



Presentation to:
Consumer Analyst Group of New York

February 17, 2010

### **Forward Looking Statement**

This presentation contains "forward-looking statements" that reflect the company's current expectations about its future plans and performance. These forward-looking statements rely on a number of assumptions and estimates that could be inaccurate and which are subject to risks and uncertainties. Factors that could cause the company's actual results to vary materially from those anticipated or expressed in any forward-looking statement include, among other things, (1) the impact of strong competitive responses to the company's efforts to leverage its brand power in the market; (2) the risks associated with trade and consumer acceptance of the company's initiatives; (3) the company's ability to realize projected cost savings and benefits; (4) the impact of fluctuations in the supply or costs of energy and raw and packaging materials; (5) the impact of changes in currency exchange rates, tax rates, interest rates, inflation rates, debt and equity markets, economic conditions and other external factors; and (6) the other factors described in the company's most recent Form 10-K and subsequent SEC filings. The company disclaims any obligation or intent to update any forward-looking statement in order to reflect new information, future events or other circumstances.



#### **Non-GAAP Measures**

This presentation includes certain "non-GAAP" measures as defined by SEC rules. As required by the SEC, we have provided a reconciliation of those measures to the most directly comparable GAAP measures, which is shown at the end of your handout and is posted on our investor website at www.campbellsoupcompany.com.



- Many food categories in measured channels showing softness
- Understand what is going on
- Taking the necessary steps to address the issue



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Retail sales in RTS now approach \$2 billion



# As a company, we can manage the impact of this challenge in this fiscal year

FY'10 Full <u>Year Guidance</u>

**EPS Growth\*** 

+9% - +11%

Maintaining

**EBIT Growth\*** 

+6% - +7%

Maintaining

**Net Sales Growth\*** 

+2.5% - +3.5%

From +4% - +5%

\* Adjusted



### Reposition our soup business for longerterm quality growth





### Overall perspective and where we are headed

- 2005 goal to deliver industry's best total shareholder returns over next decade
  - Marketplace
  - Workplace
  - Community



### Overall perspective and where we are headed

- 2005 goal to deliver industry's best total shareholder returns over next decade
- Committed to delivering superior performance every day by winning with integrity

















- Continue to build thriving businesses in 3 core categories
- Build a totally incremental business in Russia and China









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- Build a totally incremental business in Russia and China
- Grow our other two cores
  - Baked snacks
  - Healthy beverages







# We will fund our growth initiatives in part through leveraging a unique opportunity

- Lower our cost base
- Deliver incremental savings of \$150-\$200 million over next three years
- Maintaining competitive infrastructure and increasing our effectiveness



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- Lower our cost base
- Deliver incremental savings of \$150-\$200 million over next three years
- Maintaining competitive infrastructure and increasing our effectiveness

Target zero overhead growth over next three years





- Continue to build a thriving business in 3 core categories
- Build a totally incremental business in Russia and China
- Grow our other two cores
- Leverage our strong financial profile



Enabled by "high performance, high engagement" culture





# Near-term challenge is to accelerate performance

 Profitable organic volume growth lies at the heart of the challenge



## Near-term challenge is to accelerate performance

- Profitable organic volume growth lies at the heart of the challenge
- Intend to improve our performance in this area
  - Focus on worldwide soup
  - U.S. Soup



# Campbell competes in more than just simple meals and soup

#### Simple Meals

#### **Baked Snacks**

#### **Healthy Beverages**









### **Agenda**

- 1. Business Updates
  - Baked Snacks
  - Healthy Beverages
  - Sauces
- 2. Campbell's Soup Business
  - U.S. Soup
  - International Soup
- 3. Financial Review
- 4. Summary



# Baking and snacking is a story of consistent growth from 2006-2009

- Organic growth in net sales nearly 5% compound\*
- Adjusted earnings grew at 12% compound\*



<sup>\*</sup> See Non-GAAP reconciliation



# Pepperidge Farm has a uniquely advantaged independent operator D.S.D. system





4,000 trucks a day on the road



# Pepperidge Farm competes in four categories

#### <u>Fresh Bakery</u>

#### **Crackers**



#### <u>Frozen Bakery</u>











# PEPPERIDGE FARM COMMERCIAL "TRADEMARK" 30 SECS



### **Ecce Panis broadens our portfolio**





#### Goldfish an all-time kids' favorite



- Net sales +\$100 million since 2006
- Net sales +11% in 2009
- One of the top 3 most popular crackers



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- One of the top 3 most popular crackers
- 3 drivers of growth
  - Communication to kids
  - Wholesome positioning
  - Consistent innovation



#### Goldfish an all-time kids' favorite



- Net sales +\$100 million since 2006
- Net sales +11% in 2009
- One of the top 3 most popular crackers
- 3 drivers of growth
- Successful launch of Goldfish Grahams



## Innovation and wholesome products have been drivers of Pepperidge Farm's growth





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### Arnott's competes in three categories

#### Savory Crackers





Market Share: 56%\*

#### **Chocolate Biscuits**







Market Share: 78%\*

#### **Sweet Biscuits**





Market Share: 56%\*

\* Value



### Arnott's Tim Tam cookie is an Australian icon



- Most successful cookie launch in the last eight years
- Exceeded Arnott's expectations



