It’s not enough to be a legend.

Campbell Soup Company 2001 ANNUAL REPORT

Every legend, after all, must be renewed.
At Campbell, that renewal has begun.

Today, our mission is to do much more with the exceptional assets we have–to leverage our brands and the talent of our people to win in the marketplace and win in the workplace, all across our company, wherever we do business.

We have crafted a plan that builds on our 2001 performance and sets the stage for long-term growth and profitability. By executing this plan, we will transform our company into the powerhouse it can, and ought, to be. This report explains what we have accomplished to date–and where we are going from here.

Our Plan

1

Revitalize U.S. Soup.

2

Strengthen the broader portfolio for predictable volume and profit growth.

3

Begin to build new growth avenues.

4

Drive a quality agenda while continuing to drive productivity.

5

Substantially improve organization excellence and vitality.

Campbell Soup Company

Financial Highlights

(millions of dollars, except per share amounts)

	2001	2000
Net sales[1]	**$ 6,664**	$ 6,466
Gross margin[1]	**$ 3,518**	$ 3,359
Percent of sales	**52.8%**	51.9%
Earnings before interest and taxes[2]	**$ 1,194**	$ 1,265
Percent of sales	**17.9%**	19.6%
Free cash flow[3]	**$ 906**	$ 965
Cash margin[4]	**22.0%**	23.5%
Net earnings	**$ 649**	$ 714
Per share		
Basic	**$ 1.57**	$ 1.68
Diluted	**$ 1.55**	$ 1.65
Dividends	**$ 371**	$ 382
Per share	**$ 0.90**	$ 0.90
Number of employees	**24,000**	22,000

[1] In 2001, financial results were restated to conform to the requirements of a new accounting pronouncement. Shipping and handling costs have been reclassified from net sales to cost of products sold for all periods presented.

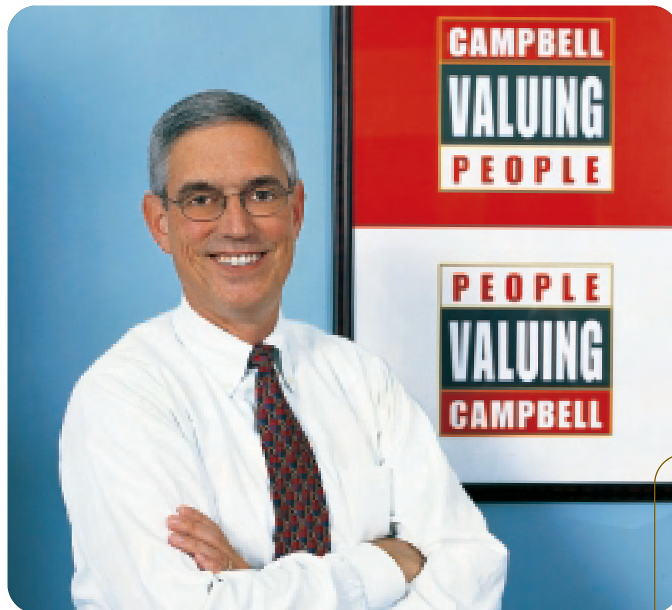
[2] 2001 results include pre-tax costs of $15 ($11 after tax or $.03 per share) related to an Australian manufacturing reconfiguration. Of this amount, pre-tax costs of approximately $5 were recorded in cost of products sold.

[3] Free cash flow equals net cash provided by operating activities less capital expenditures.

[4] Cash margin equals cash earnings divided by net sales. Cash earnings equals earnings before interest and taxes plus depreciation, amortization and minority interest expense.

About Campbell Soup Company

Campbell Soup Company is the world's largest maker and marketer of soup and a leading producer of juice beverages, sauces, biscuits and confectionery products. The company's soups are sold under the global *Campbell's* brand, as well as *Erasco* and *Heisse Tasse* in Germany, *Liebig* in France, and *Batchelors* and *Oxo* in the United Kingdom. Among its other strong food brands are *Pepperidge Farm* cookies and crackers, *V8* and *V8 Splash* juice beverages, *Pace* Mexican sauces, *Prego* pasta sauces, *Franco-American* canned pastas and gravies, *Swanson* broths, *Homepride* sauces in the United Kingdom, *Arnott's* biscuits in Australia and *Godiva* chocolates around the world. The company also owns soup and sauce businesses across Europe, including such brands as *Blå Band, Royco, Lesieur, Devos Lemmens,* and *McDonnells.*



"Our plan is about re-energizing a great company, its brands and its people."

DOUGLAS R. CONANT
President and Chief Executive Officer

Fellow Shareowners,

In fiscal 2001, we took the first necessary steps aimed at restoring robust growth and capturing global opportunity. The Campbell Board of Directors approved the single most comprehensive commitment to revitalization ever undertaken in the 132-year history of Campbell Soup Company.

In 2001, sales grew three percent to $6.7 billion from $6.5 billion while net earnings fell nine percent to $649 million, or $1.55 per share from $1.65 per share. We can and will do better. Bold action is being taken. This is what our transformation plan is all about.

Transformation Plan— Building on Strengths

Our plan is about re-energizing a great company, its brands and its people. Although we have stumbled recently, the categories in which we compete have demonstrated solid growth potential. We began to realize some of that potential as we increased investment in 2001 and many of our brands responded in a positive fashion. Going forward, our plan is to continue to significantly increase our investment in a sustained manner to unlock the full potential of our brands and heighten our financial performance over time.

Campbell has a firm financial foundation with industry leading margins and strong free cash flow. We have the flexibility to invest for our future to create competitive advantage and still maintain this strong financial profile. We also have the talent necessary to execute this plan with excellence.

Our transformation plan is built on five strategies designed to get Campbell back on the winning track.

1 Revitalize U.S. Soup.

Campbell's soups appeal to consumers of all ages and from all walks of life - we outsell the next leading branded soup nearly seven to one. We intend to enhance consumption even further by focusing on five fundamentals: 1) continuing to drive strong *Chunky* soup growth; 2) stabilizing condensed "eating" soups; 3) accelerating growth in "cooking" soups and broth; 4) introducing more on-trend new products; 5) leveraging our global scale. In 2001, we began to bring this game plan to life and stimulated a five percent growth in consumption of U.S. Soup.

Making products more enjoyable for eating and more convenient for cooking will be at the heart of our soup agenda. Superior quality, effective advertising and exciting innovation will add to our momentum. Over the next three years, we will upgrade the majority of our soup line and substantially increase our marketing support to bring the news to our consumers.

2 Strengthen the broader portfolio for predictable volume and profit growth.

Today, we own a broad portfolio of brands that are first or second in their categories. From *Pepperidge Farm Goldfish* crackers to *Godiva* chocolate, one of Belgium's oldest delicacies, we will accelerate innovation and intensify consumer support while maintaining value to grow volume and share.

3 Begin to build new growth avenues.

We are successfully integrating the European dry soup and sauce brands acquired in May. We now have access to millions of new consumers. Bouillon, instant soup, noodles, dry soups, and sauces are huge consumer behaviors. This new presence will help us grow throughout Europe and pursue new opportunities in attractive markets around the world.

4 Drive a quality agenda while continuing to drive productivity.

We have embarked on an unprecedented program to further strengthen the quality of our products and packages. We intend to leverage our technological capabilities to improve quality in a manner that will be difficult for our competitors to match. At the same time, we will maintain our "world class" focus on driving productivity as an important source of funding for growth.

5

Substantially improve organization excellence and vitality.

After I was elected Chief Executive in January, we designed a new corporate structure that is already enabling clearer focus and improved teamwork throughout the organization. We have staffed it with proven business leaders from within Campbell and from other leading consumer products companies. We are also substantially increasing leadership training and development. To win in the marketplace, we recognize that we must also win in the workplace. We are dedicated to fostering imagination, inspiring innovation and rewarding success.

Financial Outlook

The transformation plan we announced in July is a significant and sustained investment strategy. It is focused on increasing marketing in core categories, funding innovation, rebuilding our infrastructure around increased selling capabilities, enhancing research and development and advancing a competitive compensation structure. As we have previously announced, this program will result in approximately a 20 percent reduction in earnings per share in fiscal 2002. In addition, we are committing to significant increases in capital spending to support improved manufacturing technology and growth initiatives. We are also reducing our annual dividend to 63 cents per share—a rate that is fully competitive with peer companies and which will help maintain our strong financial position.

From the base we are establishing in fiscal 2002, we expect to grow our sales at three to four percent annually and earnings per share at eight percent compounded.

At Campbell, change is underway. We are committed to transforming this great company and winning again…and, we will.

Sincerely,

DOUGLAS R. CONANT
President and Chief Executive Officer

CHAIRMAN'S MESSAGE

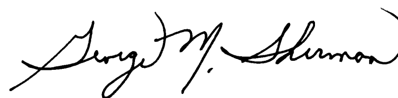
I am delighted to have the opportunity to lead the Campbell Board. I look forward to working with my fellow directors and our management team to return Campbell to the ranks of the best performing food companies. During 2001, we have taken important steps to position Campbell for future growth.

The first step was the selection in January of Doug Conant as President and Chief Executive Officer. The most important responsibility of a board is the selection of a CEO. The Board conducted an extensive and thorough search to identify a leader with broad experience in consumer products, preferably in the food industry, and a track record for delivering strong business results. We wanted someone with outstanding leadership skills who would set high standards and rally the Campbell team to deliver against those standards. Doug Conant fulfills all those requirements.

In a short time frame, Doug concluded a strategic European acquisition, strengthened the leadership team and completed a comprehensive reassessment of the company. Working closely with Doug and his team, the Board has devoted substantial time to help frame and thoroughly understand the proposed plans to rebuild shareowner wealth. We had to confront difficult decisions and we did so with confidence. The Board unanimously approved the strategic transformation plan that was announced in July, and is outlined in this report. We are confident that this plan, which leverages Campbell's brand portfolio, financial foundation and talented team, provides the basis for driving long-term profitable growth.

At the end of the fiscal year, Phil Lippincott retired as Chairman. Phil agreed in August 1999 to serve as Chairman for two years, and he did so with distinction. We are enormously grateful to Phil for his strong and steady leadership during a time of significant transition for Campbell. He has been a director since 1984 and will continue to serve on the Board. The Board and the company also owe our considerable gratitude to David Johnson, who served as CEO from March 2000 to January 2001. David came back from his retirement to provide crucial direction and help set the stage for this new chapter in Campbell's distinguished history.

Sincerely,



GEORGE M. SHERMAN
Chairman of the Board

~STRATEGY~

1

Revitalize U.S. Soup.

Soup has immense appeal and significant potential for growth among all consumer groups in America. It is the cornerstone of our business and must be revitalized. We will achieve this revitalization by thinking and acting as the world's leading soup company—improving quality, increasing product innovation, introducing on-trend new products, and investing in effective advertising that brings to life *M'm! M'm! Good!* in every household.

Campbell's
SIMPLY HOME

Campbell's
Ready To Serve
Creamy
Tomato Soup

READY TO SERVE
GARDEN
VEGETABLE
Campbell's
SOUP
to go!

Campbell's
SELECT
READY TO SERVE SOUP
GREAT TASTE!
Double the Clams!*
New England
Clam Chowder
Made with Real Clam Broth

Campbell's
READY TO SERVE SOUP
Healthy Request
EASY OPEN
POP TOP

Campbell's
CONDENSED SOUP
SOPA CONDENSADA
Fun Favorites
TOMATO·TOMATE
with·con
Goldfish
PASTA·TALLARINES

Campbell's
CONDENSED
AMERICA'S
FAVORITE
CHICKEN
NOODLE
Chicken
Noodle
SOUP

Campbell's
CONDENSED
A Good Source
of Vitamins
A&C
Tomato
SOUP

Soup is great for eating:

Today, soup lovers in America consume more than 10 billion bowls of soup each year—and by a wide margin, the most popular soup is *Campbell's*.

Our two most popular soups are Chicken Noodle and Tomato. These soups are among the top 10 food items sold in grocery stores.

"Eating" soups represent $2.4 billion at retail, and more than 70 percent of all wet soup sales. As the world's leading soup maker, we strive to nourish, nurture and delight our consumers with a variety of soups, from choices like *Campbell's* condensed Vegetarian Vegetable soup to heartier selections like *Campbell's Chunky* Sirloin Burger with Country Vegetables soup, with more beef than any other leading soup.

In 2001, consumer purchases of our eating soups grew six percent, a significant improvement over the prior year. This increase was helped by advertising, which brought back the popular *M'm! M'm! Good!* jingle, one of the top 100 advertising slogans of all time. Advertising highlighted the health benefits of tomato soup and of diets rich in tomato products, and our Eat Smart message featured 30 condensed soups with fewer than 100 calories and three grams or less of fat. New formulations, including more chicken in condensed Chicken Noodle soup, also helped to boost performance.

Campbell's Chunky soup, our leading ready to serve soup, experienced double-digit growth for the fourth year in a row. Our sponsorship of the National Football League helped to solidify *Chunky* positioning among target consumers. The "Mama's Boys" advertising and its popular slogan, *It Fills You Up Right*, continues to bring to life the promise of *Chunky* soup as a hearty soup for big appetites. In 2002, we will introduce *Chunky* Homestyle Classics, including Seasoned Beef Rib Roast with Potatoes and Herbs, Chicken with Dumplings, and Salisbury Steak with Mushrooms and Onions. Additionally, we will improve the quality of our top beef soups.

We are increasing our effort behind *Campbell's Select* soups, which posted a double-digit sales gain for the year. New advertising, convenient easy-open lids, and creative varieties are re-establishing this brand as one of our highest quality soups for adult tastes. In 2002, we plan to upgrade almost two-thirds of our *Select* soups with quality improvements, including twice as many clams in our New England Clam Chowder and 100 percent oven-roasted white meat in our chicken soups.

Campbell's

M'm! M'm! Good!®

Our *M'm! M'm! Good!* advertising slogan returned in 2001, reinforcing the inherent goodness of soup and consumers' positive feelings about *Campbell's.*

Diets rich in tomato products, such as *Campbell's* Tomato soups, *Prego* pasta sauces, and *V8* vegetable juice, have been associated with a reduced risk of a variety of cancers.

30

More than 30 varieties of *Campbell's* condensed soups have fewer than 100 calories and three grams or less of fat per serving. Many *Campbell's* soups also provide a full serving of vegetables.

Campbell has now placed 5,000 self-service, branded kettles in college and university, business and healthcare cafeterias.

This year, Philadelphia Eagle Donovan McNabb joins St. Louis Ram Kurt Warner to quarterback advertising for *Campbell's Chunky* soups.

"Quick to heat! Great to eat! That's why Campbell's soups are such a treat!" Teri Crouch earned top honors in *Campbell's Labels for Education* contest for creating a new verse for the *M'm! M'm! Good!* jingle. More than 80,000 schools nationwide are registered in *Campbell's LFE* program and we've expanded it into Canada.

