

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended
January 27, 2019

Commission File Number
1-3822



CAMPBELL SOUP COMPANY

New Jersey
State of Incorporation

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

1 Campbell Place
Camden, New Jersey 08103-1799
Principal Executive Offices

Telephone Number: (856) 342-4800

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 301,118,002 shares of capital stock outstanding as of February 28, 2019.

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PART I - FINANCIAL INFORMATION

Item 1. *Financial Statements*
CAMPBELL SOUP COMPANY
Consolidated Statements of Earnings
(unaudited)
(millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018
Net sales	\$ 2,713	\$ 2,180	\$ 5,407	\$ 4,341
Costs and expenses				
Cost of products sold	1,999	1,414	3,869	2,792
Marketing and selling expenses	264	228	512	447
Administrative expenses	180	165	356	314
Research and development expenses	23	27	50	57
Other expenses / (income)	226	70	230	41
Restructuring charges	2	33	21	35
Total costs and expenses	2,694	1,937	5,038	3,686
Earnings before interest and taxes	19	243	369	655
Interest expense	93	32	187	63
Interest income	1	—	2	1
Earnings (loss) before taxes	(73)	211	184	593
Taxes on earnings	(14)	(74)	49	33
Net earnings (loss)	(59)	285	135	560
Less: Net earnings (loss) attributable to noncontrolling interests	—	—	—	—
Net earnings (loss) attributable to Campbell Soup Company	\$ (59)	\$ 285	\$ 135	\$ 560
Per Share — Basic				
Net earnings (loss) attributable to Campbell Soup Company	\$ (.20)	\$.95	\$.45	\$ 1.86
Weighted average shares outstanding — basic	301	301	301	301
Per Share — Assuming Dilution				
Net earnings attributable to Campbell Soup Company	\$ (.20)	\$.95	\$.45	\$ 1.85
Weighted average shares outstanding — assuming dilution	301	301	302	302

See accompanying Notes to Consolidated Financial Statements.

CAMPBELL SOUP COMPANY
Consolidated Statements of Comprehensive Income
(unaudited)
(millions)

	Three Months Ended					
	January 27, 2019			January 28, 2018		
	Pre-tax amount	Tax (expense) benefit	After-tax amount	Pre-tax amount	Tax (expense) benefit	After-tax amount
Net earnings (loss)			\$ (59)			\$ 285
Other comprehensive income (loss):						
Foreign currency translation:						
Foreign currency translation adjustments	\$ 20	\$ —	20	\$ 66	\$ —	66
Cash-flow hedges:						
Unrealized gains (losses) arising during the period	(1)	—	(1)	2	(2)	—
Reclassification adjustment for (gains) losses included in net earnings	—	—	—	3	—	3
Pension and other postretirement benefits:						
Prior service cost arising during the period	—	—	—	(3)	1	(2)
Reclassification of prior service credit included in net earnings	(7)	1	(6)	(6)	2	(4)
Other comprehensive income (loss)	\$ 12	\$ 1	13	\$ 62	\$ 1	63
Total comprehensive income (loss)			\$ (46)			\$ 348
Total comprehensive income (loss) attributable to noncontrolling interests			—			(1)
Total comprehensive income (loss) attributable to Campbell Soup Company			\$ (46)			\$ 349

	Six Months Ended					
	January 27, 2019			January 28, 2018		
	Pre-tax amount	Tax (expense) benefit	After-tax amount	Pre-tax amount	Tax (expense) benefit	After-tax amount
Net earnings			\$ 135			\$ 560
Other comprehensive income (loss):						
Foreign currency translation:						
Foreign currency translation adjustments	\$ (23)	\$ —	(23)	\$ 34	\$ —	34
Cash-flow hedges:						
Unrealized gains (losses) arising during the period	(1)	—	(1)	11	(4)	7
Reclassification adjustment for (gains) losses included in net earnings	1	—	1	1	—	1
Pension and other postretirement benefits:						
Prior service credit arising during the period	—	—	—	(3)	1	(2)
Reclassification of prior service credit included in net earnings	(14)	3	(11)	(13)	4	(9)
Other comprehensive income (loss)	\$ (37)	\$ 3	(34)	\$ 30	\$ 1	31
Total comprehensive income (loss)			\$ 101			\$ 591
Total comprehensive income (loss) attributable to noncontrolling interests			—			(1)
Total comprehensive income (loss) attributable to Campbell Soup Company			\$ 101			\$ 592

See accompanying Notes to Consolidated Financial Statements.

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

	January 27, 2019	July 29, 2018
Current assets		
Cash and cash equivalents	\$ 203	\$ 226
Accounts receivable, net	927	785
Inventories	1,076	1,199
Other current assets	89	86
Total current assets	2,295	2,296
Plant assets, net of depreciation	3,036	3,233
Goodwill	4,721	4,580
Other intangible assets, net of amortization	3,752	4,196
Other assets (\$70 as of 2019 and \$77 as of 2018 attributable to variable interest entity)	220	224
Total assets	\$ 14,024	\$ 14,529
Current liabilities		
Short-term borrowings	\$ 1,454	\$ 1,896
Payable to suppliers and others	930	893
Accrued liabilities	784	676
Dividends payable	107	107
Accrued income taxes	24	22
Total current liabilities	3,299	3,594
Long-term debt	8,003	7,998
Deferred taxes	904	995
Other liabilities	540	569
Total liabilities	12,746	13,156
Commitments and contingencies		
Campbell Soup Company shareholders' equity		
Preferred stock; authorized 40 shares; none issued	—	—
Capital stock, \$.0375 par value; authorized 560 shares; issued 323 shares	12	12
Additional paid-in capital	349	349
Earnings retained in the business	2,130	2,224
Capital stock in treasury, at cost	(1,079)	(1,103)
Accumulated other comprehensive loss	(143)	(118)
Total Campbell Soup Company shareholders' equity	1,269	1,364
Noncontrolling interests	9	9
Total equity	1,278	1,373
Total liabilities and equity	\$ 14,024	\$ 14,529

See accompanying Notes to Consolidated Financial Statements.