# TIM TAM COMMERCIAL "WHAT IT FEELS LIKE" 30 SECS



### Arnott's competes in three categories

#### Savory Crackers





Market Share: 56%\*

#### **Chocolate Biscuits**



Market Share: 78%\*

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Arnott's net sales now well exceed a half billion dollars

\* Value









- 3 years of spectacular growth
- V8 V-Fusion grew net sales more than 20%





- 3 years of spectacular growth
- V8 V-Fusion grew net sales more than 20%
- Innovation has been the key to growth





- Underlying equities of V8 very strong
- Well positioned for recovery
- Already seeing improvement in the business



## Vegetable nutrition has been a key focus of our innovation programs

V8 100% Vegetable Juice now at healthy sodium levels





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## In sauces, Campbell competes with two very strong brands















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Prego has taste superiority



### In sauces, Campbell competes with two very strong brands



- Prego has taste superiority
- Taste positioning, advertising, and innovation have delivered strong marketplace results



## Prego Heart Smart is one of the drivers of this growth

 Most successful new product in the category





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 Most successful new product in the category



In 2011 we will launch 100%
 Natural Prego Veggie Smart







### Pace is a very strong sauce business

- Net sales have grown every year for the past four
- A leading brand in the Mexican sauce category
  - Increasing household penetration
  - Very effective marketing against cooking





### **Business update summary**

All have done very well





Baked Snacks Healthy Beverages



#### **Sauces**





### **Business update summary**

All have done very well













 2006-2009 each business grew income at doubledigit compound rates



### **Business update summary**

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#### Baked Snacks Healthy Beverages



#### **Sauces**



• 2006-2009 each business grew income at doubledigit compound rates

Strategies in place to continue to perform well



### Campbell's U.S. Soup business





### Campbell's U.S. Soup business



 A decade ago Campbell's U.S. Soup business was not fully competitive



### Campbell's U.S. Soup business

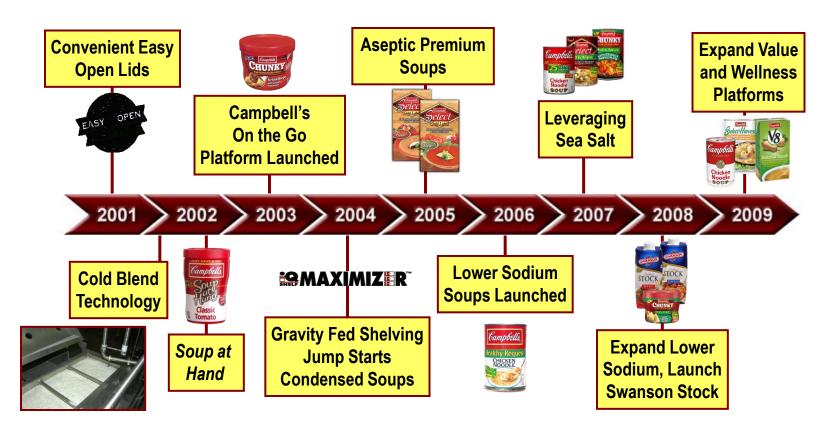


- A decade ago Campbell's U.S. Soup business was not fully competitive
- No longer the case: Consistently invested behind the business



## Campbell has addressed multiple aspects of the soup experience

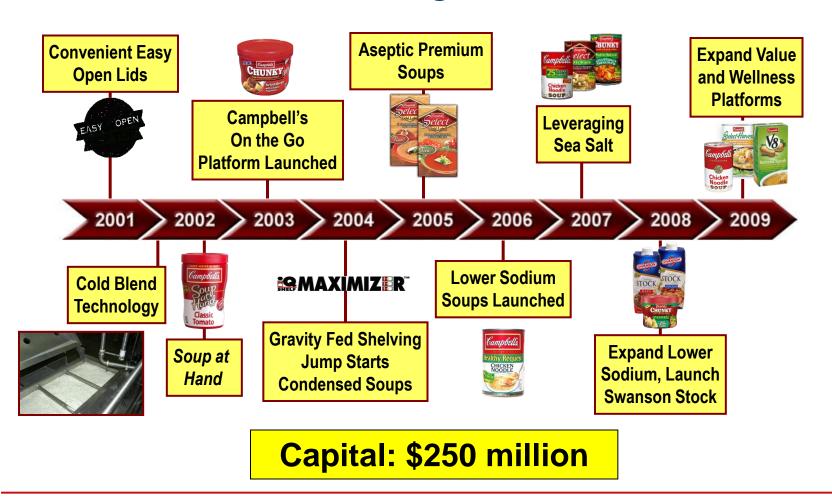
#### **Growth Through Innovation**





## Campbell has addressed multiple aspects of the soup experience

#### **Growth Through Innovation**





Soup still the #2 choice for lunch in-home

#### *1985*

- 1. Sandwiches
- 2. Soup
- 3. Condensed Soup
- 4. Beef
- **5.** Poultry
- 6. Leaf Salad
- 7. Eggs/Omelet's
- 8. Pizza
- 9. Cottage/Ricotta Cheese
- 10. Seafood

#### <u> 2009</u>

- 1. Sandwiches
- 2. Soup
- **3.** Poultry
- 4. Condensed Soup
- 5. Pizza
- 6. Frz Dnr/Entrée/Pot Pie/Sandwich
- 7. Leaf Salad
- 8. Yogurt
- 9. Beef
- 10. Macaroni & Cheese



