 million of legal reserves resulting from favorable results in litigation (approximately 5 percentage points). As a percent of sales, Administrative expenses were 7% in both 2007 and 2006.

Other Income

Other income of $22 million in 2007 includes the $23 million pre-tax gain related to the sale of an idle manufacturing facility.

Operating Earnings

Segment operating earnings increased 14% from the prior year.

Table of Contents

An analysis of operating earnings by reportable segment follows:

	(millions)		
	2007	2006	**% Change**
U.S. Soup, Sauces and Beverages	**$ 778**	$ 701	11%
Baking and Snacking	**191**	125	53
International Soup and Sauces	**150**	139	8
Other	**119**	122	(2)
	1,238	1,087	14
Corporate	**(74)**	(75)	
	$1,164	$1,012	15%

Earnings from U.S. Soup, Sauces and Beverages increased 11% from $701 million in 2006 to $778 million in 2007. The 2006 results included an $8 million benefit from the change in the method of accounting for inventories. The remaining increase was primarily due to higher selling prices, increased volume and improved productivity, partially offset by higher cost inflation.

Earnings from Baking and Snacking increased 53% from $125 million in 2006 to $191 million in 2007. The current year included a gain of $23 million related to the sale of an idle Pepperidge Farm manufacturing facility. The 2006 results included a $5 million benefit from the change in the method of accounting for inventories. The increase was primarily due to double-digit gains at Pepperidge Farm and gains at Arnott s.

Earnings from International Soup and Sauces increased 8% from $139 million in 2006 to $150 million in 2007. The increase was primarily due to the favorable impact of currency and gains in Canada and Mexico, partially offset by expenses to establish businesses in Russia and China, and lower earnings in Europe due to increased spending to support new product launches.

Earnings from Other decreased 2% from $122 million in 2006 to $119 million in 2007. This decrease was primarily driven by lower earnings at Godiva Chocolatier due to increased marketing expenses to support new products.

Corporate expenses decreased $1 million from 2006 to $74 million in 2007. The decrease is primarily due to the reversal of $20 million of legal reserves resulting from favorable results in litigation, partially offset by higher incentive compensation expenses and expenses associated with the implementation of the SAP enterprise-resource planning system in North America.

Table of Contents

Nonoperating Items

Net interest expense decreased to $107 million from $109 million in the prior year. The prior year included a non-cash reduction of $21 million related to the favorable settlement of a U.S. tax contingency. The current year included the $4 million reduction in interest associated with the APA tax settlement. The remaining net reduction was primarily due to higher cash balances and lower debt levels.

The effective tax rate for the nine months was 27.2% in 2007. The effective tax rate for the nine months was 25.7% in 2006. The current year included a benefit of $22 million resulting from the favorable settlement of the APA and an additional net benefit of $27 million, primarily related to the finalization of the 2000-2004 U.S. federal tax audits. The prior year period included a benefit of $47 million resulting from the favorable resolution of a U.S. tax contingency, a benefit of $10 million related to the favorable resolution of the 1996-1999 U.S. federal tax audit and $10 million incremental expense associated with the repatriation of non-U.S. earnings under the AJCA. After factoring in these items, the increase in the current year effective rate is primarily due to higher taxes on foreign earnings.

Discontinued Operations

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

(millions)	Three Months Ended April 29, 2007	April 30 2006	Nine Months Ended April 29, 2007	April 30, 2006
Net sales	**$**	$ 108	**$ 16**	$ 338
Earnings from operations before taxes	**$**	$ 26	**$**	$ 66
Pre-tax gain on sale			**39**	
Taxes on earnings operations		6		15
Tax impact of gain on sale			**16**	
Earnings from discontinued operations	**$**	$ 20	**$ 23**	$ 51

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

Table of Contents

Liquidity and Capital Resources

The company generated cash from operations of $623 million compared to $977 million last year. The reduction is primarily the result of the payments of $186 million to settle foreign currency hedging transactions and working capital changes, partially offset by higher earnings.