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

	Six Months Ended	
	January 27, 2019	January 28, 2018
Cash flows from operating activities:		
Net earnings	\$ 135	\$ 560
Adjustments to reconcile net earnings to operating cash flow		
Impairment charges	360	75
Restructuring charges	21	35
Stock-based compensation	31	32
Noncurrent income taxes	—	52
Pension and postretirement benefit income	(29)	(32)
Depreciation and amortization	241	161
Deferred income taxes	(40)	(106)
Other, net	18	18
Changes in working capital, net of acquisition		
Accounts receivable	(150)	(113)
Inventories	122	84
Prepaid assets	(2)	(25)
Accounts payable and accrued liabilities	170	(10)
Net payments of hedging activities	(5)	(31)
Other	(26)	(40)
Net cash provided by operating activities	846	660
Cash flows from investing activities:		
Purchases of plant assets	(198)	(132)
Purchases of route businesses	(23)	—
Sales of route businesses	25	—
Businesses acquired, net of cash acquired	(18)	(682)
Other, net	11	(11)
Net cash used in investing activities	(203)	(825)
Cash flows from financing activities:		
Short-term borrowings	2,831	5,052
Short-term repayments	(3,274)	(4,673)
Long-term repayments	—	(16)
Dividends paid	(212)	(216)
Treasury stock purchases	—	(86)
Payments related to tax withholding for stock-based compensation	(7)	(23)
Payments of debt issuance costs	(1)	—
Net cash provided by (used in) financing activities	(663)	38
Effect of exchange rate changes on cash	(3)	4
Net change in cash and cash equivalents	(23)	(123)
Cash and cash equivalents — beginning of period	226	319
Cash and cash equivalents — end of period	\$ 203	\$ 196

See accompanying Notes to Consolidated Financial Statements.

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

Campbell Soup Company Shareholders' Equity

	Capital Stock		Capital Stock		Additional Paid-in Capital	Earnings Retained in the Business	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
	Issued		In Treasury						
	Shares	Amount	Shares	Amount					
Balance at October 29, 2017	323	\$ 12	(22)	\$ (1,106)	\$ 305	\$ 2,555	\$ (85)	\$ 8	\$ 1,689
Net earnings (loss)						285		—	285
Other comprehensive income (loss)							64	(1)	63
Dividends (\$.35 per share)						(106)			(106)
Treasury stock purchased			—	—					—
Treasury stock issued under management incentive and stock option plans			—	2	16				18
Balance at January 28, 2018	323	\$ 12	(22)	\$ (1,104)	\$ 321	\$ 2,734	\$ (21)	\$ 7	\$ 1,949
Balance at July 30, 2017	323	\$ 12	(22)	\$ (1,066)	\$ 359	\$ 2,385	\$ (53)	\$ 8	\$ 1,645
Net earnings (loss)						560		—	560
Other comprehensive income (loss)							32	(1)	31
Dividends (\$.70 per share)						(211)			(211)
Treasury stock purchased			(2)	(86)					(86)
Treasury stock issued under management incentive and stock option plans			2	48	(38)				10
Balance at January 28, 2018	323	\$ 12	(22)	\$ (1,104)	\$ 321	\$ 2,734	\$ (21)	\$ 7	\$ 1,949
Balance at October 28, 2018	323	\$ 12	(22)	\$ (1,084)	\$ 339	\$ 2,295	\$ (156)	\$ 9	\$ 1,415
Net earnings (loss)						(59)		—	(59)
Other comprehensive income (loss)							13	—	13
Dividends (\$.35 per share)						(106)			(106)
Treasury stock purchased			—	—					—
Treasury stock issued under management incentive and stock option plans			—	5	10				15
Balance at January 27, 2019	323	\$ 12	(22)	\$ (1,079)	\$ 349	\$ 2,130	\$ (143)	\$ 9	\$ 1,278
Balance at July 29, 2018	323	\$ 12	(22)	\$ (1,103)	\$ 349	\$ 2,224	\$ (118)	\$ 9	\$ 1,373
Cumulative effect of changes in accounting principle:									
Revenue ⁽¹⁾						(8)			(8)
Stranded tax effects ⁽¹⁾						(9)	9		—
Net earnings (loss)						135		—	135
Other comprehensive income (loss)							(34)	—	(34)
Dividends (\$.70 per share)						(212)			(212)
Treasury stock purchased			—	—					—
Treasury stock issued under management incentive and stock option plans			—	24	—				24
Balance at January 27, 2019	323	\$ 12	(22)	\$ (1,079)	\$ 349	\$ 2,130	\$ (143)	\$ 9	\$ 1,278

⁽¹⁾ See Note 2 for additional detail.

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements
(unaudited)
(currency in millions, except per share amounts)

1. Basis of Presentation and Significant Accounting Policies

In this Form 10-Q, unless otherwise stated, the terms "we," "us," "our" and the "company" refer to Campbell Soup Company and its consolidated subsidiaries.

The consolidated financial statements include our accounts and entities in which we maintain a controlling financial interest and a variable interest entity (VIE) for which we are the primary beneficiary. Intercompany transactions are eliminated in consolidation. Certain amounts in prior-year financial statements were reclassified to conform to the current-year presentation. See Note 6.

The financial statements reflect all adjustments which are, in our opinion, necessary for a fair statement of the results of operations, financial position, and cash flows for the indicated periods. The accounting policies we used in preparing these financial statements are substantially consistent with those we applied in our Annual Report on Form 10-K for the year ended July 29, 2018, except as described below and in Note 2.

The results for the period are not necessarily indicative of the results to be expected for other interim periods or the full year. Our fiscal year ends on the Sunday nearest July 31, which is July 28, 2019.

Revenue Recognition - Our revenues primarily consist of the sale of food and beverage products through our own sales force and/or third-party brokers and distribution partners. Revenues are recognized when our performance obligation has been satisfied and control of the product passes to our customers, which typically occurs when products are delivered or accepted by customers in accordance with terms of agreements. We make shipments promptly after acceptance of orders. Shipping and handling costs incurred to deliver the product are recorded within Cost of products sold. Amounts billed and due from our customers are classified as Accounts receivable in the Consolidated Balance Sheets and require payment on a short-term basis. Revenues are recognized net of provisions for returns, discounts and certain sales promotion expenses, such as feature price discounts, in-store display incentives, cooperative advertising programs, new product introduction fees and coupon redemption costs. These forms of variable consideration are recognized upon sale. The recognition of costs for promotion programs involves the use of judgment related to performance and redemption estimates. Estimates are made based on historical experience and other factors, including expected volume. Historically, the difference between actual experience compared to estimated redemptions and performance has not been significant to the quarterly or annual financial statements. Differences between estimates and actual costs are recognized as a change in estimate in a subsequent period. Revenues are presented on a net basis for arrangements under which suppliers perform certain additional services. See Note 6 for additional information on disaggregation of revenue. In 2019, we adopted revised guidance on the recognition of revenue from contracts with customers. See Note 2 for additional information.

2. Recent Accounting Pronouncements

Recently Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued revised guidance on the recognition of revenue from contracts with customers. The guidance is designed to create greater comparability for financial statement users across industries and jurisdictions. The guidance also requires enhanced disclosures. The guidance was originally effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. In July 2015, the FASB decided to delay the effective date of the new revenue guidance by one year to fiscal years, and interim periods within those years, beginning after December 15, 2017. Entities were permitted to adopt the new revenue standard early, but not before the original effective date. The guidance permits the use of either a full retrospective or modified retrospective transition method. We completed the review of our arrangements with customers across our businesses, including our practices of offering rebates, refunds, discounts and other price allowances, and trade and consumer promotion programs. As we evaluated our methods of estimating the amount and timing of these various forms of variable consideration, we determined we will accelerate the expense recognition of certain trade and consumer promotion programs under the new guidance. Based on our assessment, the impact is not expected to be material on an annual basis, but will impact quarterly results. We adopted the guidance in the first quarter of 2019 using the modified retrospective method and recorded a cumulative effect adjustment of \$8, net of tax, to decrease the opening balance of Earnings retained in the business, an increase of \$10 to Accrued liabilities, an increase of \$1 to Accounts payable, a decrease of \$2 to Deferred taxes and an increase of \$1 to Other assets.