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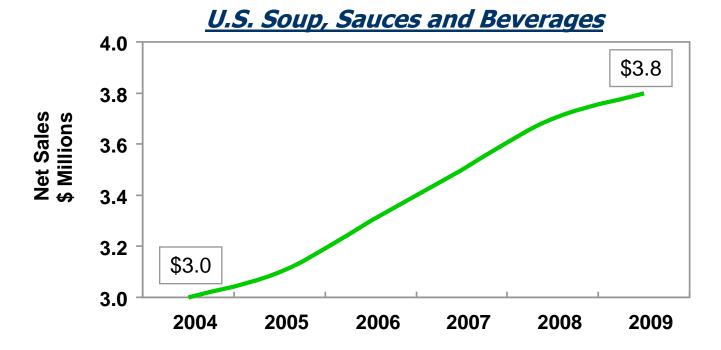
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An extraordinary testament to the lasting appeal of soup

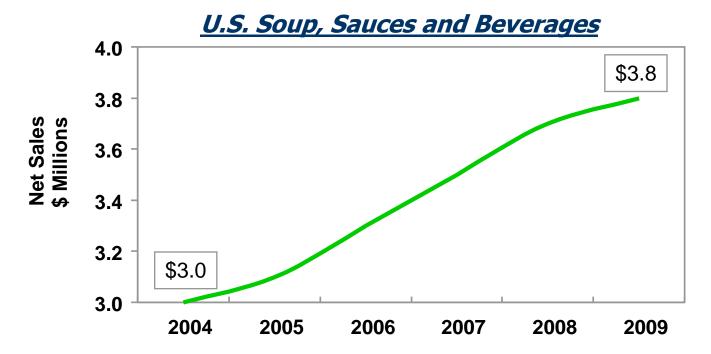


 U.S. soup net sales have increased every year since 2003, contributing consistently to the continuing net sales growth in U.S. Soup, Sauces and Beverages





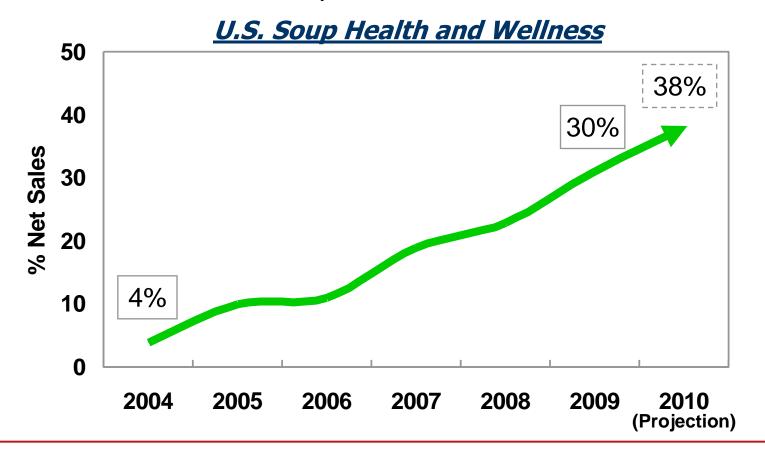
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Grown volume in 7 of the last 9 years

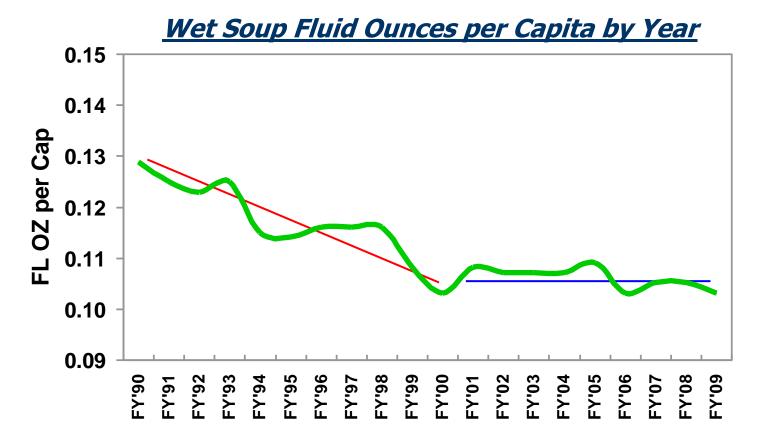


 We have significantly enhanced the health and wellness credentials of U.S. Soup





 The acute decline in per capita consumption so notable in the '90s has clearly stabilized





## We have expanded the health and wellness choices going well beyond sodium reduction

#### <u>Reformulated</u>



<u>Introduced</u>



**Expanded** 



#### **Reformulated**





## We have expanded the health and wellness choices going well beyond sodium reduction



- Profitable volume growth in the food industry is a challenge
- Has been the case from time to time in the past



## We have expanded the health and wellness choices going well beyond sodium reduction



- Profitable volume growth in the food industry is a challenge
- Has been the case from time to time in the past

Campbell clearly better prepared to meet the challenge



## The upgrading of our U.S. Soup portfolio enables us to reframe our competitive set



 Address squarely the threat and <u>opportunity</u> posed by simple meals



## The upgrading of our U.S. Soup portfolio enables us to reframe our competitive set



- Address squarely the threat and <u>opportunity</u> posed by simple meals
- Very large category