Capital expenditures were $187 million compared to $146 million a year ago. Capital expenditures are expected to be approximately $325 to $350 million in 2007.

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

Excluding shares owned and tendered by employees to satisfy tax withholding requirements on the vesting of restricted shares, the company repurchased 26 million shares and paid $974 million in connection with repurchases in the nine-month period ended April 29, 2007. The majority of these repurchases were made pursuant to the company s two publicly announced share repurchase programs. Under the first program, which was announced on November 21, 2005, the company s Board of Directors authorized the purchase of up to $600 million of company stock through fiscal 2008. Under the second program, which was announced on August 15, 2006, the company s Board of Directors authorized using up to $620 million of the net proceeds from the sale of the United Kingdom and Ireland businesses to purchase company stock. Pursuant to the August 2006 program, the company entered into two accelerated share repurchase agreements on September 28, 2006 with a financial institution to repurchase approximately $600 million of stock. See also Note (n) to the Consolidated Financial Statements for more information on the accelerated share repurchase agreements. In addition to the two publicly announced share repurchase programs, the company also purchased shares to offset the impact of dilution from shares issued under the company s stock compensation plans. The company expects to continue this practice in the future. Excluding shares owned and tendered by employees to satisfy tax withholding requirements on the vesting of restricted shares, the company repurchased 6 million shares at a cost of $183 million in the nine-month period ended April 30, 2006. See Unregistered Sales of Equity Securities and Use of Proceeds for more information.

At April 29, 2007, the company had approximately $493 million of notes payable due within one year and $33 million of standby letters of credit issued on behalf of the company. The company maintains $1.5 billion of committed revolving credit facilities, which remain unused at April 29, 2007, except for $1 million of standby letters of credit issued on behalf of the company. Another $32 million of standby letters of credit were issued on behalf of the company under a separate facility. The company is in compliance with the covenants contained in its revolving credit facilities and debt securities.

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

Table of Contents

Off-Balance Sheet Arrangements

On September 28, 2006, the company entered into two accelerated share repurchase agreements (Agreements) with Lehman Brothers Finance S.A. (Lehman), an affiliate of Lehman Brothers Inc., to repurchase approximately $600 million of stock. Under the first Agreement (the Fixed Share ASR), the company purchased approximately 8.3 million shares of its stock from Lehman for $300 million, or $35.95 per share. Lehman is expected to purchase an equivalent number of shares under the Fixed Share ASR. At the end of the Fixed Share ASR s term, the company may receive from, or be required to pay to, Lehman a price adjustment based upon the volume weighted-average price of the company s common stock during the period Lehman purchases the equivalent number of shares. The price adjustment may be settled at the company s option in shares of the company s stock or cash. The price adjustment is accounted for as an equity instrument and changes in its fair value are not recorded. Upon settlement, which is expected to occur in the fourth quarter of 2007, the price adjustment will be recorded as equity. If the stock price from April 29, 2007 through the end of the term of the Agreement remains at the April 29, 2007 closing price of $39.20, then the company would owe Lehman a price adjustment of approximately $18 million upon settlement, which is payable in cash or company stock.

Under the second Agreement (the Fixed Dollar ASR), the company purchased approximately $300 million of its common stock from Lehman. Lehman made an initial delivery of 6.3 million shares on September 29, 2006 at $35.95 per share, and a second delivery of 1.3 million shares on October 25, 2006 at $36.72 per share. The exact number of additional shares (if any) to be delivered to the company at settlement under the Fixed Dollar ASR will be based on the volume weighted-average price of company stock during the term of the Fixed Dollar ASR, subject to a minimum and maximum price for the purchased shares. Lehman is expected to purchase a number of shares equivalent to the number delivered to the company under the Fixed Dollar ASR. The Fixed Dollar ASR is expected to be completed in the fourth quarter of fiscal 2007. If the stock price from April 29, 2007 through the end of the term of the Agreement remains at the April 29, 2007 closing price of $39.20, then Lehman would deliver to the company approximately 235,000 shares upon settlement, which have a value of approximately $9 million as of April 29, 2007.