The impacts of the changes to our Consolidated Balance Sheet as of January 27, 2019, as a result of adoption are as follows:

	As Reported	Balances Without Adoption	Increase/(Decrease) Due to Adoption
Accounts receivable, net	\$ 927	\$ 926	\$ 1
Total current assets	2,295	2,294	1
Total assets	14,024	14,023	1
Payable to suppliers and others	\$ 930	\$ 929	\$ 1
Accrued liabilities	784	768	16
Accrued income taxes	24	28	(4)
Total current liabilities	3,299	3,286	13
Total liabilities	12,746	12,733	13
Campbell Soup Company shareholders' equity			
Earnings retained in the business	\$ 2,130	\$ 2,142	\$ (12)
Total Campbell Soup Company shareholders' equity	1,269	1,281	(12)
Total equity	1,278	1,290	(12)
Total liabilities and equity	14,024	14,023	1

The impacts of the changes to our Consolidated Statement of Earnings as a result of adoption are as follows:

	Three Months Ended			Six Months Ended		
	January 27, 2019			January 27, 2019		
	As Reported	Balances Without Adoption	Increase/(Decrease) Due to Adoption	As Reported	Balances Without Adoption	Increase/(Decrease) Due to Adoption
Net sales	\$ 2,713	\$ 2,702	\$ 11	\$ 5,407	\$ 5,412	\$ (5)
Earnings before interest and taxes	\$ 19	\$ 8	\$ 11	\$ 369	\$ 374	\$ (5)
Earnings (loss) before taxes	\$ (73)	\$ (84)	\$ 11	\$ 184	\$ 189	\$ (5)
Taxes on earnings	(14)	(17)	3	49	50	(1)
Net earnings (loss) attributable to Campbell Soup Company	\$ (59)	\$ (67)	\$ 8	\$ 135	\$ 139	\$ (4)
Per Share — Basic						
Net earnings (loss) attributable to Campbell Soup Company ⁽¹⁾	\$ (.20)	\$ (.22)	\$.03	\$.45	\$.46	\$ (.01)
Per Share — Assuming Dilution						
Net earnings attributable to Campbell Soup Company ⁽¹⁾	\$ (.20)	\$ (.22)	\$.03	\$.45	\$.46	\$ (.01)

⁽¹⁾ The sum of individual per share amounts may not add due to rounding.

In January 2016, the FASB issued guidance that amends the recognition and measurement of financial instruments. The changes primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. Under the new guidance, equity investments in unconsolidated entities that are not accounted for under the equity method will generally be measured at fair value through earnings. When the fair value option has been elected for financial liabilities, changes in fair value due to instrument-specific credit risk will be recognized separately in other comprehensive income. The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those years. In 2019, we adopted the guidance. The adoption did not have an impact on our consolidated financial statements.

In August 2016, the FASB issued guidance on the classification of certain cash receipts and payments in the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted. The guidance must be applied retrospectively to all periods presented but may be applied prospectively if retrospective application would be impracticable. In 2019, we adopted the guidance. The adoption did not have a material impact on our consolidated financial statements.

In October 2016, the FASB issued guidance on tax accounting for intra-entity asset transfers. Under current guidance, the tax effects of intra-entity asset transfers (intercompany sales) are deferred until the transferred asset is sold to a third party or otherwise recognized. The new guidance requires companies to account for the income tax effects on intercompany transfers of assets other than inventory when the transfer occurs. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted in the first interim period of a fiscal year. The modified retrospective approach is required upon adoption, with a cumulative-effect adjustment recorded in retained earnings as of the beginning of the period of adoption. In 2019, we adopted the guidance. The adoption did not have an impact on our consolidated financial statements.

In January 2017, the FASB issued guidance that revises the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. The guidance requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this threshold is met, the set of transferred assets and activities is not a business. If it is not met, the entity then evaluates whether the set meets the requirement that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted. Beginning in 2019, we will prospectively apply the guidance to applicable transactions.

In May 2017, the FASB issued guidance that clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. Under the new guidance, modification accounting is required only if the value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The guidance is effective prospectively for fiscal years beginning after December 15, 2017. Early adoption is permitted. We will apply the guidance in evaluating future changes to terms or conditions of share-based payment awards.

In February 2018, the FASB issued guidance that provides entities an option to reclassify the stranded tax effects of the Tax Cuts and Jobs Act of 2017 on items within accumulated other comprehensive income to retained earnings. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those years. Entities are able to early adopt the guidance in any interim or annual period for which financial statements have not yet been issued and apply it either in the period of adoption or retrospectively to each period in which the tax effects of the Tax Cuts and Jobs Act of 2017 related to items in accumulated other comprehensive income are recognized. We adopted the guidance in the first quarter of 2019, effective on July 30, 2018, and elected not to reclassify prior periods. The adoption resulted in a cumulative effect adjustment of \$9 to decrease the opening balance of Earnings retained in the business and a corresponding net decrease to the components of Accumulated other comprehensive income (loss). See Note 4 for additional information.

Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued guidance that amends accounting for leases. Under the new guidance, a lessee will recognize assets and liabilities for most leases but will recognize expenses similar to current lease accounting. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. In July 2018, the FASB issued an adoption approach that allows entities to apply the new guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption without restating prior periods. We are currently compiling an inventory of our lease arrangements in order to determine the impact that the new guidance will have on our consolidated financial statements. We have selected a lease software solution to facilitate the adoption of the new guidance.

In August 2017, the FASB issued guidance that amends hedge accounting. Under the new guidance, more hedging strategies will be eligible for hedge accounting and the application of hedge accounting is simplified. The new guidance amends presentation and disclosure requirements, and how effectiveness is assessed. In October 2018, the FASB issued guidance which permits an entity to designate the overnight index swap rate based on the Secured Overnight Financing Rate Fed Funds as a benchmark interest rate in a hedge accounting relationship. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those years. Early adoption is permitted. We are currently evaluating the impact that the new guidance will have on our consolidated financial statements.

In August 2018, the FASB issued guidance that changes the disclosure requirements related to defined benefit pension and postretirement plans. The guidance is effective for fiscal years beginning after December 15, 2020. The guidance is to be applied on a retrospective basis. Early adoption is permitted. We are currently evaluating the impact that the new guidance will have on our disclosures.