**Significant opportunity** 



## Reframe the way we compete in the broader simple meals category

More difficult historically



## Reframe the way we compete in the broader simple meals category

- More difficult historically
- Major lines of Campbell's soups reformulated

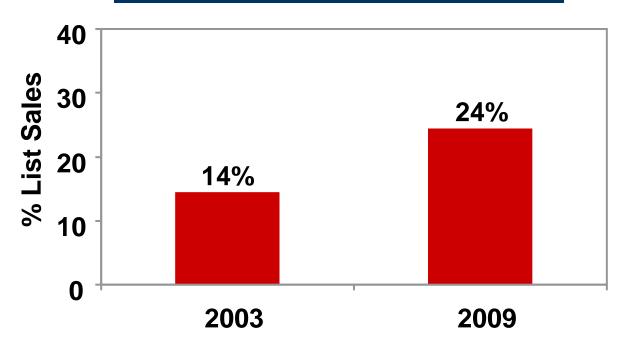




#### We have overhauled our entire innovation process



#### **New Products in Last Three Years**





## We have now focused innovation on condensed soups



- Favorite with consumers
  - Lunch is 70% of condensed soup consumption



#### We have now focused innovation on condensed soups



- Favorite with consumers
- Significant step-up in focus against this important segment
- Perfect combination of great taste, quality, variety, value and nutrition



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Fire up this important business



## Campbell's Tomato Soup is one of our largest brands



- Consumed by 25 million people each week
- Retail sales \$160 million
- 15% of condensed soup volume







- Lowered sodium content 32% to 480 milligrams per serving
  - Maintaining same great taste profile
  - Healthy under FDA guidelines





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- Reduced sodium content by almost 50% over the years





- Lowered sodium content 32% to 480 milligrams per serving
- Reduced sodium content by almost 50% over the years
- Reformulation is progressing well

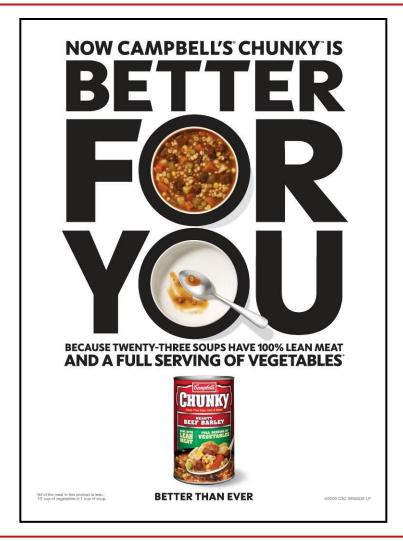






- Introduced a new range of five condensed Light soups
  - Fast-growing segment
  - Opening for Campbell's Condensed soups
  - Meeting expectations





- Introduced a new range of five condensed Light soups
- Overhauled and repositioned Campbell's Chunky to give it stronger nutritional profile
  - First comprehensive change in 10 years





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Repositioned Chunky to give it broader appeal



- Lowered sodium on all 25 varieties of Healthy Request
  - Proprietary sea salt and flavor design
  - 410 mgs per serving





- Lowered sodium on all 25 varieties of Healthy Request
  - Proprietary sea salt and flavor design
  - 410 mgs per serving
  - Improved trial and repeat
  - Increased household penetration
  - Exceeding expectations





# HEALTHY REQUEST COMMERCIAL "HEARTS AND CHEFS" 30 SECS



- Lowered sodium on all 25 varieties of Healthy Request
- Launched 12 "All Natural" varieties of Select Harvest





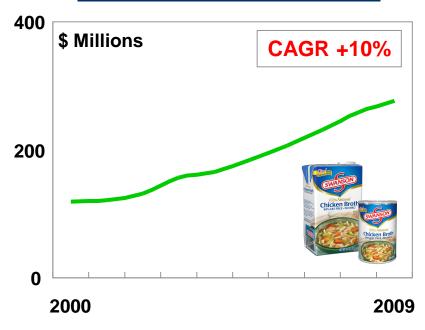
- Lowered sodium on all 25 varieties of Healthy Request
- Launched 12 "All Natural" varieties of Select Harvest
- Improved our regular Swanson Chicken Broth to 100% Natural





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- Improved our regular Swanson Chicken Broth to 100% Natural

#### **Swanson Broth Net Sales**













- By the end of this fiscal year, reformulated almost 100 varieties
  - Same great taste
  - Over 45% of our soup net sales







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- Nearly 30% will have a full serving of vegetables







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Striking change from just a few years back



## Built necessary scale across our U.S. soup portfolio

Emphasize nutritional positives



## Built necessary scale across our U.S. soup portfolio

- Emphasize nutritional positives
- In FY 2011, Campbell will leverage its scale
  - To fire up our condensed soup franchise
  - Focus on improving competitiveness of our RTS franchise versus other simple meals



#### Built necessary scale across our U.S. soup portfolio

- Emphasize nutritional positives
- In FY 2011, Campbell will leverage its scale
- Campbell's condensed soups are a very significant business
  - Over \$1 billion net sales in FY'09
  - 50% of our U.S. soup business
  - Substantially larger percent of gross margin
  - Campbell the only nationally branded choice



Consumer-validated product quality improvements



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- Contemporization of our packaging



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- Contemporization of our packaging
- Shelving enhancements that will further simplify the shopping experience



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- New marketing initiatives



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Campbell will reframe its marketing initiatives within the broader context of simple meals