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

Significant Accounting Estimates

The consolidated financial statements of the company are prepared in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the periods presented. Actual results could differ from those estimates and assumptions. The significant accounting policies of the company are described in Note 1 to the Consolidated Financial Statements and the significant accounting estimates are described in Management s Discussion and Analysis included in the 2006 Annual Report on Form 10-K. The impact of new accounting standards is discussed in the following section. There have been no other changes in the company s accounting policies in the current period that had a material impact on the company s consolidated financial condition or results of operation.

Table of Contents

Recently Issued Accounting Pronouncements

In October 2004, the AJCA was signed into law. The AJCA provides for a deduction of 85% of certain non-U.S. earnings that are repatriated, as defined by the AJCA, and a phased-in tax deduction related to profits from domestic manufacturing activities. In December 2004, the Financial Accounting Standards Board (FASB) issued FASB Staff Position FAS 109-1 and 109-2 to address the accounting and disclosure requirements related to the AJCA. The total amount repatriated in 2006 under the AJCA was $494 million and the related tax cost was $20 million. In 2005, the company recorded tax expense of $7 million associated with $200 million of anticipated earnings to be repatriated. In 2006, the company finalized its plan under the AJCA and recorded $13 million in tax expense for $294 million of earnings repatriated. Of this amount, $1 million was recorded in the third quarter of 2006 and $10 million in the nine-month period ended April 30, 2006.

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

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

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

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

Forward-Looking Statements

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

The company wishes to caution the reader that the following important factors and those important factors described in other Securities and Exchange Commission filings of the company, or in the company s 2006 Annual Report on Form 10-K, could affect the company s actual results and could cause such results to vary materially from those expressed in any forward-looking statements made by, or on behalf of, the company:

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

- the risks in the marketplace associated with trade and consumer acceptance of product improvements, shelving initiatives and new product introductions;

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

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

- the company s ability to successfully manage changes to its business processes, including selling, distribution, production capacity, information management systems and the integration of acquisitions;

- the increased significance of certain of the company s key trade customers;

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

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

Table of Contents

- the uncertainties of litigation described from time to time in the company s Securities and Exchange Commission filings;

- the impact of changes in currency exchange rates, tax rates, interest rates, equity markets, inflation rates, economic conditions and other external factors; and

- the impact of unforeseen business disruptions in one or more of the company s markets due to political instability, civil disobedience, armed hostilities, natural disasters or other calamities.

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

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES

a. Evaluation of Disclosure Controls and Procedures

The company, under the supervision and with the participation of its management, including the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer, has evaluated the effectiveness of the company s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of April 29, 2007 (the Evaluation Date). Based on such evaluation, the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer have concluded that, as of the Evaluation Date, the company s disclosure controls and procedures are effective, and are reasonably designed to ensure that all material information relating to the company (including its consolidated subsidiaries) required to be included in the company s reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

b. Changes in Internal Controls

During the quarter ended April 29, 2007, except as described below, there were no changes in the company s internal control over financial reporting that materially affected, or are reasonably likely to materially affect, such internal control over financial reporting. During the quarter, as part of the previously announced North American SAP enterprise-resource planning system implementation, the company implemented SAP at its corporate, U.S. Soup, Sauces and Beverages and Away From Home headquarters, and at its Paris, Texas manufacturing facility. In conjunction with these implementations, changes were made in the company s internal control over financial reporting in order to adapt to the new system.

Table of Contents

PART II

ITEM 1. LEGAL PROCEEDINGS

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

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

Following a trial on the merits, on September 13, 2005, the District Court issued Post-Trial Findings of Fact and Conclusions of Law, ruling in favor of the company and against VFB on all claims. The Court ruled that VFB failed to prove that the spinoff was a constructive or actual fraudulent transfer. The Court also rejected VFB s claim of breach of fiduciary duty, VFB s claim that VFI was an alter ego of the company, and VFB s claim that the spinoff should be deemed an illegal dividend. On November 1, 2005, VFB appealed the decision to the United States Court of Appeals for the Third Circuit. The judgment of the District Court was affirmed by the United States Court of Appeals for the Third Circuit on March 30, 2007.