In August 2018, the FASB issued guidance that eliminates, adds, and modifies certain disclosure requirements for fair value measurements. The guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within those

years. Early adoption is permitted. Certain disclosures in the guidance must be applied on a retrospective basis, while others must be applied on a prospective basis. We are currently evaluating the impact that the new guidance will have on our disclosures.

In August 2018, the FASB issued guidance on accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance is effective for fiscal years beginning after December 15, 2019. Entities have the option to apply the guidance prospectively to all implementation costs incurred after the date of adoption or retrospectively. Early adoption is permitted. We are currently evaluating the impact that the new guidance will have on our consolidated financial statements.

3. Acquisitions

On March 26, 2018, we completed the acquisition of Snyder's-Lance, Inc. (Snyder's-Lance) for \$50.00 per share. Total consideration was \$6,112, which included the payoff of approximately \$1,100 of Snyder's-Lance indebtedness. The acquisition was financed through a single draw 3-year senior unsecured term loan facility and the issuance of senior notes. Snyder's-Lance is a snack food company that manufactures, distributes, markets and sells snack food products in North America and Europe. Its primary brands include *Snyder's of Hanover* and *Lance*, as well as *Kettle Brand*, *KETTLE*, *Cape Cod*, *Snack Factory Pretzel Crisps*, *Pop Secret*, *Emerald* and *Late July*.

The excess of the purchase price over the estimated fair values of identifiable net assets was recorded as \$3,006 of goodwill. The goodwill is not deductible for tax purposes. The goodwill was primarily attributable to future growth opportunities, anticipated synergies, and intangible assets that did not qualify for separate recognition. The goodwill is included in the Global Biscuits and Snacks segment.

On December 12, 2017, we completed the acquisition of Pacific Foods of Oregon, LLC (Pacific Foods). The purchase price was \$688. Pacific Foods produces broth, soups, non-dairy beverages and other simple meals. The excess of the purchase price over the estimated fair values of identifiable net assets was recorded as \$202 of goodwill. The goodwill is deductible for tax purposes. The goodwill was primarily attributable to future growth opportunities, anticipated synergies, and intangible assets that did not qualify for separate recognition. The goodwill is included in the Meals and Beverages segment.

The table below presents the estimated fair value that was allocated to acquired assets and assumed liabilities of Snyder's-Lance. The final valuation process will be completed within the allowable measurement period. In the first quarter ended October 28, 2018, we made measurement period adjustments to reflect facts and circumstances in existence as of the date of acquisition. These adjustments included a \$134 decrease to indefinite-lived trademarks, a \$52 decrease to customer relationships, a \$43 decrease to Deferred taxes and a \$140 increase to Goodwill.

	<u>Snyder's-Lance</u>
Cash	\$ 21
Accounts receivable	220
Inventories	219
Other current assets	32
Plant assets	696
Goodwill	3,006
Other intangible assets	2,761
Other assets	65
Short-term debt	(1)
Accounts payable	(124)
Accrued liabilities	(115)
Deferred taxes	(597)
Other liabilities	(24)
Noncontrolling interest	(47)
Total assets acquired and liabilities assumed	<u>\$ 6,112</u>

The identifiable intangible assets of Snyder's-Lance consist of:

	Type	Life in Years	Value
Trademarks	Non-amortizable	Indefinite	\$ 1,997
Customer relationships	Amortizable	15 to 22	756
Other	Amortizable	1.5	8
Total identifiable intangible assets			<u>\$ 2,761</u>

For the three- and six-month periods ended January 27, 2019, the acquisition of Snyder's-Lance contributed \$529 and \$1,083 to Net sales. The contribution to Net earnings (loss) were losses of \$11 and \$17 for the three- and six-month periods ended January 27, 2019, including expenses associated with restructuring charges and cost savings initiatives, as well as interest expense on the debt to finance the acquisition.

For the three- and six-month periods ended January 27, 2019, the acquisition of Pacific Foods contributed \$58 and \$127 to Net sales. The contribution to Net earnings (loss) were losses of \$6 and \$3 for the three- and six-month periods ended January 27, 2019, including interest expense on the debt to finance the acquisition. For the three-month period ended January 28, 2018, the contribution of the Pacific Foods acquisition to Net sales was \$28. The contribution to Net earnings was not material.

The following unaudited summary information is presented on a consolidated pro forma basis as if the Snyder's-Lance and Pacific Foods acquisitions had occurred on August 1, 2016:

	Three Months Ended January 28, 2018	Six Months Ended January 28, 2018
Net sales	\$ 2,747	\$ 5,555
Net earnings attributable to Campbell Soup Company	\$ 451	\$ 640
Net earnings per share attributable to Campbell Soup Company - basic	\$ 1.50	\$ 2.13
Net earnings per share attributable to Campbell Soup Company - assuming dilution	\$ 1.50	\$ 2.12

The pro forma amounts include additional interest expense on the debt issued to finance the purchases, amortization and depreciation expense based on the estimated fair value and useful lives of intangible assets and plant assets, and related tax effects. The pro forma results are not necessarily indicative of the combined results had the Snyder's-Lance and Pacific Foods acquisitions been completed on August 1, 2016, nor are they indicative of future combined results. The pro forma results for the three- and six-month periods ended January 28, 2018 do not include certain transaction costs, amortization of the acquisition date fair value adjustment to inventories, or a gain on treasury rate lock contracts, as all of these would be reflected in the six-month period ended January 29, 2017, had the acquisitions occurred on August 1, 2016.

With the acquisition of Snyder's-Lance, we acquired an investment in Yellow Chips Holdings B.V. (Yellow Chips), and accounted for the investment under the equity method of accounting. On October 30, 2018, we purchased the remaining ownership interest in Yellow Chips, and began consolidating the business. The purchase price was \$18. The pro forma results for the three- and six-month periods ended January 27, 2019 and January 28, 2018 were not material.

4. Accumulated Other Comprehensive Income (Loss)

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

	Foreign Currency Translation Adjustments ⁽¹⁾	Gains (Losses) on Cash Flow Hedges ⁽²⁾	Pension and Postretirement Benefit Plan Adjustments ⁽³⁾	Total Accumulated Comprehensive Income (Loss)
Balance at July 30, 2017	\$ (84)	\$ (22)	\$ 53	\$ (53)
Other comprehensive income (loss) before reclassifications	35	7	(2)	40
Amounts reclassified from accumulated other comprehensive income (loss)	—	1	(9)	(8)
Net current-period other comprehensive income (loss)	35	8	(11)	32
Balance at January 28, 2018	\$ (49)	\$ (14)	\$ 42	\$ (21)
Balance at July 29, 2018	\$ (154)	\$ (4)	\$ 40	\$ (118)
Cumulative effect of a change in accounting principle⁽⁴⁾	2	(3)	10	9
Other comprehensive income (loss) before reclassifications	(23)	(1)	—	(24)
Amounts reclassified from accumulated other comprehensive income (loss)	—	1	(11)	(10)
Net current-period other comprehensive income (loss)	(23)	—	(11)	(34)
Balance at January 27, 2019	\$ (175)	\$ (7)	\$ 39	\$ (143)

(1) Included a tax expense of \$4 as of January 27, 2019, and \$6 as of July 29, 2018, January 28, 2018, and July 30, 2017.