 Stress American provenance of ingredients





- 1. Stress American provenance of ingredients
- 2. Enhance the flavor of all 26 chicken varieties
  - Including our icon
     Chicken Noodle Soup







- Stress American provenance of ingredients
- **2.** Enhance the flavor of all 26 chicken varieties
- 3. Scale up sodium reduction
  - Up to 45% reduction in 23 favorites
  - Maintain great taste





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45% of condensed varieties at or below 480 mgs of sodium per serving













Redesigning and updating condensed soup labels







Redesigning and updating condensed soup labels



New design gives rise to more consideration for increased purchases



Redesigning and updating condensed soup labels



- New design gives rise to more consideration for increased purchases
- "Switchers" recognized the change for the better clear upside for increased purchases



### We will redesign and update Campbell's IQ Maximizer

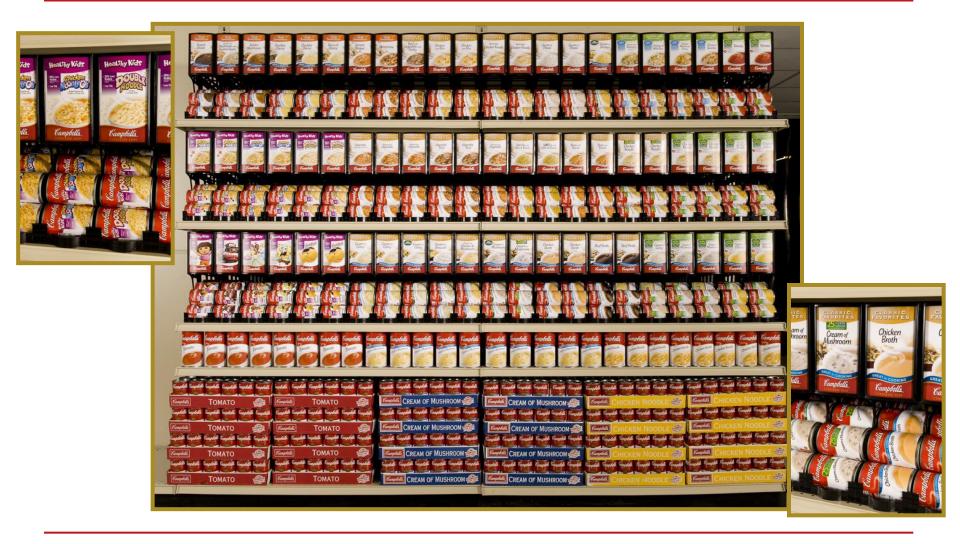


- More than 24,000 stores
- 80% of the A.C.V.





## We intend to reorganize the shelves across four key eating and cooking segments





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### We intend to roll out thousands more of our new portable "Canvertable" systems











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8,000 Stores Now



**12,000**Stores
FY 2010



**15,000**Stores
FY 2011



## Better leverage our scale in all of our marketing programs

- Unified, overarching campaign for Campbell's soups
- Strategic and executional linkage across all our brands



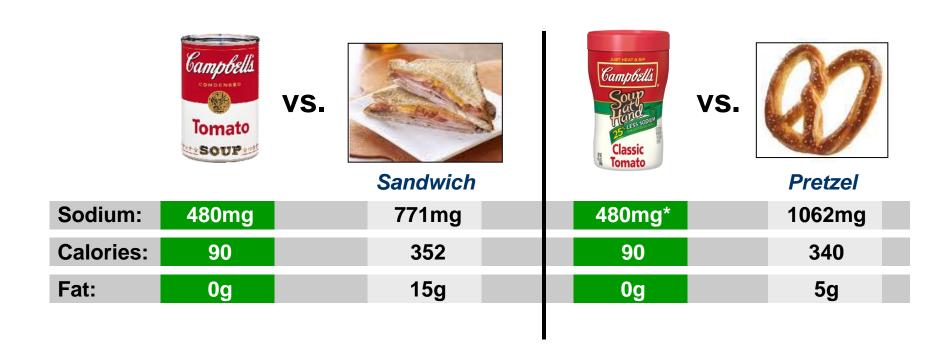


## We are planning to adopt a more direct approach in advertising for soup

- Affordable, tasty, nourishing simple meal
- Highlight taste and overall nutritional value



## Campbell's soups have a clear competitive nutritional advantage vs. other simple meals

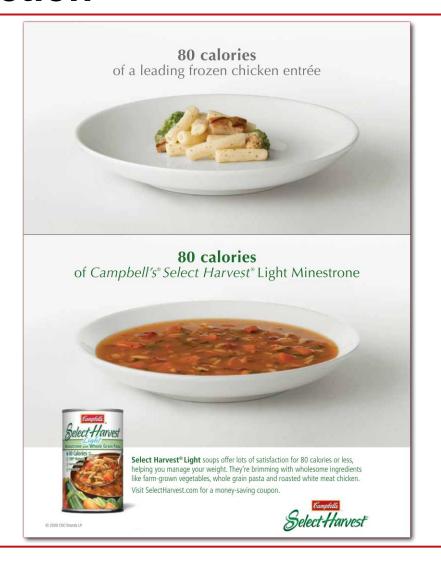


Note: Soup nutritional values represented based on 8oz servings

<sup>\*</sup> Available next soup season



### Select Harvest print ad will give you a feeling for our direction





# SELECT HARVEST LIGHT COMMERCIAL "BUYING BLIND" 30 SECS



#### We have restructured our consumer promotion activities to improve alignment with our customers



### Digital media is yet another area where we will do more to advance our efforts

Recent relaunch of CampbellsKitchen.com is the prime

example





Campbell's Kitchen



### Digital media is yet another area where we will do more to advance our efforts

Recent relaunch of CampbellsKitchen.com is the prime

example



- Transformed the website
  - Addresses family focused cooks
  - All Campbell's U.S. products:
     3,000 recipes