Campbell's Select soup line features new varieties: Roasted Chicken with Rotini & Penne Pasta and Honey Roasted Chicken with Golden Potato, available nationally. Also, Italian-Style Wedding soup will be available in the Northeast.

As the Official Soup Supplier to the U.S. Olympic Team, *Campbell's* soups will warm up the 2002 Olympic Winter Games in Salt Lake City, UT.

Growth of *Campbell's* Ready to Serve soups in Canada was led by the introduction of two new varieties: Tomato Beef Ravioli and *Healthy Request* New England Clam Chowder.

Soup is great for cooking:

Campbell's condensed cream soups and other condensed soups like Tomato offer great variety and versatility in the kitchen. Despite today's busy lifestyles, two-thirds of all dinner meals are still prepared and eaten at home. This bodes well for *Campbell's* soups used for cooking. In fact, consumer surveys consistently rate Campbell as the most trusted source of recipes. This year, our Campbell Kitchens will celebrate their 60th anniversary of providing great recipes to home cooks.

Campbell's condensed Cream of Mushroom soup, Cream of Celery soup and Cream of Chicken soup are some of our most popular soups for cooking and showed growth in consumer purchases in 2001. Advertising and promotional support behind our new "two-step recipes," like *Campbell's* Tasty Two-Step Chicken and *Campbell's* 15-Minute Chicken & Rice Dinner, plus the traditional Green Bean Casserole campaign during the holiday season, drove sales growth for all cooking soups during the year.

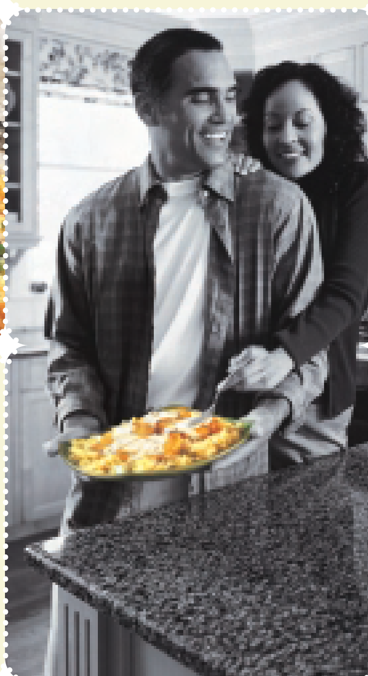
Swanson broth had a strong year as consumers continued to expand their usage of broth in low-fat cooking. It provides confident cooks with a perfect combination of rich chicken flavors simmered with vegetables and seasonings to enhance the flavor of everyday meals. Resealable, aseptic packaging makes cooking with *Swanson* broth more convenient and economical. To make broth even more accessible, this year *Swanson* will introduce "Pop 'n' Pour" lids on all canned broths and will put chicken broth into handy one-cup servings in a new eight-ounce aseptic multi-package.

During the year, *Campbell's Meal-Mail* service delivered its 100 millionth email recipe using Campbell products. In less than two years, this popular service, which delivers a new recipe to home or office email boxes by 4 p.m. each weekday, has grown to a subscriber base of almost 600,000 U.S. households. This is an important avenue for consumers to obtain the quick and easy recipes they desire with *Campbell's* soups, and it continues to grow rapidly.

Campbell introduces *Campbell's Supper Bakes* – easy to prepare meal kits that include a special baking sauce to make family-pleasing, homemade meals moist and delicious.

Log on to *www.campbellsoup.com* to sign up for *Campbell's Meal-Mail,* an email recipe service.

Campbell's Meal-mail



New print advertisements highlight the creative meal possibilities that exist when cooking with *Campbell's* Cream of Mushroom soup.

40 years

Green Bean Casserole, made with *Campbell's* Cream of Mushroom soup, green beans, and canned french fried onions, has been a favorite on holiday menus for 40 years.

"Pop 'n' Pour" lids will add convenience to the benefits of cooking with *Swanson* broth.

CAMPBELL'S® 2-STE
CREAMY CHICKEN & PA
PREP/COOK TIME: 20 MIN. • SERV
1. BROWN
1 LB. CUT UP BONELESS CHICKEN BREASTS.
2. ADD
FROZEN VEG. PASTA SOUP* & WATER. C SIMMER UNTIL D
*ALSO DELICIOUS WITH CREAM OF MUSHRO OR CREAM OF CELERY SOUP.

A picture is worth a thousand words with *Campbell's* Two-Step recipes, included on packaging and in advertising.

2 step

Consumers use *Swanson* broth to bring out true deep flavors in cooking without adding fat.

America loves soup:

Soup enjoys a 96 percent household penetration level in the United States– among the top 10 of more than 150 measured food categories. With a 69 percent share of the U.S. wet soup market, Campbell sells almost three billion cans of soup every year. Rising expectations and quests for new eating experiences create opportunity to deliver soup in a wide variety of new packaging. For eating at home or eating on the go, soup now comes in glass, plastic and microwaveable containers. The increasing interest in healthful and nutritious food creates significant growth opportunities for *Campbell's* soups.

Away from home, soup consumption is on the rise, with half of U.S. food dollars spent on food consumed outside the home. Today, Campbell has 5,000 self-service, branded kettles in high traffic venues such as college, healthcare and business cafeterias across the country. In the restaurant marketplace, co-branding with *Campbell's* is growing. In school lunch programs, the search for nutritious and appealing meals gives *Campbell's* a new place on the menu. Test concepts, such as soup kiosks in food courts and airports, provide highly welcomed alternatives to typical fare.

At home, at work, or at your local eating establishment, the future of soup is as robust as the product itself. Investing in our soups has never been more important. In 2002, we will continue to attract consumers with new products and new advertising and strive to delight taste buds of all ages.

EATING SMART

COOKING FAST

LIVING WELL

goodness

Campbell's soups are exactly what today's busy families are looking for—satisfaction and wholesome goodness in a quick and easy bowl.

~STRATEGY~

2

Strengthen the broader portfolio for predictable volume and profit growth.

Beyond U.S. soup, we are proud to own some of the world's most powerful sauce, beverage and indulgent snack brands, including *Prego, Pace, Franco-American SpaghettiOs, V8, Pepperidge Farm, Godiva* and *Arnott's.* Each of these brands is number one or two in its category or segment. Now more than ever, we intend to make the most of the opportunities these brands present. Our plan is to move forward with greater focus and creative marketing while filling the product pipeline with exciting innovations.

PEPPERIDGE FARM
FARMHOUSE

NEW
THICKER SLICES

GODIVA

100% NATURAL
Vita-Weat
SANDWICH SIZE CRISPBREAD
CHOLESTEROL FREE

BIG FLAVOUR HIT!
BAKED NOT FRIED
ARNOTT'S
SHAPES
flavour you can see

Tim Tam
Original
200g NET

Sauces, beverages, and indulgent snacking:

U.S. SAUCES *Prego* pasta sauce consumer purchases were up this year, as meat-based flavors and Savory Chicken sauces led the way. Based on the success of our *Homepride Pasta Bake* sauce in the U.K., *Prego* pasta bake sauce was launched in the U.S. We will leverage the brand's strong heritage in 2002 by substantially increasing marketing behind both *Prego* traditional sauces and new *Prego* pasta bake sauce.

Pace, a leading brand of Mexican sauces in the U.S., also grew consumer purchases in 2001 by refocusing advertising on core western markets. Merchandising and advertising will continue to highlight *Pace* as the authentic brand of Mexican sauces with *Fresh Taste That's Legendary.*

Franco-American SpaghettiOs canned pasta, the number one brand for young kids, grew sales as moms responded to our advertising emphasizing the grains and vegetables in every serving. Moms also liked our *SpaghettiOs* Plus Calcium pasta—each serving provides as much calcium as an eight-ounce glass of milk.

BEVERAGES *V8* vegetable juice posted gains in a year that featured new packaging and print ads communicating a full serving of vegetables in each glass. This year also brought the introduction of Diet *V8 Splash* juice beverage and attracted new consumers through the nationwide distribution of four million *V8 Splash* samples. Coming up—continued promotion of the health benefits of *V8* vegetable juice plus momentum-building efforts behind *V8 Splash* juice beverage, including new products, flavors, sizes, and broader distribution.

INDULGENT SNACKING Pepperidge Farm gained share in both cookies and crackers with *Giant Goldfish* and flavor-blasted *Goldfish* crackers pacing double-digit *Goldfish* growth and the popular *Never Have an Ordinary Day* ad campaign driving cookie sales. In 2002, the momentum will continue with important product extensions, including *Baby Goldfish* crackers and *Giant Goldfish* sandwich crackers, *Dessert Bliss* cookies, and new varieties of *Pepperidge Farm Farmhouse* bread and *Pepperidge Farm* Texas Toast garlic bread.

Arnotts had an excellent year, increasing its leading share in Australia. While *Emporio*, *Tim Tam Fingers* and *Tiny Teddy Dippers* biscuits fostered growth, the company accelerated innovation and marketing investments and began restructuring manufacturing to increase capacity and productivity. In addition, Arnotts has a full pipeline of appealing new products for kids and adults.

Godiva sustained its double-digit sales and earnings growth, opening 27 new boutiques in the U.S. and 20 new locations in Japan and the Pacific Rim. Strong sales in existing stores also contributed to Godiva's growth along with high double-digit growth in *Godiva.com* online sales. New varieties of *Godiva* chocolates in its trademark gold ballotins, seasonal packaging, creative advertising and new points of distribution provide opportunities to sustain growth in 2002.

Prego pasta bake sauce turns uncooked pasta into a bubbly, family-pleasing, oven-baked pasta meal in under an hour.

Moms can feel good about serving their kids *Franco-American SpaghettiOs* pasta – it has a full serving of vegetables and grains, is a good source of Vitamin A and iron, and is 99 percent fat free.

Pace Mexican sauces add Southwestern kick to everyday foods like hamburgers, casseroles, and eggs.

An eight-ounce glass of *V8* vegetable juice provides a full serving of vegetables and has as much potassium as a medium banana.

New *Pepperidge Farm Dessert Bliss* cookies offer the taste of dessert in a distinctive cookie, with flavors like Cookies & Crème, Pralines & Crème, and Chocolate Almond.

Godiva operates more than 250 boutiques in North America and over 75 locations overseas and expects to open more than 35 new stores in the coming year.

Arnott's Tiny Teddy Dippers biscuits in Australia and *Nyam Nyam* biscuits in Indonesia are popular treats for children.

Arnotts introduces the ultimate in premium quality biscuits with the *Emporio* Café Selection.

Fruity tasting Diet *V8 Splash* juice beverage is rich in Vitamins A, C and E, with no artificial flavors and only 10 calories per serving.

Consumers can satisfy their hunger with *Pepperidge Farm Giant Goldfish* sandwich crackers, the new on-the-go snack available in two great flavors: Peanut Butter on Cheddar and Cheese on Original.

Powerful brands in growth categories:

Pepperidge Farm is a strong brand with outstanding growth potential, consistently ranked by consumers in the top two percent of all brands. Investment behind powerful advertising and innovative new products the last few years has made Pepperidge Farm a model for growth. Arnotts, with more than 55 percent of the Australian cookie market, has the highest share in its home country of any cookie brand in the world. Increased investment behind consumer research and research and development has led to an unprecedented level of innovation. Godiva, “The World’s Premier Chocolatier,” has leveraged its strong brand into new categories, including premium ice cream, biscuits and biscotti, hot cocoa, gourmet coffee and cordials.

Prego and *Pace* are the anchors of Campbell’s sauce business in the U.S. Since its introduction over two decades ago, *Prego* pasta sauce has become an ever more popular part of Italian meals prepared in American homes. Created more than 50 years ago, *Pace* Mexican sauces have built unwavering loyalty with consumers in western U.S. markets. *Pace* remains a favorite for adding kick to a wide variety of foods and dipping with traditional tortilla chips. *V8* vegetable juice, introduced almost 70 years ago, remains on-trend for today’s health conscious consumers. Successfully leveraging the *V8* brand into juice beverages like *V8 Splash* creates an entirely new arena for growth.

During the past decade, Campbell has focused its portfolio around strong brands with number one or two positions in each of its U.S. categories. Over the next few years, we intend to invest at a higher level in these businesses, bringing more focus to our core products and introducing new products with high growth potential.

POWERFUL
BRANDS
GROWTH
CATEGORIES
popular
Campbell snack, sauce and beverage brands are
favorite foods in households across America.

~STRATEGY~

3

Begin to build new growth avenues.

With the recent acquisition of dry soup and sauce brands, we have doubled our presence in Europe and brought a stellar group of icon brands into the Campbell family. We will build on our global soup and sauce presence to continue growth in international markets through acquisition, product extensions, exchanges of knowledge and technology, and other initiatives that leverage our scale, infrastructure, and market position.

Liebig
Soup'
CRÉATIVE
Tomates & Curry

Liebig
PurSoup'
Velouté
Légumes

Kimball
Kimball
Sos

Homepride
Pasta Bake

Royco
nute Soup
LOUTINE
ATEN-TOMATES

unox
Heisse Tasse
Rindfleisch

Lämmin Kuppi
Blå Band

史雲生
排骨湯
HI-CALCIUM PORK RIB BROT

OXO Vegetable

McDonnells
CURRY SAUCE

International soups and sauces:

EUROPEAN DRY SOUP BRANDS Acquiring the leading instant dry soup and bouillion brands in Europe, such as *Oxo, Batchelors, Heisse Tasse, Blå Band* and *Royco,* accelerates our opportunities for profitable growth outside the U.S. In many international markets, dry soup attracts more consumers than any other form of soup. These new brands also add to our strong wet soup presence in France, Germany, Belgium, and the U.K., while creating new opportunities in Sweden and Finland.

***LIEBIG* BRAND IN FRANCE AND BELGIUM**
Liebig became the market leader in the total soup market, moving above a 37 percent share during 2001. *Liebig Soup' Créative* and *Pur Soup'* brands earned a regular place in French consumers' bowls, and will be expanded in 2002. With the added *Royco* brand of instant dry soups, Campbell now commands more than 45 percent of the French soup market. In Belgium, three varieties of *Liebig Pur Soup'* launched early in the year doubled sales of our soups in that market. In 2002, the tie-in of new *Liebig* soups for kids with popular French cartoon character "Asterix" will create opportunities to expand the *Liebig* soup portfolio.

***ERASCO* BRAND IN GERMANY** *Erasco* capped four successive years of sales growth. The successful launch of single portion Eintopf and the introduction of soup in a pouch were important additions to the *Erasco* portfolio.

***HOMEPRIDE* BRAND IN THE UNITED KINGDOM**
Homepride sauces continued to be the primary driver of growth in the United Kingdom. *Homepride Pasta Stir & Serve* expanded our cooking sauce presence and helped the brand build to a 12 percent share of the pasta sauce category in just three years. For the upcoming year *Homepride* has launched an exciting range of new sizzling sauces which combine delicious flavors with ultra-quick cooking.