(2) Included a tax benefit of \$1 as of January 27, 2019, \$4 as of July 29, 2018, \$8 as of January 28, 2018, and \$12 as of July 30, 2017.

(3) Included a tax expense of \$12 as of January 27, 2019, \$25 as of July 29, 2018, and January 28, 2018, and \$30 as of July 30, 2017.

(4) Reflects the adoption of the FASB guidance on stranded tax effects. See Note 2 for additional information.

Amounts related to noncontrolling interests were not material.

The amounts reclassified from Accumulated other comprehensive income (loss) consisted of the following:

Details about Accumulated Other Comprehensive Income (Loss) Components	Three Months Ended		Six Months Ended		Location of (Gain) Loss Recognized in Earnings
	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018	
(Gains) losses on cash flow hedges:					
Foreign exchange forward contracts	\$ —	\$ 2	\$ —	\$ —	Cost of products sold
Forward starting interest rate swaps	—	1	1	1	Interest expense
Total before tax	—	3	1	1	
Tax expense (benefit)	—	—	—	—	
(Gain) loss, net of tax	\$ —	\$ 3	\$ 1	\$ 1	
Pension and postretirement benefit adjustments:					
Prior service credit	\$ (7)	\$ (6)	\$ (14)	\$ (13)	Other expenses / (income)
Tax expense (benefit)	1	2	3	4	
(Gain) loss, net of tax	\$ (6)	\$ (4)	\$ (11)	\$ (9)	

5. Goodwill and Intangible Assets

Goodwill

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

	Meals and Beverages	Global Biscuits and Snacks	Campbell Fresh ⁽¹⁾	Total
Net balance at July 29, 2018	\$ 978	\$ 3,602	\$ —	\$ 4,580
Changes in preliminary purchase price allocation	—	140	—	140
Acquisition	—	21	—	21
Foreign currency translation adjustment	(1)	(19)	—	(20)
Net balance at January 27, 2019	<u>\$ 977</u>	<u>\$ 3,744</u>	<u>\$ —</u>	<u>\$ 4,721</u>

⁽¹⁾ The balance of goodwill is reflected net of accumulated impairment charges of \$837 as of January 27, 2019 and July 29, 2018, respectively, related to the Bolthouse Farms carrot and carrot ingredients reporting unit, the deli reporting unit, and the Bolthouse Farms refrigerated beverages and salad dressings reporting unit.

During the three-month period ended October 28, 2018, we made changes in the preliminary allocation of the purchase price of the Snyder's-Lance acquisition which resulted in a change in goodwill of \$140 in the Global Biscuits and Snacks segment. On October 30, 2018, we acquired the remaining ownership interest in Yellow Chips and began consolidating the business, which resulted in goodwill of \$21. See Note 3 for additional information.

Intangible Assets

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

Intangible Assets	January 27, 2019	July 29, 2018
Amortizable intangible assets		
Customer relationships	\$ 917	\$ 1,116
Technology	10	40
Other	41	43
Total gross amortizable intangible assets	<u>\$ 968</u>	<u>\$ 1,199</u>
Accumulated amortization	(87)	(126)
Total net amortizable intangible assets	<u>\$ 881</u>	<u>\$ 1,073</u>
Non-amortizable intangible assets		
Trademarks	2,871	3,123
Total net intangible assets	<u>\$ 3,752</u>	<u>\$ 4,196</u>

Non-amortizable intangible assets consist of trademarks, which include *Snyder's of Hanover*, *Lance*, *Kettle Brand*, *Pace*, *Pacific Foods*, *Snack Factory*, *Cape Cod*, *Pop Secret*, *Kjeldsens*, *Plum*, and *Late July*. Other amortizable intangible assets consist of recipes, non-compete agreements, trademarks, patents and distributor relationships.

Amortization of intangible assets was \$30 and \$8 for six-month periods ended January 27, 2019 and January 28, 2018, respectively. Amortization expense for the next 5 years is estimated to be \$58 in 2019, \$50 in 2020 and \$49 in 2021 through 2023. Asset useful lives range from 2 to 22 years.

On August 30, 2018, we announced plans to pursue the divestiture of our international biscuits and snacks operating segment and the Campbell Fresh operating segment. As we continue to pursue the divestiture of these businesses, in the second quarter of 2019 we performed interim impairment assessments on the intangible assets within Campbell Fresh, which includes Bolthouse Farms carrot and carrot ingredients, Bolthouse Farms refrigerated beverages and salad dressings and Garden Fresh Gourmet. We revised our future outlook for earnings and cash flows for each of these businesses as the divestiture process progressed and we received initial indications of value. Within Bolthouse Farms carrot and carrot ingredients, we recorded impairment charges of \$18 on the trademark, which reduced the carrying value to \$30; \$40 on customer relationships, which reduced the carrying value to \$15; and \$15 on technology, which reduced the carrying value to \$10. Within Bolthouse Farms refrigerated beverages and salad dressings, we recorded impairment charges of \$74 on the trademark, which reduced the carrying value to \$76; and \$22 on customer

relationships, which reduced the carrying value to \$12. On Garden Fresh Gourmet, we recorded impairment charges of \$23 on the trademark and \$39 on customer relationships, which eliminated the carrying value of these assets.

The impairment charges were recorded in Other expenses / (income) in the Consolidated Statements of Earnings.

The estimates of future cash flows used in determining the fair value of intangible assets involve significant management judgment and are based upon assumptions about expected future operating performance, economic conditions, market conditions, cost of capital and potential divestitures. Inherent in estimating the future cash flows are uncertainties beyond our control, such as changes in capital markets. The actual cash flows could differ materially from management's estimates due to changes in any of the assumptions.