Campbell's Kitchen



#### Digital media is yet another area where we will do more to advance our efforts

Recent relaunch of CampbellsKitchen.com is the prime

example



- Transformed the website
- Number of views and recipes is what counts
  - Number of views +25%
  - 500,000 recipes printed
  - Each recipe used at least twice



Campbell's Kitchen



#### We plan to make much better use of other new media opportunities



eMarketer; Kagan; Dima; WSJ; itfacts.biz;

Various, 2005-2007

Thanks to JP Beauchamp, IRI

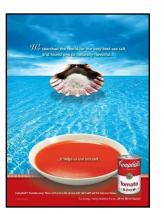


#### Condensed soup – a summary of our plans

- Biggest integrated program of improvements
- Touch virtually all 82 varieties
- Greatly enhanced in-store shopping experience
- Compelling advertising that better leverages our scale
- "Blockbuster" consumer promotions
- Creative use of new digital media













#### Condensed soup – a summary of our plans

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We're very optimistic that this total package will drive the total preferred value perception and improved volume performance









- For RTS, focus on improving price/value proposition versus other simple meals
- Consumers demanding better price/value propositions from RTS soups









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- Consumers demanding better price/value propositions from RTS soups



 Continue our migration to 100% natural









 Add new varieties that further strengthen health and wellness appeal









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 Continue to reframe our platform against the "Brown Bag" lunch









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 Continue to reframe our platform against the "Brown Bag" lunch

In RTS soup, we are committed to delivering very competitive propositions



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#### **International Soup: Europe**



- Belgium and France progressing well
- Economic downturn has impacted our business in Germany
  - Wet and dry soups



#### **International Soup: Europe**

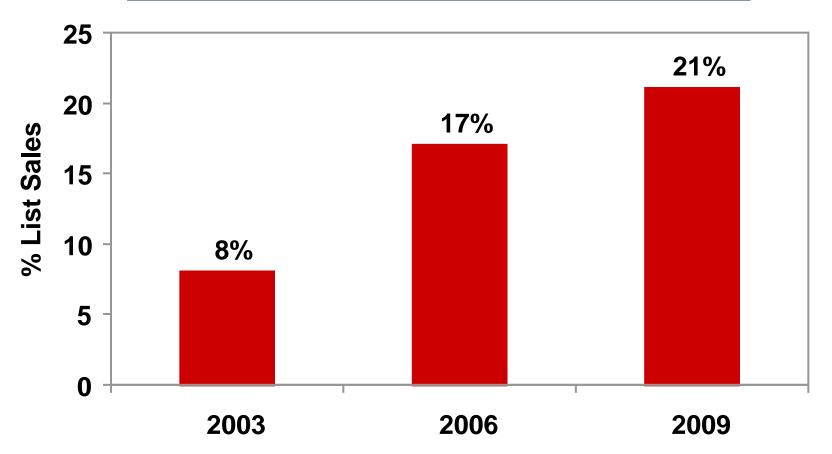


- Belgium and France progressing well
- Economic downturn has impacted our business in Germany
- Largely stabilized our business in Germany



## Innovation pipeline in Europe increasingly promising and yielding positive results

#### **Products Launched in Last Three Years**





#### International: Canada



- Excellent track record of consistent growth
  - Net sales 5yr CAGR 4%+
  - Earnings 5yr CAGR up double digits
  - Market share trend up



# International: Australia – Results have been outstanding



- Very strong and fast-growing soup and stock business
- Increased net sales every year this decade to \$100 million+
- Increased EBIT at double-digit CAGR



# International: Australia – Results have been outstanding



- Very strong and fast-growing soup and stock business
- Increased net sales every year this decade to \$100 million+
- Increased EBIT at double-digit CAGR
- Soup value share 51%
- Stock value share nearly 80%



## International: Emerging Markets of China and Russia





#### International: China





- Continuing to develop our understanding of different soup occasions
- How best to position our business
- Gained considerable in-market experience
- Evolving strategy





- 2% of the soup market is commercialized
- Moscow: Already in 11,500 stores, 70% of A.C.V.





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- Four varieties of Domashnaya Klassika on the market





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Carefully advancing in Russia: Relatively slow building process







1. We recognize that driving higher levels of profitable volume growth in our U.S. Soup business is our top challenge



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- 2. We have dramatically transformed our U.S. Soup portfolio from a health and wellness perspective



- 1. We recognize that driving higher levels of profitable volume growth in our U.S. Soup business is our top challenge
- 2. We have dramatically transformed our U.S. Soup portfolio from a health and wellness perspective
- 3. We intend to take condensed soup performance to a new level in 2011 with a broad, integrated set of actions covering all aspects of our U.S. condensed soup business



- 1. We recognize that driving higher levels of profitable volume growth in our U.S. Soup business is our top challenge
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- 6. We have established excellent momentum in the balance of our portfolio



#### **Agenda**

- 1. Business Updates
  - Baked Snacks
  - Healthy Beverages
  - Sauces
- 2. Campbell's Soup Business
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### Our financial advantages

- A record of delivering quality profit growth
- Strong cash flows from operations
- Solid balance sheet
- Rich pipeline of cost-saving initiatives identified
- Opportunity to improve operating expenses

We have a strong financial profile and intend to make it even stronger



#### Our expectations

#### We intend to:

- Improve our cost management;
- Accelerate top-line growth;
- Fund initiatives; and
- Deliver on our financial targets.