***CAMPBELL'S* SOUP IN ASIA PACIFIC** In Australia, New Zealand, Greater China and South Asia, it was also a year of sales growth. Our soup market leadership in Australia expanded with our newest soup varieties—*Velish* in aseptic packaging and *Country Ladle* ready to serve soups in single-serve packaging. Campbell continued to drive category growth through value-added innovation and new product and packaging gleaned from successful product launches in France and Germany.

Liebig Pur Soup' Légumes aux Céréales (vegetables and wheat germ) was the first soup marketed in France with both of these popular ingredients.

Liebig will be introducing a new soup for children with the popular French cartoon character "Asterix."

In Malaysia, we're launching a new line of *Kimball* cooking and dipping sauces with tantalizing blends to spice up noodles, rice, poultry and seafood dishes.

Homepride sauce is making big noise in the United Kingdom with the launch of a new range of sizzling stir-fry sauces.

Fred, the beloved *Homepride* mascot, received a 3-D, computer-animated makeover in 2001.

Tasty *Batchelors Super Noodles* are popular snacks for young, busy United Kingdom consumers.

Erasco, the number one wet soup in Germany, continued its success story in 2001 with the launch of *Erasco* Aroma Pack ready to serve soups in easy-open pouches.

Velish, an Australian line of premium vegetable-based soups in aseptic cartons, introduced a new Sweet Potato and Herb variety.

Created more than 100 years ago, popular *Oxo* bouillon cubes are used in one out of every six hot meals at home in Britain.

The excitement of international markets:

In the past five years, we have transformed our European business from a highly diversified portfolio to one strongly focused around soups and sauces. These two categories represent 70 percent of our new sales base. Soup and sauce usage is deeply embedded in consumers' culinary practices, tied to both culture and geography. We now have regional powerhouse brands, accompanied by insights into local behaviors and fortified by global technology in manufacturing and marketing. In this cross-cultural world, we have competitive advantage.

We have strong positions in six European markets: Belgium, Finland, France, Germany, the United Kingdom and Sweden. The addition of new dry soup and sauce brands in Europe gives us the number two position in soup with a 20 percent share of these markets. Across our portfolio, the future is bright. While dry soups have historically been tied to cultural traditions and early economic development, European consumers are changing eating habits to include less traditional meals and more snacking opportunities. This creates an ideal environment for instant dry soups. Consumers also are demanding more convenience and higher quality in all soups, an excellent environment for the *Erasco* and *Liebig* brands. Our entry into the Nordic region gives us access to 14 million new consumers.

Our small but growing soup presence in Asia/Pacific provides long-term opportunities to bring the *Campbell's* brand to two-thirds of the world's population. Currently our *Kimball* brand of sauces spice up popular Asian dishes throughout Malaysia.

STRONG
LOCAL BRANDS

FOCUS ON
SOUPS AND
SAUCES

opportunity

We have almost doubled our business in Europe by acquiring
some of the continent's favorite soup and sauce brands.

~STRATEGY~

4 Drive a quality agenda while continuing to drive productivity.

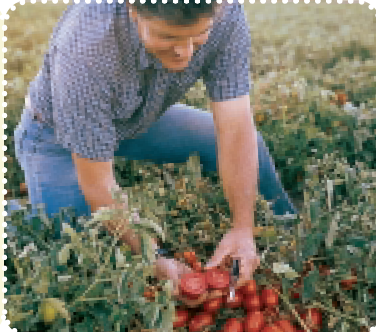
Convenient Packaging:
Our technology in Europe provides an exciting platform for borderless ideas. For example, following the success of our *Liebig Soup' Créative* in convenient, resealable plastic bottles, we introduced *Homepride* soups in similar packaging in the U.K.

Better Quality:
Pepperidge Farm Soft Baked Chocolate Chunk cookies are now 20 percent bigger with more chocolate chunks in every bite.

More Meat:
Campbell's Select Chicken Noodle soup is made with 100 percent white meat chicken and also includes 50 percent more chicken.

Fresh Ingredients:
Campbell processes over 700,000 tons of tomatoes each year.

Enhanced Technology:
Supported with advanced technology, the Campbell pilot plant staff at World Headquarters continually conduct precise tests on many Campbell brands to improve product, process and packaging.



Improved Customer Service:
With data at their fingertips, our salespeople can quickly determine the best shelf allocation for our products, ultimately maximizing sales for our customers.

Improving quality and rapid innovation will be the keys to our resurgence. For this reason, we are raising the bar in all of our businesses. This past year, for example, we have reaped benefits through centralized direction of our supply chain.

We realize that convenience is a high priority for time-stressed consumers. However, they must also enjoy an eating experience to want to repeat a purchase. We have begun a quality improvement program that will establish state-of-the-art soup processing. In fact, we will migrate this intensified quality improvement program worldwide across our entire portfolio—soup, sauces, beverages, and indulgent snacking.

During the year, we added critical resources to Campbell Research and Development to improve our processing and packaging technologies. We also created a matrix organization with dedicated resources to better seize opportunities for synergies, improvements and rapid transfer of best practices throughout our worldwide supply chain. Over the next three years, we will focus on delivering products to consumers that are high quality, good value, and on the cutting edge of innovation.

From our kitchen to yours, we take extra care to make sure Campbell products satisfy a variety of consumer needs and tastes. Our chefs start with wholesome ingredients like farm-fresh vegetables, flavorful stocks, and just the right shape and texture of pasta to create high quality soups. Our teams work diligently with selected growers to develop tomatoes and other fresh ingredients that have exactly the right consistency, picked at the peak of freshness, to ensure that our soups, sauces and beverages always taste delicious.

Additionally, we are working with retail and wholesale customers to meet their changing needs. Whether in *Campbell's* soups, where a continuous replenishment program now impacts nearly half our volume, or in *Pepperidge Farm* breads and cookies, where hand-held computers tie into database systems to better enhance customer service and support, we are developing technology to give Campbell the competitive edge. Ultimately, it is about delivering superior products—in all forms and in all types of packaging—to meet consumer needs at acceptable prices.

~STRATEGY~

5 Substantially improve organization excellence and vitality.

CAMPBELL VALUING PEOPLE

PEOPLE VALUING CAMPBELL

More than anything, our success rests upon the commitment and talent of our people. To this end, we have strengthened our management team in 2001, adding some of the most respected executives in the food industry. At the same time, we have reorganized to improve focus and accountability and are ramping up efforts to attract and retain the best and the brightest people across the company.

Winning in the workplace leads to winning in the marketplace. Across our organization—whether in plants, in stores, or in administrative support—there is a renewed pride and commitment to making Campbell preeminent in the marketplace. We are strengthening employee teams, providing more resources and creating a better work environment. Our new theme, "Campbell Valuing People and People Valuing Campbell," promotes a two-way respect for professional and personal goals.

In May, *Campbell's Field* opened on the developing Delaware River waterfront in Camden, N.J., home of Campbell World Headquarters. The minor league baseball stadium, home to the Camden Riversharks, is expected to draw more than 300,000 fans in its first year of operation. With each home run hit by the home team, fans see scoreboard fireworks accompanied by Campbell's *M'm! M'm! Good!* jingle. *Campbell's Field* represents a bright, new symbol of our community spirit and our support of the growth of the Camden waterfront. It is symbolic of the new spirit and pride that are developing in our company today. Our momentum is building. We are filled with excitement about the future and our team is ready to win.

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Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

OVERVIEW Net earnings for 2001 were $649 million ($1.55 per share). (All earnings per share amounts included in Management's Discussion and Analysis are presented on a diluted basis.) The 2001 results include a restructuring charge and related costs of approximately $15 million pre-tax ($.03 per share after tax) associated with the manufacturing reconfiguration of the Arnotts business. Pre-tax charges of $10 million were classified as a Restructuring charge and $5 million were classified as Cost of products sold. Net earnings in 2001 also included an approximate $.03 per share dilutive impact from the European soup and sauce brands acquisition. Excluding the impact of the costs associated with the manufacturing reconfiguration, net earnings declined 8% and earnings per share declined 4%. The decline in earnings was due to higher marketing expenses, interest expense and corporate expenses.

Comparisons to 1999 earnings are impacted by a fourth quarter 1999 pre-tax restructuring charge of $36 million, net of a $5 million reversal of a 1998 charge ($27 million after tax or $.06 per share). In addition, the results for 1999 included certain fourth quarter non-recurring costs of $22 million ($15 million after tax or $.03 per share). The non-recurring costs were related to the restructuring program, unusual costs of terminated acquisition studies and expenses associated with certain supply chain initiatives. Excluding the impact of the restructuring charge, net earnings in 2000 declined 6% and earnings per share declined 2% as compared to 1999. Excluding both the restructuring charge and non-recurring costs, earnings per share declined 4%. The 2000 earnings performance was largely driven by a 3% decline in shipments of U.S. soups.

In 2001, financial results for all reported periods were restated to conform to the requirements of the Emerging Issues Task Force (EITF) Issue No. 00-10 "Accounting for Shipping and Handling Fees and Costs." Shipping and handling costs of $207 million in 2001, $199 million in 2000, and $202 million in 1999 were reclassified from a Net sales deduction to Cost of products sold.

SALES Sales increased 3% in 2001 to $6.7 billion from $6.5 billion. The increase was attributed to a 5% increase due to volume and mix, 1% from the acquisition, offset by a 3% decrease due to currency. Sales in 2000 declined 2% to $6.5 billion from $6.6 billion. The decline was attributed to decreases of 2% due to volume and mix, 1% due to currency and 1% due to divestitures, offset by a 2% increase in selling prices.

An analysis of net sales by segment follows:

(millions)	**2001**	2000	1999	% Change 2001/2000	% Change 2000/1999
Soup and Sauces	**$ 4,539**	$ 4,393	$ 4,515	3	(3)
Biscuits and Confectionery	**1,613**	1,542	1,505	5	2
Away From Home	**573**	565	535	1	6
Other	**4**	28	132		
Intersegment	**(65)**	(62)	(61)		
	$ 6,664	$ 6,466	$ 6,626	3	(2)

The 3% increase in sales from Soup and Sauces in 2001 versus 2000 was due to a 3% increase from volume and mix, 2% from the acquisition, offset by a 2% decline due to currency. In the U.S., soup volume increased 6% over the prior year. This performance was driven by a 5% increase in consumer purchases, led by condensed Chicken Noodle, Tomato, and Cream of Mushroom and ready-to-serve varieties including *Campbell's Chunky, Select,* and the new ready-to-serve Red and White line. Worldwide wet soup volume increased 5%, led by the U.S. performance and contributions from Canada, Germany, the United Kingdom, and Australia. Beyond soup, sales of prepared foods, including *Franco-American* products, and beverages, particularly *V8 Splash*, declined in highly competitive categories. Sales of *Prego* spaghetti sauce and *Pace* salsa increased modestly.

The 3% decline in sales from Soup and Sauces in 2000 versus 1999 was primarily due to a 2% decrease in worldwide wet soup volume, driven by a 4% decline in U.S. soup consumer purchases. International shipments declined 1%, primarily due to under-performance in the United Kingdom and Canada, offset by growth in Australia, Germany, and France. Total beverage sales decreased due to consumer purchase declines for *V8 Splash*. Sales of U.S. sauces and prepared foods also declined over the prior year.

Sales from Biscuits and Confectionery increased 5% in 2001 versus 2000 due to a 9% increase from volume and mix, 1% from higher selling prices, offset by a 5% decline from currency, primarily the Australian dollar. The entire portfolio contributed to the volume gains. Pepperidge Farm cookies, crackers, fresh bread and frozen products all demonstrated improvements in sales volume. *Arnott's Tim Tams, Shapes* and *Kettle* chips contributed to the growth in sales. Godiva reported a double-digit increase in sales due to new store openings and increased comparable store sales.

Sales from Biscuits and Confectionery increased 2% in 2000 compared to 1999 primarily due to the performance of the core cracker business of Arnotts in Australia and Godiva Chocolatier, offsetting softness of Pepperidge Farm bakery products. Godiva recorded double-digit sales growth, due in part to new store openings.

Away From Home reported a 1% increase in sales in 2001 compared to 2000 driven by growth in frozen soup and sauces, offset by declines in lower margin bakery products and frozen entrees.

Sales in 2000 grew 6% in Away From Home compared to 1999 behind growth in the core soup business through the expansion of *Campbell's* branded soup in university cafeterias, convenience stores and other outlets.

The decline in sales from Other in 2001 versus 2000 was due to the divestiture of MacFarms in April 2000. The decline in 2000 as compared to 1999 was due to the divestiture of Fresh Start Bakeries, Inc. in May 1999 and MacFarms in April 2000.

GROSS MARGIN Gross margin, defined as Net sales less Cost of products sold, increased by $159 million in 2001 due to the increase in sales. As a percent of sales, gross margin was 52.8% in 2001, 51.9% in 2000, and 50.9% in 1999. The improvement in gross margin percentage in 2001 was due to cost productivity programs and favorable sales mix. The increase in 2000 was due principally to higher selling prices, cost savings generated from global procurement initiatives and continued productivity gains in manufacturing facilities, which offset the adverse mix impact resulting from declines in U.S. wet soup volume.

MARKETING AND SELLING EXPENSES Marketing and selling expenses as a percent of sales were 26.5% in 2001, 25.1% in 2000, and 24.7% in 1999. The increase in 2001 was due to an increase in advertising behind core U.S. brands, principally U.S. soup, and incremental selling costs associated with new store openings in the Godiva Chocolatier business. The increase in 2000 was also primarily due to incremental selling costs associated with new stores in the Godiva Chocolatier business.

GENERAL AND ADMINISTRATIVE EXPENSES Administrative expenses as a percent of sales increased to 5.6% in 2001 from 4.9% in 2000. The increase was due to higher compensation costs and costs associated with infrastructure enhancements. In 2000, Administrative expenses increased to 4.9% of Net sales from 4.6% in 1999 primarily due to higher compensation costs and costs associated with the Away From Home infrastructure.

Research and development expenses as a percent of sales remained unchanged.

Other expenses increased in 2001 as compared to 2000 primarily due to higher stock-based incentive compensation costs and slightly higher amortization expense. The increase from 1999 to 2000 was also due to higher incentive compensation costs.

OPERATING EARNINGS Segment operating earnings were relatively flat with 2000, excluding the costs associated with the Australian manufacturing strategy and before the impact of currency. Operating earnings as reported in 2000 declined 2%. In 2000, segment operating earnings declined 3%, excluding the 1999 net restructuring charge.