6. Segment Information

Commencing in the third quarter of 2018 with the acquisition of Snyder's-Lance, we formed a new U.S. snacking unit, which combines Snyder's-Lance and Pepperidge Farm, and is an operating segment. As of the third quarter of 2018, we have four operating segments based primarily on product type, and three reportable segments. The U.S. snacking operating segment is aggregated with the international biscuits and snacks operating segment to form the Global Biscuits and Snacks reportable segment. The operating segments are aggregated based on similar economic characteristics, products, production processes, types or classes of customers, distribution methods, and regulatory environment. Our reportable segments are as follows:

- Meals and Beverages segment includes the retail and food service businesses in the U.S., Canada and Latin America. The segment includes the following products: *Campbell's* condensed and ready-to-serve soups; *Swanson* broth and stocks; *Prego* pasta sauces; *Pace* Mexican sauces; *Campbell's* gravies, pasta, beans and dinner sauces; *Swanson* canned poultry; *Plum* food and snacks; *V8* juices and beverages; *Campbell's* tomato juice; and as of December 12, 2017, *Pacific* broth, soups, non-dairy beverages and other simple meals;
- Global Biscuits and Snacks segment represents an aggregation of the following operating segments: U.S. snacks operating segment, which includes Pepperidge Farm cookies, crackers, bakery and frozen products in U.S. retail, and Snyder's-Lance pretzels, sandwich crackers, potato chips, tortilla chips and other snacking products in the U.S. and Europe; and the international biscuits and snacks operating segment, which includes Arnott's biscuits in Australia and Asia Pacific, Kelsen cookies globally, and the simple meals and shelf-stable beverages business in Australia and Asia Pacific; and
- Campbell Fresh segment includes Bolthouse Farms fresh carrots, carrot ingredients, refrigerated beverages and refrigerated salad dressings; Garden Fresh Gourmet salsa, hummus, dips and tortilla chips; and the U.S. refrigerated soup business.

Through the fourth quarter of 2018, our simple meals and shelf-stable beverage business in Latin America was managed as part of the Global Biscuits and Snacks segment. Beginning in 2019, our business in Latin America is managed as part of the Meals and Beverages segment. Segment results have been adjusted retrospectively to reflect this change.

On August 30, 2018, we announced plans to pursue the divestiture of our international biscuits and snacks operating segment, and the Campbell Fresh segment. The international biscuits and snacks operating segment and the Campbell Fresh segment combined represent approximately \$2,100 in net sales in 2018.

We evaluate segment performance before interest, taxes and costs associated with restructuring activities and impairment charges. Unrealized gains and losses on commodity hedging activities are excluded from segment operating earnings and are recorded in Corporate as these open positions represent hedges of future purchases. Upon closing of the contracts, the realized gain or loss is transferred to segment operating earnings, which allows the segments to reflect the economic effects of the hedge without exposure to quarterly volatility of unrealized gains and losses. Only the service cost component of pension and postretirement expense is allocated to segments. All other components of expense, including interest cost, expected return on assets, amortization of prior service credits and recognized actuarial gains and losses are reflected in Corporate and not included in segment operating results. Asset information by segment is not discretely maintained for internal reporting or used in evaluating performance.

	Three Months Ended		Six Months Ended	
	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018
Net sales				
Meals and Beverages	\$ 1,230	\$ 1,214	\$ 2,474	\$ 2,453
Global Biscuits and Snacks	1,243	708	2,461	1,396
Campbell Fresh	239	257	471	491
Corporate	1	1	1	1
Total	\$ 2,713	\$ 2,180	\$ 5,407	\$ 4,341

	Three Months Ended		Six Months Ended	
	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018
Earnings before interest and taxes				
Meals and Beverages	\$ 255	\$ 284	\$ 549	\$ 615
Global Biscuits and Snacks	185	137	339	254
Campbell Fresh	(14)	(11)	(17)	(17)
Corporate ⁽¹⁾	(405)	(134)	(481)	(162)
Restructuring charges ⁽²⁾	(2)	(33)	(21)	(35)
Total	\$ 19	\$ 243	\$ 369	\$ 655

⁽¹⁾ Represents unallocated items. Pension and postretirement benefit mark-to-market adjustments are included in Corporate. There were gains of \$14 in the six-month period ended January 28, 2018. Costs related to cost savings initiatives were \$22 and \$27 for the three-month periods and \$49 and \$44 in the six-month periods ended January 27, 2019, and January 28, 2018, respectively. Costs of \$10 and \$12 associated with the planned divestitures were in the three- and six-month periods ended January 27, 2019. Impairment charges of plant assets and intangible assets were \$346 and \$360 in the three- and six-month periods ended January 27, 2019, respectively. Impairment charges of intangible assets were \$75 in the three- and six-month periods ended January 28, 2018. See Notes 5 and 13 for additional information. Transaction costs of \$24 associated with the acquisition of Snyder's-Lance were in the three- and six-month periods ended January 28, 2018.

⁽²⁾ See Note 7 for additional information.

Our global net sales based on product categories are as follows:

	Three Months Ended		Six Months Ended	
	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018
Net sales				
Soup	\$ 815	\$ 814	\$ 1,604	\$ 1,621
Snacks	1,225	690	2,434	1,367
Other simple meals	423	434	854	869
Beverages	249	241	514	483
Other	1	1	1	1
Total	\$ 2,713	\$ 2,180	\$ 5,407	\$ 4,341

Soup includes various soup, broths and stock products. Snacks include cookies, pretzels, crackers, biscuits, popcorn, nuts, potato chips, tortilla chips and other salty snacks and baked products. Other simple meals include sauces, carrot products, refrigerated salad dressings, refrigerated salsa, hummus, dips and Plum foods and snacks.

7. Restructuring Charges and Cost Savings Initiatives

2015 Initiatives and Snyder's-Lance Cost Transformation Program and Integration

In fiscal 2015, we implemented initiatives to reduce costs and to streamline our organizational structure. As part of these initiatives, we commenced a voluntary employee separation program available to certain U.S.-based salaried employees nearing retirement who met age, length-of-service and business unit/function criteria.

In February 2017, we announced that we were expanding these initiatives by further optimizing our supply chain network, primarily in North America, continuing to evolve our operating model to drive efficiencies, and more fully integrating our recent acquisitions. In January 2018, as part of the expanded initiatives, we authorized additional pre-tax costs to improve the operational efficiency of our thermal supply chain network in North America by closing our manufacturing facility in Toronto, Ontario, and to optimize our information technology infrastructure by migrating certain applications to the latest cloud technology platform. In August 2018, we announced that we will continue to streamline our organization, expand our zero-based budgeting efforts and optimize our manufacturing network.

On March 26, 2018, we completed the acquisition of Snyder's-Lance. Prior to the acquisition, in April 2017, Snyder's-Lance launched a cost transformation program following a comprehensive review of its operations with the goal of significantly improving its financial performance. We expect to continue to implement this program and to achieve a majority of the program's targeted savings. In addition, we have identified opportunities for additional cost synergies as we integrate Snyder's-Lance.

Cost estimates, as well as timing for certain activities, are continuing to be developed.

A summary of the restructuring charges and charges recorded in Administrative expenses, Cost of products sold, Marketing and selling expenses, and Research and development expenses related to both programs is as follows:

	Three Months Ended		Six Months Ended		Recognized as of January 27, 2019 ⁽¹⁾
	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018	
Restructuring charges	\$ 2	\$ 33	\$ 21	\$ 35	\$ 238
Administrative expenses	10	26	23	38	228
Cost of products sold	9	1	21	6	70
Marketing and selling expenses	2	—	4	—	7
Research and development expenses	1	—	1	—	1
Total pre-tax charges	\$ 24	\$ 60	\$ 70	\$ 79	\$ 544

⁽¹⁾ Includes \$13 of Restructuring charges and \$12 of Administrative expenses associated with the Snyder's-Lance cost transformation program and integration recognized in 2018.