#### Campbell's financial performance

#### Financial highlights, 2005-2009

Organic net sales*	+4% CAGR
Adjusted gross margin %*	+70 basis points
Total marketing**	+50 basis points
Adjusted earnings from continuing operations*	+8% CAGR

<sup>\*\*</sup> Defined as trade/consumer promotion above net sales and advertising.

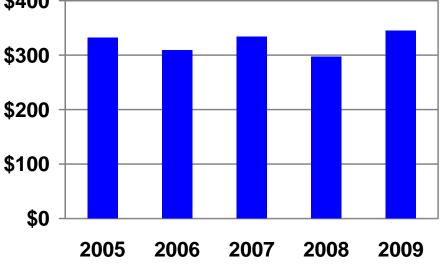


<sup>\*</sup> Non-GAAP; see reconciliation.

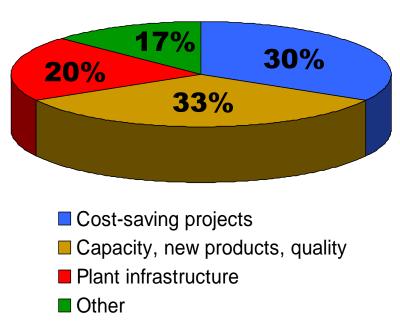
### Strong balance sheet, getting stronger

- Healthy level of cash from operations
- Maintained high level of capital investment

## \$400 Capital Expenditures



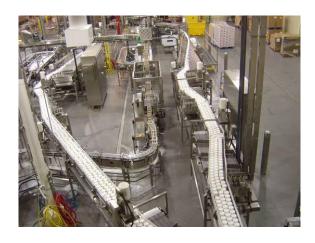
#### Capital Expenditures





## Strong balance sheet, getting stronger

- Reduced net debt by \$400 million, to \$2.6 billion\*
- Reduced our leverage multiple (net debt to adjusted EBITDA) to 1.7 times from 2.3\*
- Delivered adjusted ROIC of 25.6%\*





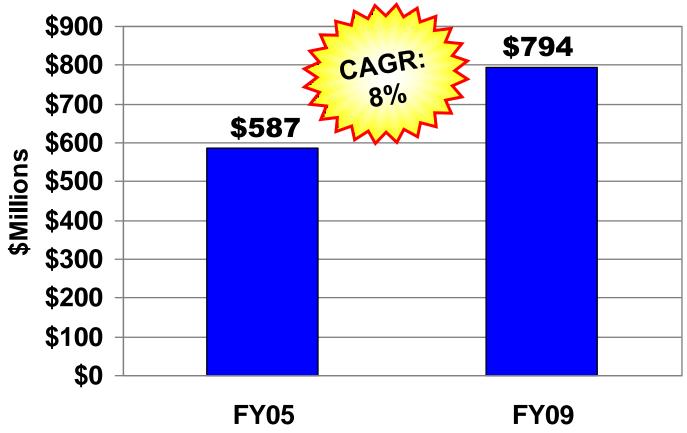


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## **Consistently growing earnings**

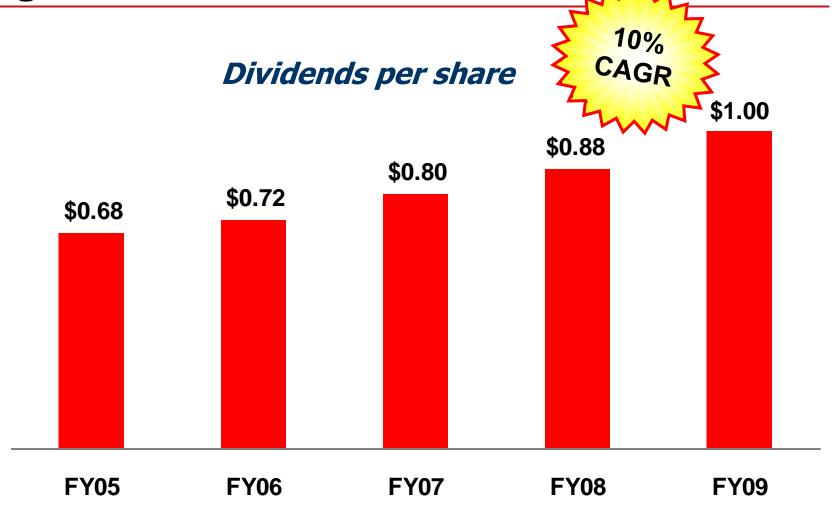
#### Adjusted earnings from continuing operations\*