An analysis of operating earnings by segment follows:

				% Change	
(millions)	**2001**[1]	2000	1999[2]	2001/ 2000	2000/ 1999
Soup and Sauces	**$ 1,052**	$ 1,081	$ 1,082	(3)	—
Biscuits and Confectionery	**206**	213	215	(3)	(1)
Away From Home	**58**	53	57	9	(7)
Other	**1**	—	(5)		
	1,317	1,347	1,349	(2)	—
Corporate	**(123)**	(82)	(79)		
	$ 1,194	$ 1,265	$ 1,270		

[1] Contributions to earnings by the Biscuits and Confectionery segment in 2001 included the effect of pre-tax costs of $15 associated with the Australian manufacturing reconfiguration strategy.

[2] Contributions to earnings by segment included the effect of a fourth quarter 1999 pre-tax restructuring charge of $36, net of a $5 reversal of a prior period restructuring charge, as follows: Soup and Sauces–$22, Biscuits and Confectionery–$1, and Other–$13.

The following commentary on comparisons of segment operating earnings excludes the 2001 and 1999 restructuring related charges.

Earnings from Soup and Sauces declined 3% in 2001 due to increased marketing investments, primarily in U.S. soup and beverage products, partially offset by sales volume growth. Earnings declined 2% before the impact of currency.

Earnings from Soup and Sauces declined 2% in 2000, excluding the 1999 net restructuring charge, due primarily to the decline in U.S. wet soup sales, combined with declines in *Pace, Franco-American,* and beverages.

Management's Discussion and Analysis of Results of Operations and Financial Condition

In 2001, earnings from Biscuits and Confectionery increased 9% before the impact of currency and excluding the impact of the Australian manufacturing reconfiguration costs. Reported earnings increased 4% before the impact of Australian manufacturing reconfiguration costs. The increase was due to higher sales volume across the portfolio.

In 2000, earnings from Biscuits and Confectionery declined 1% primarily due to increased marketing costs behind the *Pepperidge Farm Goldfish* brand, offset by an increase in earnings from Arnotts and Godiva.

Earnings from Away From Home increased 9% in 2001 due to improved product mix, with increased sales in soup and sauces offset by declines in lower margin bakery and frozen entree products, and improved manufacturing costs, particularly at the Stockpot facility.

Earnings from Away From Home declined 7% in 2000 due to higher costs associated with the new Stockpot manufacturing facility and increased investment in growth initiatives.

Earnings from Other, excluding the 1999 net restructuring charge, declined in 2000 due to the divestitures of Fresh Start Bakeries, Inc. in May 1999 and MacFarms in April 2000.

Corporate expenses increased in 2001 primarily due to an increase in incentive compensation costs and costs associated with infrastructure enhancements. The increase in corporate expenses in 2000 from 1999 was also due primarily to an increase in compensation costs.

NON-OPERATING ITEMS Interest expense increased 11% in 2001 due to higher debt balances resulting from the financing of the acquisition of European soup and sauce brands and capital share repurchases, partially offset by lower average interest rates. Interest expense increased 8% in 2000 versus 1999 due to an increase in interest rates during the period, primarily on commercial paper.

The effective tax rate was 34.2% in 2001 versus 33.7% in 2000. The 2000 rate was favorably impacted by a lower effective rate on foreign earnings, primarily driven by a reduction in the Australian statutory rate. The 1999 effective tax rate was 34%. Excluding the restructuring charges, the effective tax rate was 33.7% in 1999. The 1999 rate was favorably impacted by a federal tax refund recorded during the year.

RESTRUCTURING PROGRAMS A restructuring charge of $10 million ($7 million after tax) was recorded in the fourth quarter 2001 for severance costs associated with the reconfiguration of the manufacturing network of Arnotts in Australia. Costs of approximately $5 million ($4 million after tax) were also recorded in 2001 as Cost of products sold, representing accelerated depreciation on assets to be taken out of service. This program is designed to drive greater manufacturing efficiency and will result in the closure of the Melbourne plant. The company expects to incur an additional $20–$25 million pre-tax costs during 2002 related to this program for accelerated depreciation, employee benefit costs and other one-time expenses. The expected net cash outflows related to this program will not have a material impact on the company's liquidity. As a result of this reconfiguration, the company expects annual pre-tax cost savings of approximately $10 million, beginning in fiscal 2003. Approximately 550 jobs will be eliminated due to the plant closure.

A restructuring charge included in earnings from continuing operations of $41 million ($30 million after tax or $.07 per share) was recorded in the fourth quarter 1999 to cover the costs of a restructuring and divestiture program approved in July 1999 by the company's Board of Directors. This charge related to the streamlining of certain North American and European production and administrative facilities and the anticipated loss on a divestiture of a non-strategic business with annual sales of approximately $25 million. The restructuring charge included approximately $20 million in cash charges primarily related to severance and employee benefit costs. The remaining balance included non-cash charges related to the disposition of plant assets and the divestiture. The company has completed this restructuring and divestiture program.

A $5 million ($3 million after tax or $.01 per share) reversal of the 1998 restructuring charge was also recorded in the fourth quarter of 1999. The reversal reflected the net impact of changes in estimates and modifications to the original program. The initial charge for the third quarter 1998 program was $262 million ($193 million after tax or $.42 per share). This program was designed to improve operational efficiency by rationalizing certain U.S., European and Australian production and administrative facilities and divesting non-strategic businesses. This program was completed by the second quarter 2000.

See Note 4 to the Consolidated Financial Statements for further discussion of these programs.

Liquidity and Capital Resources

Strong cash flows from operations and interest coverage demonstrate the company's financial strength.

Cash flows from operations provided $1.1 billion in 2001, compared to $1.2 billion in 2000. The decrease was primarily due to lower net earnings. Net cash flows from operations in 2000 increased to $1.2 billion from $954 million in 1999 due primarily to improvements in working capital. Over the last three years, operating cash flows totaled over $3 billion. This cash generating capability provides the company with substantial financial flexibility in meeting operating and investing needs.

Capital expenditures were $200 million in 2001 and 2000 and $297 million in 1999. Capital expenditures are projected to be approximately $300 million in 2002 due to planned process improvements, product quality enhancements and innovation.

Businesses acquired in 2001 represented the purchase of the European soup and sauce brands in May 2001. In 1999, the company acquired the *Stockpot* premium refrigerated soup business.

Sale of businesses represented the divestiture of MacFarms in 2000 and Fresh Start Bakeries, Inc. in 1999.

Long-term borrowings in 2001 included both a three-year floating rate loan, which funded the purchase of 11 million shares under forward stock purchase contracts for approximately $521 million in December 2000, and the issuance of $500 million 6.75% notes due February 2011. The company also entered into ten-year interest rate swap contracts with a notional value of $250 million in connection with this issuance. The proceeds of the 6.75% notes were used primarily to repay short-term borrowings. There were no new long-term borrowings in 2000. Long-term borrowings in 1999 represented the issuance of $300 million 4.75% notes due October 2003. The company filed a shelf registration statement with the Securities and Exchange Commission for $1.0 billion of debt, which was declared effective in May 2001, bringing total capacity available under registration statements to $1.1 billion. In September 2001, the company issued $300 million seven-year 5.875% fixed rate notes under the shelf. The proceeds were used to repay short-term borrowings. In conjunction with the issuance of these notes, the company also entered into a seven-year interest rate swap contract, which converted $75 million of the fixed-rate interest obligations to variable rate debt.

The company has financial resources available, including committed lines of credit totaling approximately $2.3 billion, and has ready access to financial markets around the world. The pre-tax interest coverage ratio was 5.5 for 2001 compared to 6.2 for 2000 and 6.9 for 1999. The ratios exclude the impact of the Australian manufacturing reconfiguration costs in 2001 and the net restructuring charge in 1999.

Dividend payments decreased 3% to $374 million in 2001, compared to $384 million in 2000, due to lower shares outstanding as a result of the share repurchase program. Dividends declared in 2001 and 2000 totaled $.90 per share and $.885 in 1999. The 2001 fourth quarter rate was $.225 per share. The expected annual dividend rate for 2002 is $.63.

Capital stock repurchases totaled 14.3 million shares at a cost of $618 million during 2001, compared to repurchases of 10.7 million shares at a cost of $394 million in 2000. In 2001, the strategic share repurchase plan was suspended. The company expects to continue to repurchase shares to offset the impact of dilution from shares issued under incentive stock compensation plans.

Total assets increased 14% to $5.9 billion in 2001 primarily due to an increase in intangible assets as a result of the European soup and sauce brands acquisition.

Total liabilities increased to $6.2 billion from $5.1 billion in 2000 principally due to higher debt levels.

Total shareowners' equity on a book basis declined from $137 million in 2000 to $(247) million in 2001 primarily due to continued share repurchases.

Inflation

Inflation during recent years has not had a significant effect on the company. The company mitigates the effects of inflation by aggressively pursuing cost productivity initiatives, including global procurement strategies, and managing capital investments in its manufacturing and administrative facilities.

Market Risk Sensitivity

The principal market risks to which the company is exposed are changes in interest rates and foreign currency exchange rates. In addition, the company is exposed to equity price changes related to certain employee compensation obligations. The company manages its exposure to changes in

interest rates by optimizing the use of variable-rate and fixed-rate debt and by utilizing interest rate swaps in order to maintain its variable-to-total debt ratio within targeted guidelines. International operations, which accounted for approximately 25% of 2001 net sales, are concentrated principally in Germany, France, the United Kingdom, Canada and Australia. The company manages its foreign currency exposures by borrowing in various foreign currencies and utilizing cross-currency swaps, forward contracts, and options. Swaps and forward contracts are entered into for periods consistent with related underlying exposures and do not constitute positions independent of those exposures. The company does not enter into contracts for speculative purposes and does not use leveraged instruments.

The company principally uses a combination of purchase orders and various short- and long-term supply arrangements in connection with the purchase of raw materials, including certain commodities and agricultural products. On occasion, the company may also enter into commodity futures contracts, as considered appropriate, to reduce the volatility of price fluctuations for commodities such as corn, soybean meal and cocoa. At July 29, 2001 and July 30, 2000, the notional values and unrealized gains or losses on commodity futures contracts held by the company were not material.

The information below summarizes the company's market risks associated with debt obligations and other significant financial instruments as of July 29, 2001. Fair values included herein have been determined based on quoted market prices. The information presented below should be read in conjunction with Notes 16 and 18 to the Consolidated Financial Statements.

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

EXPECTED FISCAL YEAR OF MATURITY

(US$ equivalents in millions)	2002	2003	2004	2005	2006	There-after	Total	Fair Value
Debt								
Fixed rate	$ 6	$ 300	$ 400[1]	$ 1	$ 1	$ 1,013	$ 1,721	$ 1,795
Weighted average interest rate	5.79%	6.15%	4.97%	9.0%	9.0%	7.23%	6.51%	
Variable rate	$ 1,800		$ 528				$ 2,328	$ 2,328
Weighted average interest rate	4.35%		4.68%				4.43%	
Interest Rate Swaps								
Fixed to variable						$ 250[2]	$ 250[2]	$ 5
Average pay rate						6.47%	6.47%	
Average receive rate						6.75%	6.75%	

[1] $100 million callable in 2002.
[2] Hedges 6.75% notes due 2011.

As of July 30, 2000, fixed-rate debt of approximately $1.3 billion with an average interest rate of 6.47% and variable-rate debt of approximately $1.8 billion with an average interest rate of 6.57% were outstanding. There were no interest rate swaps outstanding at July 30, 2000.

The company is exposed to foreign currency exchange risk related to its international operations, including net investments in subsidiaries and subsidiary debt which is denominated in currencies other than the functional currency of those businesses. The following table summarizes the cross-currency swap outstanding as of July 29, 2001, which hedges such an exposure. The notional amount of the currency and the related weighted-average forward interest rate are presented in the Cross-Currency Swap table.

CROSS-CURRENCY SWAP

(US$ equivalents in millions)	Expiration	Interest Rate	Notional Value	Fair Value
Pay variable FrF		4.88%		
Receive variable US$	2003	4.21%	$ 110	$ 25

The cross-currency contracts outstanding at July 30, 2000 also included a pay fixed DM/receive fixed US$ contract with a notional value of $107 million. This contract matured in 2001. The aggregate fair value of all contracts was $22 million as of July 30, 2000.

The company is also exposed to foreign exchange risk as a result of transactions in currencies other than the functional

currency of certain subsidiaries, including subsidiary debt. The company utilizes foreign currency forward purchase and sale contracts in order to hedge these exposures. The table below summarizes the foreign currency forward contracts outstanding and the related weighted-average contract exchange rates as of July 29, 2001.

FORWARD EXCHANGE CONTRACTS

(US$ equivalents in millions)	Contract Amount	Average Contractual Exchange Rate
Receive USD/Pay GBP	$ 424	1.41
Receive USD/Pay Euro	$ 292	0.86
Receive USD/Pay SEK	$ 90	10.63
Receive CAD/Pay USD	$ 35	0.65
Receive Euro/Pay GBP	$ 17	0.62
Receive USD/Pay JPY	$ 6	118
Receive AUD/Pay NZD	$ 5	0.83
Receive GBP/Pay AUD	$ 5	2.66

The company had an additional $6 million in a number of smaller contracts to purchase or sell various other currencies, such as the euro, Australian dollar, Japanese yen, and Swiss franc, as of July 29, 2001. The aggregate fair value of all contracts was $(7) million as of July 29, 2001. Total forward exchange contracts outstanding as of July 30, 2000 were $236 million with a fair value of $(3) million.

The company had swap contracts outstanding as of July 29, 2001, which hedge a portion of exposures relating to certain employee compensation liabilities linked to the total return of the Standard & Poor's 500 Index or to the total return of the company's capital stock. Under these contracts, the company pays variable interest rates and receives from the counterparty either the Standard & Poor's 500 Index total return or the total return on company capital stock. The notional value of the contracts that include the return on the Standard & Poor's 500 Index was $28 million at July 29, 2001 and $29 million at July 30, 2000. The average forward interest rate applicable to the contract which expires in 2002 was 4.52% at July 29, 2001. The notional value of the contract that includes the total return on company capital stock was $32 million at July 29, 2001 and $50 million at July 30, 2000. The average forward interest rate applicable to this contract, which expires in 2003, was 4.37% at July 29, 2001. The net cost to settle these contracts was $17 million at July 29, 2001 and $25 million at July 30, 2000. Gains and losses on the contracts are recognized as adjustments to the carrying value of the underlying obligations.

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

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities." The company adopted this statement, as amended by SFAS No. 137 and No. 138, in the first quarter 2001. The cumulative effect of adoption was not material. The standard required that all derivative instruments be recorded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded in earnings or other comprehensive income, based on whether the instrument is designated as part of a hedge transaction and, if so, the type of hedge transaction.

In September 2000, the Emerging Issues Task Force (EITF) reached a final consensus on Issue No. 00-10 "Accounting for Shipping and Handling Fees and Costs" that such costs cannot be reported as a reduction of revenue. The consensus was effective in the fourth quarter 2001. Shipping and handling costs of approximately $200 million were reclassified from Net sales to Cost of products sold for all periods presented. The reclassifications had no impact on net earnings or earnings per share.