A summary of the pre-tax costs associated with both programs is as follows:

	Recognized as of January 27, 2019
Severance pay and benefits ⁽¹⁾	\$ 214
Asset impairment/accelerated depreciation	66
Implementation costs and other related costs ⁽²⁾	264
Total	\$ 544

⁽¹⁾ Includes \$13 of charges associated with the Snyder's-Lance cost transformation program and integration recognized in 2018.

⁽²⁾ Includes \$12 of charges associated with the Snyder's-Lance cost transformation program and integration recognized in 2018.

The total estimated pre-tax costs for actions that have been identified under both programs are approximately \$620 to \$665 and we expect to incur substantially all of the costs through 2020. This estimate will be updated as costs for the expanded initiatives are developed.

We expect the costs for actions that have been identified to date under both programs to consist of the following: approximately \$215 to \$220 in severance pay and benefits; approximately \$70 in asset impairment and accelerated depreciation; and approximately \$335 to \$375 in implementation costs and other related costs. We expect these pre-tax costs to be associated with our segments as follows: Meals and Beverages - approximately 37%; Global Biscuits and Snacks - approximately 39%; Campbell Fresh - approximately 2%; and Corporate - approximately 22%.

Of the aggregate \$620 to \$665 of pre-tax costs identified to date, we expect approximately \$540 to \$585 will be cash expenditures. In addition, we expect to invest approximately \$325 in capital expenditures through 2021, of which we invested approximately \$184 as of January 27, 2019. The capital expenditures primarily related to the U.S. warehouse optimization project, improvement of quality, safety and cost structure across the Snyder's-Lance manufacturing network, transition of production of the Toronto manufacturing facility to our U.S. thermal plants, insourcing of manufacturing for certain simple meal products, optimization of information technology infrastructure and applications, and optimization of the Snyder's-Lance warehouse and distribution network.

A summary of the restructuring activity and related reserves associated with both programs at January 27, 2019, is as follows:

	Severance Pay and Benefits	Implementation Costs and Other Related Costs ⁽³⁾	Asset Impairment/Accelerated Depreciation	Total Charges
Accrued balance at July 29, 2018 ⁽¹⁾	\$ 46			
2019 charges	21	28	21	\$ 70
2019 cash payments	(17)			
Accrued balance at January 27, 2019 ⁽²⁾	\$ 50			

⁽¹⁾ Includes \$24 of severance pay and benefits recorded in Other liabilities in the Consolidated Balance Sheet, \$1 of which is associated with the Snyder's-Lance cost transformation program and integration. Of total accrued balance, \$9 is associated with the Snyder's-Lance cost transformation program and integration.

⁽²⁾ Includes \$15 of severance pay and benefits recorded in Other liabilities in the Consolidated Balance Sheet.

⁽³⁾ Includes other costs recognized as incurred that are not reflected in the restructuring reserve in the Consolidated Balance Sheets. The costs are included in Administrative expenses, Cost of products sold, Marketing and selling expenses, and Research and development expenses in the Consolidated Statements of Earnings.

Segment operating results do not include restructuring charges, implementation costs and other related costs because we evaluate segment performance excluding such charges. A summary of the pre-tax costs associated with segments is as follows:

	January 27, 2019		
	Three Months Ended	Six Months Ended	Costs Incurred to Date ⁽¹⁾
Meals and Beverages	\$ 12	\$ 35	\$ 213
Global Biscuits and Snacks	7	16	192
Campbell Fresh	—	3	14
Corporate	5	16	125
Total	\$ 24	\$ 70	\$ 544

⁽¹⁾ Includes \$25 of pre-tax costs associated with the Global Biscuits and Snacks segment recognized in 2018 related to the Snyder's-Lance cost transformation program and integration.

8. Earnings per Share (EPS)

For the periods presented in the Consolidated Statements of Earnings, the calculations of basic EPS and EPS assuming dilution vary in that the weighted average shares outstanding assuming dilution include the incremental effect of stock options and other share-based payment awards, except when such effect would be antidilutive. The per share calculation for the three-month period ended January 27, 2019, excludes approximately 2 million stock options and restricted stock units that would have been antidilutive. The earnings per share calculation for the six-month period ended January 27, 2019, excludes approximately 2 million stock options that would have been antidilutive. The earnings per share calculation for the three-month period ended January 28, 2018, excludes approximately 2 million stock options that would have been antidilutive. The earnings per share calculation for the six-month period ended January 28, 2018, excludes approximately 1 million stock options that would have been antidilutive.

9. Noncontrolling Interests

We own a 60% controlling interest in a joint venture formed with Swire Pacific Limited to support our soup and broth business in China and a 70% controlling interest in a Malaysian food products manufacturing company. We also own a 99.8% interest in Acre Venture Partners, L.P. (Acre), a limited partnership formed to make venture capital investments in innovative new companies in food and food-related industries. See Note 12 for additional information.

On March 26, 2018, we acquired Snyder's-Lance, including an 80% interest in one of its subsidiaries. In April 2018, we purchased the remaining 20% interest for \$47.

The noncontrolling interests' share in the net earnings (loss) was included in Net earnings (loss) attributable to noncontrolling interests in the Consolidated Statements of Earnings. The noncontrolling interests in these entities were included in Total equity in the Consolidated Balance Sheets and Consolidated Statements of Equity.

10. Pension and Postretirement Benefits

Components of net benefit expense (income) were as follows:

	Three Months Ended				Six Months Ended			
	Pension		Postretirement		Pension		Postretirement	
	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018
Service cost	\$ 6	\$ 6	\$ —	\$ —	\$ 11	\$ 12	\$ —	\$ —
Interest cost	20	18	2	2	41	37	4	4
Expected return on plan assets	(35)	(36)	—	—	(71)	(72)	—	—
Amortization of prior service credit	—	—	(7)	(6)	—	—	(14)	(13)
Special termination benefits	—	2	—	—	—	2	—	—
Net periodic benefit income	\$ (9)	\$ (10)	\$ (5)	\$ (4)	\$ (19)	\$ (21)	\$ (10)	\$ (9)

The special termination benefits of \$2 related to the planned closure of the manufacturing facility in Toronto, Ontario, and were included in Restructuring charges. See Note 7.

The components of net periodic benefit expense (income) other than the service cost component are included in Other expenses / (income) in the Consolidated Statements of Earnings.

11. Financial Instruments

The principal market risks to which we are exposed are changes in foreign currency exchange rates, interest rates, and commodity prices. In addition, we are exposed to equity price changes related to certain deferred compensation obligations. In order to manage these exposures, we follow established risk management policies and procedures, including the use of derivative contracts such as swaps, rate locks, options, forwards and commodity futures. We enter into these derivative contracts for periods consistent with the related underlying exposures, and the contracts do not constitute positions independent of those exposures. We do not enter into derivative contracts for speculative purposes and do not use leveraged instruments. Our derivative programs include instruments that qualify and others that do not qualify for hedge accounting treatment.