Table of Contents

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased(1)	Average Price Paid Per Share(2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(3)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ($ in millions)(3)
1/29/07 2/28/07	886,491(4)	$ 40.30(4)	442,960	$ 323
3/1/07 3/31/07	1,317,743(5)	$ 39.63(5)	363,741	$ 309
4/1/07 4/29/07	1,267,120(6)	$ 39.18(6)	291,460	$ 297
Total	3,471,354	$ 39.63	1,098,161	

(1) Includes (i) 2,219,997 shares repurchased in open-market transactions to offset the dilutive impact to existing shareowners of issuances under the company s stock compensation plans, and (ii) 153,196 shares owned and tendered by employees to satisfy tax withholding obligations on the vesting of restricted shares. Unless otherwise indicated, shares owned and tendered by employees to satisfy tax

withholding obligations were purchased at the closing price of the company s shares on the date of vesting.

(2) Average price paid per share is calculated on a settlement basis and excludes commission.

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

2007. Pursuant to the August 2006 program, the company entered into two accelerated share repurchase agreements on September 28, 2006 with a financial institution to repurchase approximately $600 million of stock. In September 2006, $573 million of purchases were made under the accelerated share repurchase agreements, which is the cost of the shares delivered to date under such agreements. The remaining $28 million has been recorded as additional paid-in capital and will be reclassified to capital stock in treasury upon settlement of the accelerated share repurchase agreements, which is expected to occur in the fourth quarter of fiscal 2007. Upon such settlement, the purchase price for the shares and/or the number of shares purchased under such agreements will be adjusted. For additional information on the accelerated share repurchase agreements, see Note (n) to the Consolidated Financial Statements. In addition to the two publicly announced share repurchase programs, the company will continue to purchase shares, under separate authorization, as part of its practice of buying back shares sufficient to offset shares issued under incentive compensation plans.

(4) Includes (i) 441,040 shares repurchased in open-market transactions at an average price of $40.48 to offset the dilutive impact to existing shareowners of issuances under the company s stock compensation plans, and (ii) 2,491 shares owned and tendered by

employees at an average price per share of $38.65 to satisfy tax withholding requirements on the vesting of restricted shares.

(5) Includes (i) 949,417 shares repurchased in open-market transactions at an average price of $39.61 to offset the dilutive impact to existing shareowners of issuances under the company s stock compensation plans, and (ii) 4,585 shares owned and tendered by employees at an average price per share of $40.38 to satisfy tax withholding requirements on the vesting of restricted shares.

(6) Includes (i) 829,540 shares repurchased in open-market transactions at an average price of $39.21 to offset the dilutive impact to existing shareowners of issuances under the company s stock compensation plans, and (ii) 146,120 shares owned

and tendered by employees at an average price per share of $38.95 to satisfy tax withholding requirements on the vesting of restricted shares.

Table of Contents

ITEM 6. EXHIBITS

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

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

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

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

Table of Contents

SIGNATURES

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

CAMPBELL SOUP COMPANY

Date: June 6, 2007	By: /s/ Robert A. Schiffner Robert A. Schiffner Senior Vice President and Chief Financial Officer
	By: /s/ Ellen Oran Kaden Ellen Oran Kaden Senior Vice President Law and Government Affairs

42

Table of Contents

INDEX TO EXHIBITS

Exhibits

31(i)	Certification of Douglas R. Conant pursuant to Rule 13a-14(a).
31(ii)	Certification of Robert A. Schiffner pursuant to Rule 13a-14(a).
32(i)	Certification of Douglas R. Conant pursuant to 18 U.S.C. Section 1350.
32(ii)	Certification of Robert A. Schiffner pursuant to 18 U.S.C. Section 1350.