The EITF has recently addressed several topics related to the classification and recognition of certain promotional expenses. In May 2000, the EITF issued a consensus on Issue No. 00-14 "Accounting for Certain Sales Incentives." This Issue addresses the recognition, measurement and income statement classification of certain sales incentives, including discounts, coupons, and free products. In April 2001, the EITF reached a consensus on Issue No. 00-25 "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products" and delayed the implementation date of Issue No. 00-14 to coincide with the effective date of Issue No. 00-25. Under these Issues, the EITF concluded that certain consumer and trade sales promotion expenses, such as coupon redemption costs, cooperative advertising programs, new product introduction fees, feature price discounts and in-store display incentives, should be classified as a reduction of sales rather than as marketing expenses. The company will adopt this accounting guidance in the first quarter 2002.

The company has historically classified certain costs covered by the provisions of Issues No. 00-14 and 00-25 as promotional expenses within Marketing and selling expenses. The company is continuing to evaluate the impact of the new accounting guidance and expects that certain costs historically

recorded as Marketing and selling expenses will be reclassified as a reduction of sales. Based on historical information, annual net sales as currently reported could be reduced by approximately 12% to 13%. Prior period amounts will be restated upon adoption. As reclassifications, these changes will not affect the company's financial position or earnings.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets." In addition to requiring that all business combinations be accounted for under the purchase method, SFAS No. 141 requires intangible assets that meet certain criteria to be recognized as assets apart from goodwill. The provisions of SFAS No. 142 indicate that goodwill and indefinite life intangible assets should no longer be amortized but rather be tested for impairment annually. Intangible assets with a finite life shall continue to be amortized over the estimated useful life. SFAS No. 141 is effective for business combinations initiated after June 30, 2001. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. Earlier adoption is permitted for companies with fiscal years beginning after March 15, 2001 provided that the first interim financial statements have not been issued. The elimination of amortization is to be applied on a prospective basis and prior periods are not to be restated. However, the impact of amortization of goodwill and indefinite life intangible assets is to be disclosed for prior periods.

The company is currently evaluating the impact of these provisions and considering early adoption in 2002. The total after-tax amortization expense related to goodwill and other intangible assets was approximately $40 million in 2001. This amount includes amortization related to the European soup and sauce acquisition in May 2001.

Earnings Outlook

On September 6, 2001, the company issued a press release announcing results for fiscal 2001 and commented on analysts' expectations for the first quarter of fiscal 2002 and the outlook for earnings per share for the full year.

Forward-Looking Statements

This 2001 Annual Report contains "forward-looking" statements, which reflect the company's current expectations regarding future results of operations, economic performance, financial condition and achievements of the company. The company has tried, wherever possible, to identify these forward-looking statements by using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. 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 and estimates which could be inaccurate and which are subject to risks and uncertainties.

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

- the impact of strong competitive response to the company's efforts to leverage its brand power with product innovation, promotional programs and new advertising;
- the inherent risks in the marketplace associated with trade and consumer acceptance of product improvements 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;
- the company's ability to achieve its cost savings objectives, including the projected outcome of supply chain management programs;
- the company's ability to complete the successful post-acquisition integration of acquired businesses into existing operations;
- the difficulty of predicting the pattern of inventory movements by the company's trade customers; and
- the impact of unforeseen economic changes in currency exchange rates, interest rates, equity markets, inflation rates, recession and other external factors over which the company has no control.

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 in order to reflect events or circumstances after the date of this report.

Consolidated Statements of Earnings

(millions, except per share amounts)

	2001	2000	1999
NET SALES	**$ 6,664**	$ 6,466	$ 6,626
Costs and expenses			
Cost of products sold	**3,146**	3,107	3,252
Marketing and selling expenses	**1,765**	1,622	1,634
Administrative expenses	**372**	319	304
Research and development expenses	**63**	64	66
Other expenses (Note 5)	**114**	89	64
Restructuring charges (Note 4)	**10**	—	36
Total costs and expenses	**5,470**	5,201	5,356
EARNINGS BEFORE INTEREST AND TAXES	**1,194**	1,265	1,270
Interest expense (Note 6)	**219**	198	184
Interest income	**12**	10	11
Earnings before taxes	**987**	1,077	1,097
Taxes on earnings (Note 9)	**338**	363	373
NET EARNINGS	**$ 649**	$ 714	$ 724
PER SHARE—BASIC			
NET EARNINGS	**$ 1.57**	$ 1.68	$ 1.64
Weighted average shares outstanding–basic	**414**	425	441
PER SHARE—ASSUMING DILUTION			
NET EARNINGS	**$ 1.55**	$ 1.65	$ 1.63
Weighted average shares outstanding–assuming dilution	**418**	432	445

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

(millions, except per share amounts)

	July 29, 2001	July 30, 2000
CURRENT ASSETS		
Cash and cash equivalents	**$ 24**	$ 27
Accounts receivable (Note 10)	**442**	443
Inventories (Note 11)	**597**	571
Other current assets (Note 12)	**158**	127
Total current assets	**1,221**	1,168
PLANT ASSETS, NET OF DEPRECIATION (Note 13)	**1,637**	1,644
INTANGIBLE ASSETS, NET OF AMORTIZATION (Note 14)	**2,451**	1,767
OTHER ASSETS (Note 15)	**618**	617
Total assets	**$ 5,927**	$ 5,196
CURRENT LIABILITIES		
Notes payable (Note 16)	**$ 1,806**	$ 1,873
Payable to suppliers and others	**582**	509
Accrued liabilities	**450**	360
Dividend payable	**92**	95
Accrued income taxes	**190**	195
Total current liabilities	**3,120**	3,032
LONG-TERM DEBT (Note 16)	**2,243**	1,218
NONPENSION POSTRETIREMENT BENEFITS (Note 8)	**336**	364
OTHER LIABILITIES (Note 17)	**475**	445
Total liabilities	**6,174**	5,059
SHAREOWNERS' EQUITY (Note 19)		
Preferred stock; authorized 40 shares; none issued	**—**	—
Capital stock, $.0375 par value; authorized 560 shares; issued 542 shares	**20**	20
Capital surplus	**314**	344
Earnings retained in the business	**4,651**	4,373
Capital stock in treasury, 133 shares in 2001 and 121 shares in 2000, at cost	**(4,908)**	(4,373)
Accumulated other comprehensive loss	**(324)**	(227)
Total shareowners' equity	**(247)**	137
Total liabilities and shareowners' equity	**$ 5,927**	$ 5,196

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(millions)

	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	**$ 649**	$ 714	$ 724
Non-cash charges to net earnings			
Restructuring charges	**10**	—	36
Depreciation and amortization	**266**	251	255
Deferred taxes	**4**	17	78
Other, net	**38**	20	5
Changes in working capital			
Accounts receivable	**(11)**	90	108
Inventories	**(1)**	23	(58)
Other current assets and liabilities	**151**	50	(194)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**1,106**	1,165	954
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of plant assets	**(200)**	(200)	(297)
Sales of plant assets	**8**	7	9
Businesses acquired	**(911)**	—	(105)
Sales of businesses	**—**	11	103
Other, net	**(19)**	(22)	(32)
NET CASH USED IN INVESTING ACTIVITIES	**(1,122)**	(204)	(322)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Long-term borrowings	**1,028**	—	323
Repayments of long-term borrowings	**—**	(7)	(8)
Short-term borrowings	**1,962**	1,028	1,537
Repayments of short-term borrowings	**(2,007)**	(1,206)	(1,111)
Dividends paid	**(374)**	(384)	(386)
Treasury stock purchases	**(618)**	(394)	(1,026)
Treasury stock issuances	**24**	20	35
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**15**	(943)	(636)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(2)**	3	(6)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(3)**	21	(10)
CASH AND CASH EQUIVALENTS–BEGINNING OF YEAR	**27**	6	16
CASH AND CASH EQUIVALENTS–END OF YEAR	**$ 24**	$ 27	$ 6

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareowners' Equity

(millions, except per share amounts)

	Capital Stock							
	Issued		In Treasury			Earnings Retained	Accumulated Other Com-	Total Share-
	Shares	Amount	Shares	Amount	Capital Surplus	in the Business	prehensive Loss	owners' Equity
Balance at August 2, 1998	542	$ 20	(94)	$ (3,083)	$ 395	$ 3,706	$ (164)	$ 874
Comprehensive income (loss)								
Net earnings						724		724
Foreign currency translation adjustments							14	14
Dividends ($.885 per share)						(389)		(389)
Treasury stock purchased			(22)	(1,026)				(1,026)
Treasury stock issued under management incentive and stock option plans			3	51	(13)			38
Balance at August 1, 1999	542	20	(113)	(4,058)	382	4,041	(150)	235
Comprehensive income (loss)								
Net earnings						714		714
Foreign currency translation adjustments							(77)	(77)
Dividends ($.90 per share)						(382)		(382)
Treasury stock purchased			(11)	(394)				(394)
Treasury stock issued under management incentive and stock option plans			3	79	(38)			41
Balance at July 30, 2000	542	20	(121)	(4,373)	344	4,373	(227)	137
COMPREHENSIVE INCOME (LOSS)								
NET EARNINGS						**649**		**649**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS							**(97)**	**(97)**
DIVIDENDS ($.90 PER SHARE)						**(371)**		**(371)**
REPURCHASE OF SHARES UNDER FORWARD STOCK PURCHASE CONTRACTS			**(11)**	**(521)**				**(521)**
TREASURY STOCK PURCHASED			**(3)**	**(97)**				**(97)**
TREASURY STOCK ISSUED UNDER MANAGEMENT INCENTIVE AND STOCK OPTION PLANS			**2**	**83**	**(30)**			**53**
BALANCE AT JULY 29, 2001	**542**	**$ 20**	**(133)**	**$ (4,908)**	**$ 314**	**$ 4,651**	**$ (324)**	**$ (247)**

See accompanying Notes to Consolidated Financial Statements.

note 1 summary of significant accounting policies

CONSOLIDATION The consolidated financial statements include the accounts of the company and its majority-owned subsidiaries. Significant intercompany transactions are eliminated in consolidation. Investments of 20% or more in affiliates are accounted for by the equity method.

FISCAL YEAR The company's fiscal year ends on the Sunday nearest July 31. There were 52 weeks in 2001, 2000 and 1999.

REVENUE RECOGNITION Revenues are recognized when the earnings process is complete. This generally occurs when products are shipped in accordance with terms of agreements, title and risk of loss transfer to customers, collection is probable and pricing is fixed or determinable.

CASH AND CASH EQUIVALENTS All highly liquid debt instruments purchased with a maturity of three months or less are classified as cash equivalents.

INVENTORIES Substantially all U.S. inventories are priced at the lower of cost or market, with cost determined by the last in, first out (LIFO) method. Other inventories are priced at the lower of average cost or market.

PLANT ASSETS Plant assets are stated at historical cost. Alterations and major overhauls, which extend the lives or increase the capacity of plant assets, are capitalized. The amounts for property disposals are removed from plant asset and accumulated depreciation accounts and any resultant gain or loss is included in earnings. Ordinary repairs and maintenance are charged to operating costs.

DEPRECIATION Depreciation provided in Costs and expenses is calculated using the straight-line method. Buildings and machinery and equipment are depreciated over periods not exceeding 45 years and 15 years, respectively.

INTANGIBLE ASSETS Intangible assets consist principally of the excess purchase price over net assets of businesses acquired and trademarks. Intangibles are amortized on a straight-line basis over periods not exceeding 40 years.

LONG-LIVED ASSETS Long-lived assets are comprised of intangible assets and property, plant and equipment. Long-lived assets are reviewed for impairment as events or changes in circumstances occur indicating that the carrying amount of the asset may not be recoverable. An estimate of undiscounted future cash flows produced by the asset, or the appropriate grouping of assets, is compared to the carrying value to determine whether an impairment exists.

DERIVATIVE FINANCIAL INSTRUMENTS The company uses derivative financial instruments primarily for purposes of hedging exposures to fluctuations in interest rates, foreign currency exchange rates and equity-linked employee benefit obligations. Beginning in 2001, all derivatives are accounted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 133 "Accounting for Derivatives and Hedging Activities," as amended by SFAS No. 137 and No. 138. All derivatives are recognized on the balance sheet at fair value. Changes in the fair value of derivatives are recorded in earnings or other comprehensive income, based on whether the instrument is designated as part of a hedge transaction and, if so, the type of hedge transaction. Gains or losses on derivative instruments reported in other comprehensive income are reclassified to earnings in the period in which earnings are affected by the underlying hedged item. The ineffective portion of all hedges is recognized in earnings in the current period. The cumulative effect of adopting SFAS No. 133 was not material to the company's consolidated financial statements.

USE OF ESTIMATES Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenses. Actual results could differ from those estimates.

RECLASSIFICATIONS Prior year financial statements and footnotes have been reclassified to conform to the current year presentation.

In September 2000, the Emerging Issues Task Force (EITF) reached a final consensus on Issue No. 00-10 "Accounting for Shipping and Handling Fees and Costs" that such costs cannot be reported as a reduction of revenue. The consensus was effective in the fourth quarter 2001. Shipping and handling costs of approximately $207 in 2001, $199 in 2000, and $202 in 1999 were reclassified from Net sales to Cost of products sold for all periods presented. The reclassifications had no impact on net earnings or earnings per share.

NEW ACCOUNTING PRONOUNCEMENTS The EITF has recently addressed several topics related to the classification and recognition of certain promotional expenses. In May 2000, the EITF issued a consensus on Issue No. 00-14 "Accounting for Certain Sales Incentives." This Issue addresses the recognition, measurement and income statement classification of

certain sales incentives, including discounts, coupons, and free products. In April 2001, the EITF reached a consensus on Issue No. 00-25 "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products" and delayed the implementation date of Issue No. 00-14 to coincide with the effective date of Issue No. 00-25. Under these Issues, the EITF concluded that certain consumer and trade sales promotion expenses, such as coupon redemption costs, cooperative advertising programs, new product introduction fees, feature price discounts and in-store display incentives, should be classified as a reduction of sales rather than as marketing expenses. The company will adopt this accounting guidance in the first quarter 2002.