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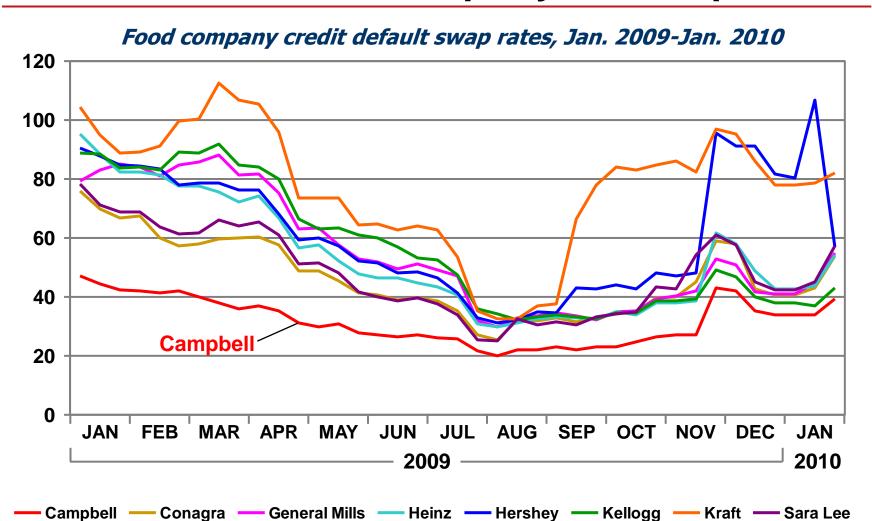


## Regular dividend increases





#### Viewed as better counterparty risk vs. peers





#### Recognized financial strength

- Strong credit ratings (A Stable, A2)
- \$300 million, five-year
   3.375% bond issue in
   July 2009





#### Focusing on lowering our cost base

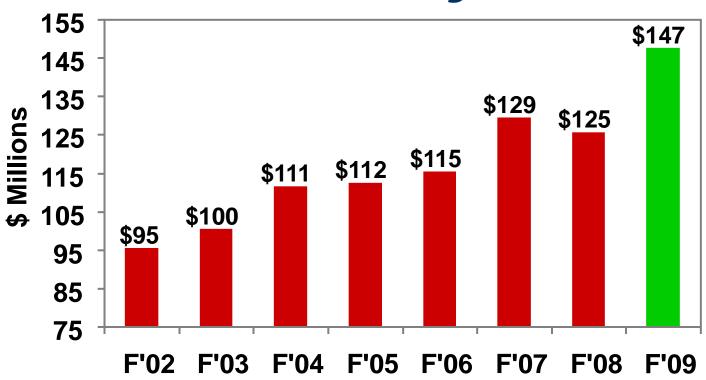
- Base: \$1.8 billion in spending excluding cost of products sold
- \$150-\$200 million in savings
  - Addressing stranded overhead
  - Leveraging centralized purchasing to lower administrative costs
  - Benchmarking efficiency

Unique opportunity to improve competitiveness



#### Continuing our productivity efforts





**Target: offset 3-4% inflation going forward** 



<sup>\*</sup> Excludes one-time savings and cost avoidance; includes the gross savings from capital cost-savings projects.

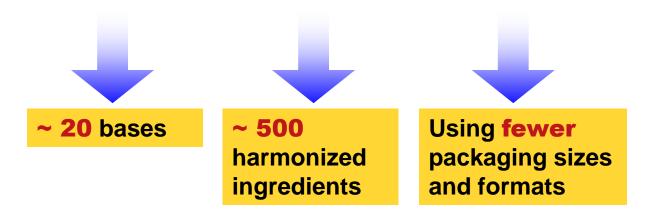
#### **Opportunity: A simpler soup platform**

#### **TODAY**

Start with 225 bases

Add in 917 unique ingredients Using 1,400 packaging materials Across our large-scale U.S. thermal processing plants

#### **FUTURE**



Simplicity brings agility, faster innovation, optimal product assortments, savings and improved quality

## We have already started

		<u>Vegetable</u> <u>Today</u>	Dice Variations <u>The Future</u>
	Carrots	10	3
	Potatoes	11	2
	Celery	4	2
	Onions	4	1
	Mushrooms	4	2
		33	10

There are real savings to be made

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- 7. We will fund increased investments in marketing to advance our quest for improved volume growth



## Optimistic that as our programs take hold, we will be in a position to raise our long-term guidance

Historical Financial Goals

Net Sales Growth 3% - 4%

**EBIT Growth\*** 5% - 6%

**EPS Growth**\* 5% - 7%

<sup>\*</sup> Adjusted



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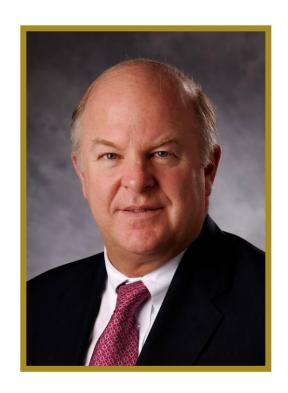
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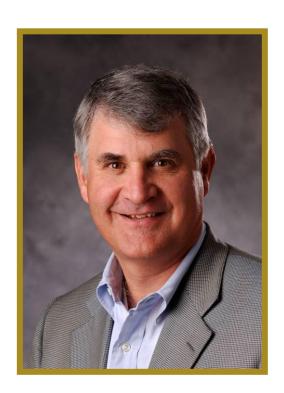
Over time, we believe we can begin to aspire to do even better

\* Adjusted





Carl Johnson
Senior Vice President
and
Chief Strategy Officer



President
Campbell International



President
North America Soup,
Sauces and Beverages





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