The company has historically classified certain costs covered by the provisions of Issues No. 00-14 and 00-25 as promotional expenses within Marketing and selling expenses. The company is continuing to evaluate the impact of the new accounting guidance and expects that certain costs historically recorded as Marketing and selling expenses will be reclassified as a reduction of sales. Based on historical information, annual net sales as currently reported could be reduced by approximately 12% to 13%. Prior period amounts will be restated upon adoption. As reclassifications, these changes will not affect the company's financial position or earnings.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets." In addition to requiring that all business combinations be accounted for under the purchase method, SFAS No. 141 requires intangible assets that meet certain criteria to be recognized as assets apart from goodwill. The provisions of SFAS No. 142 indicate that goodwill and indefinite life intangible assets should no longer be amortized but rather be tested for impairment annually. Intangible assets with a finite life shall continue to be amortized over the estimated useful life. SFAS No. 141 is effective for business combinations initiated after June 30, 2001. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. Earlier adoption is permitted for companies with fiscal years beginning after March 15, 2001 provided that the first interim financial statements have not been issued. The elimination of amortization is to be applied on a prospective basis and prior periods are not to be restated. However, the impact of amortization of goodwill and indefinite life intangible assets is to be disclosed for prior periods.

The company is currently evaluating the impact of these provisions and considering early adoption in 2002. The total after-tax amortization expense related to goodwill and other intangible assets was approximately $40 in 2001. This amount includes amortization related to the European soup and sauce acquisition in May 2001.

note 2 comprehensive income

Total comprehensive income is comprised of net earnings, net foreign currency translation adjustments, and net unrealized gains and losses on cash-flow hedges. Total comprehensive income for the twelve months ended July 29, 2001 and July 30, 2000 was $552 and $637, respectively. Accumulated other comprehensive loss, as reflected in the Statements of Shareowners' Equity, primarily consists of the cumulative foreign currency translation adjustment. The net gain on cash-flow hedges was not material at July 29, 2001.

note 3 business and geographic segment information

The company operates in three business segments: Soup and Sauces, Biscuits and Confectionery and Away From Home. The segments are managed as strategic units due to their distinct manufacturing processes, marketing strategies and distribution channels.

The Soup and Sauces segment includes the worldwide soup businesses that are comprised of, among others, *Campbell's* soups worldwide, *Erasco* soups in Germany, *Liebig* soups in France, the European dry soup and sauce business under the *Batchelors, Oxo, Lesieur, Royco, Liebig, Heisse Tasse, Blå Band* and *McDonnells* brands, *Prego* spaghetti sauces, *Pace* Mexican sauces, *Franco-American* pastas and gravies, *Swanson* broths, and *V8* and *V8 Splash* beverages. The Biscuits and Confectionery segment includes the Godiva Chocolatier, Pepperidge Farm and Arnotts businesses. Away From Home represents the distribution of products, including *Campbell's* soups and *Campbell's Specialty Kitchen* entrees, to the North American food service and home meal replacement markets.

Accounting policies for measuring segment assets and earnings before interest and taxes are substantially consistent with those described in the summary of significant accounting policies included in Note 1. The company evaluates segment performance based on earnings before interest and taxes, excluding certain non-recurring charges. Away From Home products are principally produced by the tangible assets of the company's other segments, except for the *Stockpot* premium

refrigerated soups, which are produced in a separate facility, and for certain frozen products which are produced under contract manufacturing agreements. Accordingly, with the exception of the designated Stockpot facility, plant assets have not been allocated to the Away From Home segment. Depreciation and amortization are allocated to Away From Home based on budgeted production hours. Transfers between segments are recorded at cost plus mark-up or at market.

Information about operations by business segment is as follows:

BUSINESS SEGMENTS

2001	Soup & Sauces	Biscuits & Confectionery	Away From Home	Other[1]	Corporate & Eliminations[2]	Total
Net sales[3]	**$ 4,539**	**1,613**	**573**	**4**	**(65)**	**$ 6,664**
Earnings before interest and taxes[4]	**$ 1,052**	**206**	**58**	**1**	**(123)**	**$ 1,194**
Depreciation and amortization	**$ 137**	**87**	**15**	**1**	**26**	**$ 266**
Capital expenditures	**$ 107**	**77**	**6**	**—**	**10**	**$ 200**
Segment assets	**$ 3,613**	**1,250**	**352**	**4**	**708**	**$ 5,927**

2000	Soup & Sauces	Biscuits & Confectionery	Away From Home	Other[1]	Corporate & Eliminations[2]	Total
Net sales[3]	$ 4,393	1,542	565	28	(62)	$ 6,466
Earnings before interest and taxes	$ 1,081	213	53	—	(82)	$ 1,265
Depreciation and amortization	$ 126	83	16	1	25	$ 251
Capital expenditures	$ 119	64	4	—	13	$ 200
Segment assets	$ 2,750	1,364	371	7	704	$ 5,196

1999	Soup & Sauces	Biscuits & Confectionery	Away From Home	Other[1]	Corporate & Eliminations[2]	Total
Net sales[3]	$ 4,515	1,505	535	132	(61)	$ 6,626
Earnings before interest and taxes[5]	$ 1,082	215	57	(5)	(79)	$ 1,270
Depreciation and amortization	$ 128	84	13	9	21	$ 255
Capital expenditures	$ 164	70	32	10	21	$ 297
Segment assets	$ 2,975	1,461	349	38	699	$ 5,522

[1] Represents financial information of certain prepared convenience food businesses not categorized as reportable segments.
[2] Represents elimination of intersegment sales, unallocated corporate expenses and unallocated assets, including corporate offices, deferred income taxes and prepaid pension assets.
[3] In 2001, shipping and handling costs of $207, $199 and $202 for fiscal 2001, 2000, and 1999, respectively, have been reclassified from Net sales to Cost of products sold to comply with a new accounting pronouncement.
[4] Contributions to earnings before interest and taxes by the Biscuits and Confectionery segment include the effect of costs of $15 associated with the Australian manufacturing reconfiguration.
[5] Contributions to earnings before interest and taxes by segment included the effects of a fourth quarter 1999 restructuring charge of $36, net of a $5 reversal of a prior period restructuring charge, as follows: Soup and Sauces–$22, Biscuits and Confectionery–$1, and Other–$13.

GEOGRAPHIC AREA INFORMATION

Information about operations in different geographic areas is as follows:

Net sales[1]	2001	2000	1999
United States	**$ 5,021**	$ 4,820	$ 4,948
Europe	**613**	587	653
Australia/Asia Pacific	**589**	649	632
Other countries	**513**	483	456
Adjustments and eliminations	**(72)**	(73)	(63)
Consolidated	**$ 6,664**	$ 6,466	$ 6,626

Earnings before interest and taxes	2001	2000	1999
United States	**$ 1,137**	$ 1,135	$ 1,208
Europe	**53**	55	20
Australia/Asia Pacific	**46**	72	49
Other countries	**81**	85	72
Segment earnings before interest and taxes	**1,317**	1,347	1,349
Unallocated corporate expenses	**(123)**	(82)	(79)
Consolidated	**$ 1,194**	$ 1,265	$ 1,270

Identifiable assets	2001	2000	1999
United States	**$ 2,737**	$ 2,792	$ 2,742
Europe	**1,472**	533	614
Australia/Asia Pacific	**717**	852	991
Other countries	**293**	315	476
0Corporate	**708**	704	699
Consolidated	**$ 5,927**	$ 5,196	$ 5,522

[1] In 2001, shipping and handling costs of $207, $199 and $202 for fiscal 2001, 2000 and 1999, respectively, have been reclassified from Net sales to Cost of products sold to comply with a new accounting pronouncement.

Transfers between geographic areas are recorded at cost plus markup or at market. Identifiable assets are those assets, including goodwill, which are identified with the operations in each geographic region. The 2001 restructuring charge of $10 is allocated to Australia/Asia Pacific. The 1999 net restructuring charge of $36 is allocated to geographic regions as follows: United States–$10, Europe–$14, and Australia/Asia Pacific–$12.

note 4 restructuring programs

A restructuring charge of $10 ($7 after tax) was recorded in the fourth quarter 2001 for severance costs associated with the reconfiguration of the manufacturing network of Arnotts in Australia. Costs of approximately $5 ($4 after tax) were also recorded in 2001 as Cost of products sold, representing accelerated depreciation on assets to be taken out of service. This

program is designed to drive greater manufacturing efficiency and will result in the closure of the Melbourne plant. The company expects to incur an additional $20–$25 pre-tax costs during 2002 related to this program for accelerated depreciation, employee benefit costs and other one-time expenses. The expected net cash outflows related to this program will not have a material impact on the company's liquidity. Approximately 550 jobs will be eliminated due to the plant closure.

A restructuring charge included in earnings from continuing operations of $41 ($30 after tax or $.07 per share) was recorded in the fourth quarter 1999 to cover the costs of a restructuring and divestiture program approved in July 1999 by the company's Board of Directors. This charge related to the streamlining of certain North American and European production and administrative facilities and the anticipated loss on a divestiture of a non-strategic business with annual sales of approximately $25. The restructuring charge included approximately $20 in cash charges primarily related to severance and employee benefit costs. The remaining balance included non-cash charges related to the disposition of plant assets and the divestiture. The restructuring and divestiture program has been completed.

A $5 ($3 after tax or $.01 per share) reversal of the 1998 restructuring charge was also recorded in the fourth quarter 1999. The reversal reflected the net impact of changes in estimates and modifications to the original program. Two manufacturing facilities scheduled for closure in 1999 were not taken out of service due to changes in business and economic conditions subsequent to the original charge, while additional asset rationalization and plant reconfiguration strategies were implemented which resulted in incremental headcount reductions. The initial charge for the third quarter 1998 program was $262 ($193 after tax or $.42 per share). This program was designed to improve operational efficiency by rationalizing certain U.S., European and Australian production and administrative facilities and divesting non-strategic businesses. This program was completed by the second quarter 2000.

A summary of restructuring reserves at July 29, 2001 and related activity is as follows:

	Accrued Balance at July 30, 2000	Spending	2001 Charge	**Accrued Balance at July 29, 2001**
Severance pay and benefits	$ 11	(11)	10	**$ 10**

note 5 other expenses

	2001	2000	1999
Stock price related incentive programs	**$ 36**	$ 26	$ 15
Amortization of intangible and other assets	**57**	55	58
Minority interest	**3**	1	1
Other, net	**18**	7	(10)
	$ 114	$ 89	$ 64

note 6 interest expense

	2001	2000	1999
Interest expense	**$ 222**	$ 204	$ 190
Less: Interest capitalized	**3**	6	6
	$ 219	$ 198	$ 184

note 7 acquisitions

In May 2001, the company acquired the assets of the European culinary brands business, comprised of several soup and sauce businesses, from Unilever, PLC/Unilever N.V. for approximately $900. The acquisition was financed with available cash and commercial paper borrowings. This acquisition was accounted for as a purchase transaction, and operations of the acquired business are included in the financial statements from May 4, 2001, the date the acquisition was consummated. The purchase price was allocated as follows: approximately $100 to fixed assets and inventory; approximately $440 to trademarks and other identifiable intangible assets; and approximately $360 to the excess of the purchase price over net assets acquired (goodwill). Goodwill and trademarks are being amortized on a straight-line basis over 40 years. The allocation of the excess purchase price is based on preliminary estimates and assumptions and is subject to revision.

Had the acquisition occurred at the beginning of 2000, based on unaudited data, net sales for 2001 and 2000 would have increased $303 and $403, respectively, and net earnings would have decreased $2 in 2001 and $7 in 2000. Diluted earnings per share would have decreased $.01 and $.02 in 2001 and 2000, respectively. These pro forma estimates factor in certain adjustments, including amortization of goodwill, additional depreciation expense, increased interest expense on debt related to the acquisition, and related income tax effects. The pro forma results do not include any synergies expected to result from the acquisition.

In the first quarter of 1999, the company acquired the Stockpot premium refrigerated soup business, which is predominantly a U.S. food service business, for $105. This acquisition was accounted for using the purchase method.

note 8 pension and postretirement benefits

PENSION BENEFITS Substantially all of the company's U.S. and certain non-U.S. employees are covered by noncontributory defined benefit pension plans. In 1999, the company implemented significant amendments to certain U.S. plans. Under a new formula, retirement benefits are determined based on percentages of annual pay and age. To minimize the impact of converting to the new formula, service and earnings credit will continue to accrue for active employees participating in the plans under the formula prior to the amendments through the year 2014. Employees will receive the benefit from either the new or old formula, whichever is higher. Benefits become vested upon the completion of five years of service. Benefits are paid from funds previously provided to trustees and insurance companies or are paid directly by the company from general funds. Plan assets consist primarily of investments in equities, fixed income securities, and real estate.

Pension coverage for employees of certain non-U.S. subsidiaries are provided to the extent determined appropriate through their respective plans. Obligations under such plans are systematically provided for by depositing funds with trusts or under insurance contracts. The assets and obligations of these plans are not material.

POSTRETIREMENT BENEFITS The company provides postretirement benefits including healthcare and life insurance to substantially all retired U.S. employees and their dependents. In 1999, changes were made to the postretirement benefits offered to certain U.S. employees. Participants who were not receiving postretirement benefits as of May 1, 1999 will no longer be eligible to receive such benefits in the future, but the company will provide access to healthcare coverage for non-eligible future retirees on a group basis. Costs will be paid by the participants. To preserve the economic benefits for employees near retirement, participants who were at least age 55 and had at least 10 years of continuous service remain eligible for postretirement benefits.

Components of net periodic benefit cost:

Pension	2001	2000	1999
Service cost	**$ 35**	$ 37	$ 29
Interest cost	**106**	103	91
Expected return on plan assets	**(158)**	(150)	(142)
Amortization of net transition obligation	**(1)**	(3)	(3)
Amortization of prior service cost	**5**	5	5
Recognized net actuarial loss	**1**	6	5
Curtailment	**—**	1	—
Net periodic pension income	**$ (12)**	$ (1)	$ (15)

Postretirement	2001	2000	1999
Service cost	**$ 3**	$ 5	$ 10
Interest cost	**20**	18	19
Amortization of prior service cost	**(12)**	(11)	(6)
Amortization of net gain	**(7)**	(12)	(9)
Settlement	**—**	(3)	—
Net periodic postretirement (income) expense	**$ 4**	$ (3)	$ 14

Change in benefit obligation:

	Pension		Postretirement	
	2001	2000	2001	2000
Obligation at beginning of year	**$ 1,428**	$ 1,405	**$ 260**	$ 246
Service cost	**35**	37	**3**	5
Interest cost	**106**	103	**20**	18
Plan amendments	**—**	7	**—**	(14)
Actuarial (gain) loss	**60**	(7)	**86**	35
Settlement	**—**	—	**(1)**	(2)
Curtailment	**—**	(2)	**—**	—
Benefits paid	**(122)**	(116)	**(30)**	(28)
Foreign currency adjustment	**(8)**	1	**—**	—
Benefit obligation at end of year	**$ 1,499**	$ 1,428	**$ 338**	$ 260

Change in the fair value of pension plan assets:

	2001	2000
Fair value at beginning of year	**$ 1,846**	$ 1,740
Actual return on plan assets	**(97)**	218
Employer contributions	**—**	2
Benefits paid	**(118)**	(112)
Foreign currency adjustment	**(10)**	(2)
Fair value at end of year	**$ 1,621**	$ 1,846

Funded status as recognized in the Consolidated Balance Sheet:

	Pension		Postretirement	
	2001	2000	**2001**	2000
Funded status at end of year	**$ 122**	$ 418	**$ (338)**	$ (260)
Unrecognized prior service cost	**54**	60	**(32)**	(44)
Unrecognized (gain) loss	**220**	(94)	**15**	(79)
Unrecognized net transition obligation	**—**	(1)	**—**	—
Net amount recognized	**$ 396**	$ 383	**$ (355)**	$ (383)

The current portion of nonpension postretirement benefits included in Accrued liabilities was $19 at July 29, 2001 and July 30, 2000.

PENSION

Weighted-average assumptions at end of year:

	2001	2000	1999
Discount rate for benefit obligation	**7.25%**	7.75%	7.50%
Expected return on plan assets	**10.00%**	10.50%	10.50%
Rate of compensation increases	**4.50%**	4.50%	4.50%

POSTRETIREMENT

The discount rate used to determine the accumulated postretirement benefit obligation was 7.25% in 2001 and 7.75% in 2000. The assumed healthcare cost trend rate used to measure the accumulated postretirement benefit obligation was 8%, declining to 4.50% in 2006 and continuing at 4.50% thereafter.

A one percentage point change in assumed health care costs would have the following effects on 2001 reported amounts:

	Increase	Decrease
Effect on service and interest cost	$ 3	$ (3)
Effect on the 2001 accumulated benefit obligation	$ 20	$ (21)

Obligations related to non-U.S. postretirement benefit plans are not significant since these benefits are generally provided through government-sponsored plans.

SAVINGS PLANS The company sponsors employee savings plans which cover substantially all U.S. employees. After one year of continuous service, the company generally matches 50% of employee contributions up to 5% of compensation. Amounts charged to Costs and expenses were $11 in 2001, $10 in 2000, and $11 in 1999.

note 9 taxes on earnings

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

	2001	2000	1999
Income taxes:			
Currently payable			
Federal	**$ 254**	$ 246	$ 231
State	**29**	30	31
Non-U.S.	**51**	70	33
	334	346	295
Deferred			
Federal	**13**	36	64
State	**(1)**	(4)	2
Non-U.S.	**(8)**	(15)	12
	4	17	78
	$ 338	$ 363	$ 373
Earnings from continuing operations before income taxes:			
United States	**$ 835**	$ 880	$ 954
Non-U.S.	**152**	197	143
	$ 987	$ 1,077	$ 1,097

The following is a reconciliation of the effective income tax rate on continuing operations with the U.S. federal statutory income tax rate:

	2001	2000	1999
Federal statutory income tax rate	**35.0%**	35.0%	35.0%
State income taxes (net of federal tax benefit)	**1.5**	1.5	1.9
Nondeductible divestiture and restructuring charges	**—**	—	0.3
Non-U.S. earnings taxed at other than federal statutory rate	**(0.9)**	(1.0)	(0.6)
Tax loss carryforwards	**(0.3)**	(0.3)	(0.3)
Other	**(1.1)**	(1.5)	(2.3)
Effective income tax rate	**34.2%**	33.7%	34.0%

Deferred tax liabilities and assets are comprised of the following:

	2001	2000
Depreciation	**$ 160**	$ 170
Pensions	**125**	118
Other	**216**	195
Deferred tax liabilities	**501**	483
Benefits and compensation	**197**	200
Tax loss carryforwards	**12**	17
Other	**95**	78
Gross deferred tax assets	**304**	295
Deferred tax asset valuation allowance	**(12)**	(17)
Net deferred tax assets	**292**	278
Net deferred tax liability	**$ 209**	$ 205

At July 29, 2001, non-U.S. subsidiaries of the company have tax loss carryforwards of approximately $32. Of these carryforwards, $9 expire through 2005 and $23 may be carried forward indefinitely. The current statutory tax rates in these countries range from 28% to 46%.

Income taxes have not been provided on undistributed earnings of non-U.S. subsidiaries of approximately $525, which are deemed to be permanently invested. If remitted, tax credits or planning strategies should substantially offset any resulting tax liability.

note 10 accounts receivable

	2001	2000
Customers	**$ 441**	$ 424
Allowances for cash discounts and bad debts	**(28)**	(19)
	413	405
Other	**29**	38
	$ 442	$ 443

note 11 inventories

	2001	2000
Raw materials, containers and supplies	**$ 216**	$ 213
Finished products	**381**	358
	$ 597	$ 571

Approximately 61% of inventory in 2001 and 62% in 2000 is accounted for on the last in, first out method of determining cost. If the first in, first out inventory valuation method had been used exclusively, inventories would not differ materially from the amounts reported at July 29, 2001 and July 30, 2000.

note 12 other current assets

	2001	2000
Prepaid pensions	**$ 18**	$ 18
Deferred taxes	**94**	80
Other	**46**	29
	$ 158	$ 127

note 13 plant assets

	2001	2000
Land	**$ 50**	$ 43
Buildings	**840**	808
Machinery and equipment	**2,354**	2,283
Projects in progress	**133**	162
	3,377	3,296
Accumulated depreciation	**(1,740)**	(1,652)
	$ 1,637	$ 1,644

Depreciation expense provided in Costs and expenses was $209 in 2001, $196 in 2000, and $197 in 1999. Approximately $75 of capital expenditures are required to complete projects in progress at July 29, 2001.

note 14 intangible assets

	2001	2000
Purchase price in excess of net assets of businesses acquired (goodwill)	**$ 1,856**	$ 1,570
Trademarks	**890**	456
Other intangibles	**11**	4
	2,757	2,030
Accumulated amortization	**(306)**	(263)
	$ 2,451	$ 1,767

note 15 other assets

	2001	2000
Prepaid pensions	**$ 378**	$ 365
Investments	**215**	234
Other	**25**	18
	$ 618	$ 617

note 16 notes payable and long-term debt

Notes payable consists of the following:

	2001	2000
Commercial paper	**$ 1,789**	$ 1,738
Current portion of Long-term Debt	**6**	119
Variable-rate bank borrowings	**11**	16
	$ 1,806	$ 1,873

Commercial paper had a weighted average interest rate of 4.38% and 6.62% at July 29, 2001 and July 30, 2000, respectively.

The current portion of Long-term Debt had a weighted average interest rate of 5.79% and 7.06% at July 29, 2001 and July 30, 2000, respectively.

The company has short-term lines of credit of approximately $2,600 available at July 29, 2001. These lines of credit include three committed lines of credit totaling $2,300 which support commercial paper borrowings and remain unused at July 29, 2001.

Long-term Debt consists of the following:

Type	Fiscal Year of Maturity	Rate	2001	2000
Notes	2003	6.15%	**$ 300**	$ 300
Notes	2004[1]	4.68%-5.63%	**928**	400
Notes	2007	6.90%	**300**	300
Notes	2011	6.75%	**500**	—
Debentures	2021	8.88%	**200**	200
Other	2003-2010	6.40%-9.00%	**15**	18
			$ 2,243	$ 1,218

[1] $100 callable in 2002.

The fair value of the company's long-term debt including the current portion of long-term debt in Notes payable was $2,323 at July 29, 2001, and $1,330 at July 30, 2000.

The company has $1,100 of capacity as of July 29, 2001 under a shelf registration statement filed with the Securities and Exchange Commission.

Principal amounts of long-term debt mature as follows: 2002–$6 (in current liabilities); 2003–$300; 2004–$928; 2005–$1; 2006–$1 and beyond–$1,013.

note 17 other liabilities

	2001	2000
Deferred taxes	**$ 303**	$ 285
Deferred compensation	**123**	129
Postemployment benefits	**13**	11
Other	**36**	20
	$ 475	$ 445

note 18 financial instruments

The company utilizes certain derivative financial instruments to enhance its ability to manage risk, including interest rate, foreign currency and certain equity-linked employee compensation exposures which exist as part of ongoing business operations. Derivative instruments are entered into for periods consistent with related underlying exposures and do not constitute positions independent of those exposures. The company does not enter into contracts for speculative purposes, nor is it a party to any leveraged derivative instrument.

All derivatives are recognized on the balance sheet at fair value. On the date the derivative contract is entered into, the company designates the derivative as (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair-value hedge), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge), (3) a foreign-currency fair-value or cash-flow hedge (foreign-currency hedge), or (4) a hedge of a net investment in a foreign operation. Some derivatives may also be considered natural hedging instruments (changes in fair value are recognized to act as economic offsets to changes in fair value of the underlying hedged item and do not qualify for hedge accounting under SFAS No. 133).

Changes in the fair value of a fair-value hedge, along with the loss or gain on the hedged asset or liability that is attributable to the hedged risk (including losses or gains on firm commitments), are recorded in current period earnings. Changes in the fair value of a cash-flow hedge are recorded in other comprehensive income, until earnings are affected by the variability of cash flows. Changes in the fair value of a foreign-currency hedge are recorded in either current-period earnings or other comprehensive income, depending on whether the hedge transaction is a fair-value hedge (e.g., a hedge of a firm commitment that is to be settled in foreign currency) or a cash-flow

hedge (e.g., a hedge of a foreign-currency-denominated forecasted transaction). If, however, a derivative is used as a hedge of a net investment in a foreign operation, its changes in fair value, to the extent effective as a hedge, are recorded in the cumulative translation adjustments account within Shareowners' equity.

As of July 29, 2001, the accumulated derivative gain/(loss) in other comprehensive income was not material. At July 29, 2001, the maximum maturity date of any cash-flow hedge was approximately three months.

Other disclosures related to hedge ineffectiveness, gains/(losses) excluded from the assessment of hedge effectiveness, gains/(losses) arising from effective hedges of net investments, gains/(losses) resulting from the discontinuance of hedge accounting and reclassifications from other comprehensive income to earnings have been omitted due to the insignificance of these amounts.

The company finances a portion of its operations through debt instruments primarily consisting of commercial paper, notes, debentures and bank loans. The company periodically utilizes interest rate swap agreements to minimize worldwide financing costs and to achieve a desired proportion of variable versus fixed-rate debt. In 2001, the company entered into interest rate swaps that convert fixed-rate debt (6.75% notes due in 2011) to variable. The swaps mature in fiscal 2011 and are accounted for as fair-value hedges. The amounts paid or received on these hedges and adjustments to fair value are recognized as adjustments to interest expense. The notional amount of interest rate swaps was $250 at July 29, 2001. The swaps had a fair value of $5 at July 29, 2001. There were no interest rate swaps outstanding at July 30, 2000.

The company is exposed to foreign currency exchange risk as a result of transactions in currencies other than the functional currency of certain subsidiaries. The company utilizes foreign currency forward purchase and sale contracts in order to manage the volatility associated with foreign currency purchases and certain intercompany transactions in the normal course of business. Contracts typically have maturities of less than one year. Principal currencies include the euro, British pound, Australian dollar, Canadian dollar, Japanese yen, and Swedish krona.

Qualifying forward exchange contracts are accounted for as cash-flow hedges when the hedged item is a forecasted transaction. The fair value of these instruments was not material at July 29, 2001. Gains and losses on these instruments are recorded in other comprehensive income until the underlying transaction is recorded in earnings. When the hedged item is realized, gains or losses are reclassified from Accumulated other comprehensive income to the Statement of Earnings on the same line item as the underlying transaction. The assessment of effectiveness for contracts is based on changes in the spot rates and the change in the time value of options is reported in earnings.

The company also enters into certain foreign currency derivative instruments that are not designated as accounting hedges. These instruments are primarily intended to reduce volatility of certain intercompany financing transactions. Gains and losses on derivatives not designated as accounting hedges are typically recorded in Other expenses, as an offset to gains/(losses) on the underlying transaction.

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. On occasion, the company may also enter into commodity futures contracts, as considered appropriate, to reduce the volatility of price fluctuations for commodities such as corn, soybean meal and cocoa. These instruments are designated as cash-flow hedges. The fair value of the effective portion of the contracts is recorded in Accumulated other comprehensive income and reclassified into Cost of products sold in the period in which the underlying transaction is recorded in earnings. Commodity hedging activity is not material to the company's financial statements.

The company is exposed to equity price changes related to certain employee compensation obligations. Swap contracts are utilized to hedge exposures relating to certain employee compensation obligations linked to the total return of the Standard & Poor's 500 Index and the total return of the company's capital stock. The company pays a variable interest rate and receives the equity returns under these instruments. The notional value of the equity swap contracts, which mature in 2002 and 2003, was $60 at July 29, 2001. The net liability recorded under these contracts at July 29, 2001 was approximately $17. These instruments are not designated as accounting hedges. Gains and losses are recorded in Other expenses.

All amounts in other comprehensive income for cash-flow hedges are expected to be reclassified into earnings in the

fiscal year. The amount of discontinued cash-flow hedges during the year was not material.

note 19 shareowners' equity

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

The company sponsors a long-term incentive compensation plan. Under the plan, restricted stock and options may be granted to certain officers and key employees of the company. The plan provides for awards up to an aggregate of 25 million shares of Capital stock. Options are granted at a price not less than the fair value of the shares on the date of grant and expire not later than ten years after the date of grant. Options vest over a three-year period.

The company accounts for the stock option grants and restricted stock awards in accordance with Accounting Principles Board Opinion No. 25 and related Interpretations. Accordingly, no compensation expense has been recognized in the Statements of Earnings for the options. In 1997, the company adopted the disclosure provisions of SFAS No. 123 "Accounting for Stock-Based Compensation." Had the company recorded compensation expense for the fair value of options granted consistent with SFAS No. 123, earnings from continuing operations would have been reduced by approximately $14, $13 and $16 in 2001, 2000 and 1999, respectively. Earnings per share from continuing operations, both basic and assuming dilution, would have been reduced by $.03 in both 2001 and 2000, and $.04 in 1999.

In 2001, the Board of Directors authorized the conversion of certain stock options to shares of restricted stock based on specified conversion ratios. The exchange, which was voluntary, replaced approximately 4.7 million options with approximately one million restricted shares. Depending on the original grant date of the options, the restricted shares vest in 2002, 2003 or 2004. The company recognizes compensation expense throughout the vesting period of the restricted stock. Compensation expense related to this award was $8 in 2001.

The weighted average fair value of options granted in 2001, 2000 and 1999 was estimated as $7.96, $7.94 and $11.49, respectively. The fair value of each option grant at grant date is estimated using the Black-Scholes option pricing model. The following weighted average assumptions were used for grants in 2001, 2000 and 1999:

	2001	2000	1999
Risk-free interest rate	**5.1%**	6.3%	6.2%
Expected life (in years)	**6**	6	6
Expected volatility	**30%**	29%	24%
Expected dividend yield	**3.1%**	3.0%	2.0%

Restricted shares granted are as follows:

(shares in thousands)	**2001**	2000	1999
Restricted Shares			
Granted	**184**	573	1,804

Information about stock options and related activity is as follows:

(options in thousands)	**2001**	**Weighted Average Exercise Price**	2000	Weighted Average Exercise Price	1999	Weighted Average Exercise Price
Beginning of year	**24,024**	**$ 32.16**	19,880	$ 32.37	18,366	$ 28.72
Granted	**1,361**	**31.95**	6,105	29.84	3,890	42.79
Exercised	**(2,434)**	**16.82**	(1,350)	17.81	(2,122)	17.75
Terminated	**(929)**	**40.36**	(611)	45.40	(254)	45.61
Converted to restricted stock	**(4,652)**	**46.13**	—	—	—	—
End of year	**17,370**	**$ 30.30**	24,024	$ 32.16	19,880	$32.37
Exercisable at end of year	**12,160**		14,850		14,019	

(options in thousands)	Stock Options Outstanding			Exercisable Options	
Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$16.26–$22.60	3,809	2.5	$ 19.54	3,809	$ 19.54
$23.18–$31.91	9,871	6.9	$ 30.52	6,078	$ 31.12
$32.03–$44.41	3,032	6.7	$ 39.16	1,627	$ 43.29
$44.61–$56.50	658	3.9	$ 53.81	646	$ 53.83
	17,370			12,160	

In 1999, the company entered into forward stock purchase contracts to partially hedge the company's equity exposure from its stock option program. On December 12, 2000, the company purchased 11 million shares of common stock under the existing forward contracts for approximately $521.

For the periods presented in the Consolidated Statements of Earnings, the calculations of basic earnings per share and earnings per share assuming dilution vary in that the weighted average shares outstanding assuming dilution includes the

incremental effect of stock options, except when such effect would be antidilutive. In 2001, 2000 and 1999, the weighted average shares outstanding assuming dilution also includes the incremental effect of approximately three million, four million and two hundred thousand shares, respectively, under forward stock purchase contracts.

note 20 contingencies

The company is a party to lawsuits and claims arising out of the normal course of business. In management's opinion, there are no pending claims or litigation, the outcome of which would have a material effect on the consolidated results of operations, financial position or cash flows of the company.

note 21 statements of cash flows

	2001	2000	1999
Interest paid, net of amounts capitalized	**$ 208**	$ 199	$ 181
Interest received	**$ 12**	$ 10	$ 11
Income taxes paid	**$ 310**	$ 253	$ 300

note 22 subsequent event (unaudited)

On September 20, 2001, the company issued $300 seven-year fixed-rate notes at 5.875%. The proceeds were used to repay short-term borrowings. In conjunction with the issuance of these notes, the company also entered into a seven-year interest rate swap contract, which converted $75 of the fixed rate interest obligations to variable rate debt.

note 23 quarterly data (unaudited)

2001	First	Second	Third	Fourth
Net sales[1]	**$ 1,830**	**$ 2,017**	**$ 1,487**	**$ 1,330**
Cost of products sold[1]	**859**	**922**	**715**	**650**
Net earnings	**204**	**271**	**122**	**52**
Per share–basic				
Net earnings	**0.48**	**0.65**	**0.30**	**0.13**
Dividends	**0.225**	**0.225**	**0.225**	**0.225**
Per share–assuming dilution				
Net earnings	**0.47**	**0.65**	**0.30**	**0.13**
Market price				
High	**$ 28.81**	**$ 35.44**	**$ 33.05**	**$ 31.00**
Low	**$ 23.75**	**$ 28.19**	**$ 28.25**	**$ 25.75**

2000	First	Second	Third	Fourth
Net sales[1]	$ 1,819	$ 1,972	$ 1,442	$ 1,233
Cost of products sold[1]	860	904	712	631
Net earnings	235	281	139	59
Per share–basic				
Net earnings	0.55	0.66	0.33	0.14
Dividends	0.225	0.225	0.225	0.225
Per share–assuming dilution				
Net earnings	0.54	0.65	0.32	0.14
Market price				
High	$ 45.88	$ 47.00	$ 35.38	$ 33.31
Low	$ 38.00	$ 29.25	$ 25.44	$ 25.44

[1] In 2001, financial results were restated to conform to the requirements of Emerging Issues Task Force Issue No. 00-10 "Accounting for Shipping and Handling Fees and Costs." Shipping and handling costs of $207 in 2001 and $199 in 2000 were reclassified from Net sales to Cost of products sold.

Report of Management

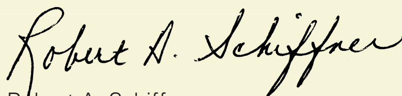
The accompanying financial statements have been prepared by the management of the company in conformity with generally accepted accounting principles to reflect the financial position of the company and its operating results. Financial information appearing throughout this Annual Report is consistent with that in the financial statements. Management is responsible for the information and representations in such financial statements, including the estimates and judgments required for their preparation.

In order to meet its responsibility, management maintains a system of internal controls designed to assure that assets are safeguarded and that financial records properly reflect all transactions. The company also maintains a worldwide auditing function to periodically evaluate the adequacy and effectiveness of such internal controls, as well as the company's administrative procedures and reporting practices. The company believes that its long-standing emphasis on the highest standards of conduct and business ethics, set forth in extensive written policy statements, serves to reinforce its system of internal accounting controls.

The report of PricewaterhouseCoopers LLP, the company's independent accountants, covering their audit of the financial statements, is included in this Annual Report. Their independent audit of the company's financial statements includes a review of the system of internal accounting controls to the extent they consider necessary to evaluate the system as required by generally accepted auditing standards.

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

Douglas R. Conant
President and Chief Executive Officer



Robert A. Schiffner
Senior Vice President and Chief Financial Officer

Gerald S. Lord
Vice President—Controller

September 6, 2001

Report of Independent Accountants

TO THE SHAREOWNERS AND DIRECTORS OF CAMPBELL SOUP COMPANY

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, shareowners' equity and cash flows present fairly, in all material respects, the financial position of Campbell Soup Company and its subsidiaries at July 29, 2001 and July 30, 2000, and the results of their operations and their cash flows for each of the three years in the period ended July 29, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Philadelphia, Pennsylvania
September 6, 2001

Five-Year Review—Consolidated

(millions, except per share amounts)

Fiscal Year	**2001**[1]	2000	1999[2]	1998[3]	1997[4]
SUMMARY OF OPERATIONS					
Net sales	**$ 6,664**	$ 6,466	$ 6,626	$ 6,944	$ 6,878
Earnings before interest and taxes	**1,194**	1,265	1,270	1,248	1,149
Earnings before taxes	**987**	1,077	1,097	1,073	991
Earnings from continuing operations	**649**	714	724	689	634
Earnings (loss) from discontinued operations	**—**	—	—	(18)	79
Net earnings	**649**	714	724	660	713
Cash margin[5]	**22.0%**	23.5%	23.0%	21.8%	20.9%
FINANCIAL POSITION					
Net assets of discontinued operations	**$ —**	$ —	$ —	$ —	$ 632
Plant assets–net	**1,637**	1,644	1,726	1,723	2,044
Total assets	**5,927**	5,196	5,522	5,633	6,196
Total debt	**4,049**	3,091	3,317	2,570	2,657
Shareowners' equity	**(247)**	137	235	874	1,420
PER SHARE DATA					
Earnings from continuing operations–basic	**$ 1.57**	$ 1.68	$ 1.64	$ 1.52	$ 1.34
Earnings from continuing operations–assuming dilution	**1.55**	1.65	1.63	1.50	1.33
Net earnings–basic	**1.57**	1.68	1.64	1.46	1.51
Net earnings–assuming dilution	**1.55**	1.65	1.63	1.44	1.49
Dividends declared	**0.90**	0.90	0.885	0.823	0.75
OTHER STATISTICS					
Capital expenditures	**$ 200**	$ 200	$ 297	$ 256	$ 252
Number of shareowners (in thousands)	**48**	51	51	51	49
Weighted average shares outstanding	**414**	425	441	454	472
Weighted average shares outstanding–assuming dilution	**418**	432	445	460	478

[1] 2001 results include pre-tax costs of $15 ($11 after tax or $.03 per share basic and assuming dilution) related to an Australian manufacturing reconfiguration. Of this amount, pre-tax costs of approximately $5 were recorded in Cost of products sold.

[2] 1999 earnings from continuing operations include a net pre-tax restructuring charge of $36; $27 after tax or $.06 per share (basic and assuming dilution). Earnings from continuing operations also include the effect of certain non-recurring costs of $22; $15 after tax or $.03 per share (basic and assuming dilution).

[3] 1998 earnings from continuing operations include a pre-tax restructuring charge of $262; $193 after tax or $.42 per share (basic and assuming dilution). Earnings from continuing operations also include a gain on divestiture of $14; $9 after tax or $.02 per share (basic and assuming dilution). Net earnings include the cumulative effect of a change in accounting for business process reengineering costs of $11 or $.02 per share (basic and assuming dilution).

[4] 1997 earnings from continuing operations include a pre-tax restructuring charge of $204; $152 after tax or $.31 per share (basic and assuming dilution).

[5] Cash margin equals earnings before interest and taxes plus depreciation, amortization and minority interest expense divided by net sales.

In 2001, financial results were restated to conform to the requirements of a new accounting pronouncement. Shipping and handling costs have been reclassified from Net sales to Cost of products sold for all periods presented.

The company spun off its Specialty Foods segment in 1998 and accounted for it as a discontinued operation. All information has been reclassified accordingly.

Board of Directors

GEORGE M. SHERMAN
Chairman of Campbell Soup Company (1, 2, 3, 4)

DOUGLAS R. CONANT
President and Chief Executive Officer of Campbell Soup Company (3, 4)

ALVA A. APP
Retired Senior Scientific Advisor to the United Nations Development Programme (3, 4, 5)

EDMUND M. CARPENTER
President and Chief Executive Officer of Barnes Group Inc. (2, 4)

BENNETT DORRANCE
Private Investor and Chairman and Managing Director of DMB Associates (3, 4, 5)

THOMAS W. FIELD, JR.
Management Consultant, Field & Associates (1, 3, 5)

KENT B. FOSTER
Chairman and Chief Executive Officer of Ingram Micro, Inc. (1, 5)

HARVEY GOLUB
Retired Chairman and Chief Executive Officer of American Express Company (2, 4)

DAVID K.P. LI
Chairman and Chief Executive of The Bank of East Asia, Limited (4)

PHILIP E. LIPPINCOTT
Former Chairman of Campbell Soup Company (2, 3)

MARY ALICE D. MALONE
Private Investor and President of Iron Spring Farm, Inc. (2, 4)

CHARLES H. MOTT
President and Chief Executive Officer of John W. Bristol & Co., Inc. (4, 5)

CHARLES R. PERRIN
Retired Chairman and Chief Executive Officer of Avon Products, Inc. (1, 2)

DONALD M. STEWART
President and Chief Executive Officer of the Chicago Community Trust (2, 5)

GEORGE STRAWBRIDGE, JR.
Private Investor (1, 3, 5)

CHARLOTTE C. WEBER
Private Investor and President and Chief Executive Officer of Live Oak Properties (2, 5)

Committees
1 Audit
2 Compensation and Organization
3 Executive
4 Finance & Corporate Development
5 Governance

Officers
(as of October 2001)

DOUGLAS R. CONANT
President and Chief Executive Officer

ANDREW K. HUGHSON
Senior Vice President and President—North American Soup

M. CARL JOHNSON, III
Senior Vice President—Corporate Strategy

ELLEN ORAN KADEN
Senior Vice President—Law and Government Affairs

LARRY S. McWILLIAMS
Senior Vice President—Sales and Chief Customer Officer

D. ERIC POGUE
Senior Vice President—Human Resources

ROBERT A. SCHIFFNER
Senior Vice President and Chief Financial Officer

DOREEN A. WRIGHT
Senior Vice President and Chief Information Officer

DAVID L. ALBRIGHT
Vice President and President—Pepperidge Farm

JERRY S. BUCKLEY
Vice President—Public Affairs

ANTHONY P. DiSILVESTRO
Vice President—Strategic Planning and Corporate Development

JOHN J. FUREY
Corporate Secretary

JAMES A. GOLDMAN
Vice President and President—North American Beverages and Sauces

RICHARD J. LANDERS
Vice President—Taxes

PIERRE LAUBIES
Vice President and President—Campbell Europe

GERALD S. LORD
Vice President—Controller

R. DAVID C. MACNAIR
Vice President—Global Research and Development

PATRICK O'MALLEY
Vice President—Global Supply Chain

WILLIAM J. O'SHEA
Vice President—Treasurer

Shareowner Information

WORLD HEADQUARTERS
Campbell Soup Company
Campbell Place
Camden, NJ 08103
(856) 342-4800
(856) 342-3878 (Fax)

STOCK EXCHANGE LISTINGS
New York, Philadelphia, London, Swiss

Ticker Symbol: CPB
Newspaper Listing: CamSp

TRANSFER AGENT AND REGISTRAR
EquiServe First Chicago Trust Division
P.O. Box 2500
Jersey City, NJ 07303-2500
(201) 324-0498

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

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

A dividend reinvestment plan is available to shareowners. For information about dividends or the dividend reinvestment plan, write or call:
Dividend Reinvestment Plan Agent
Campbell Soup Company
P.O. Box 2598
Jersey City, NJ 07303-2598 or
EquiServe First Chicago
Trust Company of New York,
(201) 324-0498 or 1-800-446-2617.

ANNUAL MEETING
The Annual Meeting of Shareowners will be held on November 16, 2001 at 11:00 a.m., Eastern Standard Time, at the Quality Inn, 3608 Kahn Drive, Lumberton, NC 28358.

PUBLICATIONS
For copies of the Annual Report or the SEC Form 10-K (filed annually in October) or other financial information, write Investor Relations at the World Headquarters address, or call 1-888-SIP-SOUP (1-888-747-7687) or visit our worldwide website at www.campbellsoup.com.

For copies of Campbell Soup Company's Equal Opportunity Report or the Annual Report of the Campbell Soup Foundation, write to Public Affairs at the World Headquarters address.

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

Media and public relations inquiries should be directed to Elizabeth Bingham Douglass, Director—Corporate and Brand Communications, at the World Headquarters address, or call (856) 342-3813.

Investors and financial analysts may contact Leonard F. Griehs, Vice President—Investor Relations, at the World Headquarters address, or call (856) 342-6428.

Communications concerning share transfer, lost certificates, dividends and change of address should be directed to EquiServe First Chicago Trust Division, 1-800-446-2617.

SHAREOWNER INFORMATION SERVICE
For the latest quarterly business results, or other information requests such as dividend dates, shareowner programs or product news, call 1-888-SIP-SOUP (1-888-747-7687). Shareowner information is also available on the worldwide web at: www.campbellsoup.com.

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THANKS TO ALL THE EMPLOYEES PICTURED IN THIS ANNUAL REPORT:
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Campbell Soup Company

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