Concentration of Credit Risk

We are exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. To mitigate counterparty credit risk, we enter into contracts only with carefully selected, leading, credit-worthy financial institutions, and distribute contracts among several financial institutions to reduce the concentration of credit risk. We did not have credit-risk-related contingent features in our derivative instruments as of January 27, 2019, or July 29, 2018.

We are also exposed to credit risk from our customers. During 2018, our largest customer accounted for approximately 18% of consolidated net sales. Our five largest customers accounted for approximately 38% of our consolidated net sales in 2018.

We closely monitor credit risk associated with counterparties and customers.

Foreign Currency Exchange Risk

We are exposed to foreign currency exchange risk related to our international operations, including non-functional currency intercompany debt and net investments in subsidiaries. We are also exposed to foreign exchange risk as a result of transactions in currencies other than the functional currency of certain subsidiaries. Principal currencies hedged include the Canadian dollar, Australian dollar and U.S. dollar. We utilize foreign exchange forward purchase and sale contracts, as well as cross-currency swaps, to hedge these exposures. The contracts are either designated as cash-flow hedging instruments or are undesignated. We hedge portions of our forecasted foreign currency transaction exposure with foreign exchange forward contracts for periods typically up to 18 months. To hedge currency exposures related to intercompany debt, we enter into foreign exchange forward purchase and sale contracts, as well as cross-currency swap contracts, for periods consistent with the underlying debt. The notional amount of foreign exchange forward contracts accounted for as cash-flow hedges was \$79 at January 27, 2019, and \$104 at July 29, 2018. The effective portion of the changes in fair value on these instruments is recorded in other comprehensive income (loss) and is reclassified into the Consolidated Statements of Earnings on the same line item and the same period in which the underlying hedged transaction affects earnings. The notional amount of foreign exchange forward contracts that are not designated as accounting hedges was \$157 and \$140 at January 27, 2019, and July 29, 2018, respectively. There were no cross-currency swap contracts outstanding as of January 27, 2019, or July 29, 2018.

Interest Rate Risk

We manage our 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 our variable-to-total debt ratio within targeted guidelines. Receive fixed rate/pay variable rate interest rate swaps are accounted for as fair-value hedges. We manage our exposure to interest rate volatility on future debt issuances by entering into forward starting interest rate swaps or treasury rate lock contracts to lock in the rate on the interest payments related to the anticipated debt issuances. The contracts are either designated as cash-flow hedging instruments or are undesignated. The effective portion of the changes in fair value on designated instruments is recorded in other comprehensive income (loss) and reclassified into the Consolidated Statements of Earnings over the life of the debt. The change in fair value on undesignated instruments is recorded in interest expense. There were no forward starting interest rate swaps or treasury rate lock contracts outstanding as of January 27, 2019, or July 29, 2018.

Commodity Price Risk

We principally use 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. We also enter into commodity futures, options and swap contracts to reduce the volatility of price fluctuations of diesel fuel, wheat, soybean oil, aluminum, natural gas, cocoa, soybean meal, corn, butter, and cheese, which impact the cost of raw materials. Commodity futures, options, and swap contracts are either designated as cash-flow hedging instruments or are undesignated. We hedge a portion of commodity requirements for periods typically up to 18 months. There were no commodity contracts accounted for as cash-flow hedges as of January 27, 2019, or July 29, 2018. The notional amount of commodity contracts not designated as accounting hedges was \$165 at January 27, 2019, and \$118 at July 29, 2018.

In 2017, we entered into a supply contract under which prices for certain raw materials are established based on anticipated volume requirements over a twelve-month period. Certain prices under the contract are based in part on certain component parts of the raw materials that are in excess of our needs or not required for our operations, thereby creating an embedded derivative requiring bifurcation. We net settle amounts due under the contract with our counterparty. The notional value was approximately \$59 as of January 27, 2019, and \$33 as of July 29, 2018. The fair value was not material as of January 27, 2019, and July 29, 2018. Unrealized gains (losses) and settlements are included in Cost of products sold in our Consolidated Statements of Earnings.

Equity Price Risk

We enter into swap contracts which hedge a portion of exposures relating to certain deferred compensation obligations linked to the total return of our capital stock, the total return of the Vanguard Institutional Index, and the total return of the Vanguard Total International Stock Index. Under these contracts, we pay variable interest rates and receive from the counterparty either: the total return on our capital stock; the total return of the Standard & Poor's 500 Index, which is expected to approximate the total return of the Vanguard Institutional Index; or the total return of the iShares MSCI EAFE Index, which is expected to approximate the total return of the Vanguard Total International Stock Index. These contracts were not designated as hedges for accounting purposes. We enter into these contracts for periods typically not exceeding 12 months. The notional amounts of the contracts were \$41 as of January 27, 2019, and July 29, 2018.

The following table summarizes the fair value of derivative instruments on a gross basis as recorded in the Consolidated Balance Sheets as of January 27, 2019, and July 29, 2018:

	Balance Sheet Classification	January 27, 2019	July 29, 2018
Asset Derivatives			
Derivatives designated as hedges:			
Foreign exchange forward contracts	Other current assets	\$ —	\$ 1
Total derivatives designated as hedges		\$ —	\$ 1
Derivatives not designated as hedges:			
Commodity derivative contracts	Other current assets	\$ 4	\$ 5
Deferred compensation derivative contracts	Other current assets	2	1
Foreign exchange forward contracts	Other current assets	3	3
Total derivatives not designated as hedges		\$ 9	\$ 9
Total asset derivatives		\$ 9	\$ 10
Liability Derivatives			
Derivatives designated as hedges:			
Foreign exchange forward contracts	Accrued liabilities	\$ 2	\$ 2
Total derivatives designated as hedges		\$ 2	\$ 2
Derivatives not designated as hedges:			
Commodity derivative contracts	Accrued liabilities	\$ 4	\$ 3
Foreign exchange forward contracts	Accrued liabilities	1	—
Commodity derivative contracts	Other liabilities	—	1
Total derivatives not designated as hedges		\$ 5	\$ 4
Total liability derivatives		\$ 7	\$ 6

We do not offset the fair values of derivative assets and liabilities executed with the same counterparty that are generally subject to enforceable netting agreements. However, if we were to offset and record the asset and liability balances of derivatives on a net basis, the amounts presented in the Consolidated Balance Sheets as of January 27, 2019, and July 29, 2018, would be adjusted as detailed in the following table:

Derivative Instrument	January 27, 2019			July 29, 2018		
	Gross Amounts Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet Subject to Netting Agreements	Net Amount	Gross Amounts Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet Subject to Netting Agreements	Net Amount
Total asset derivatives	\$ 9	\$ (5)	\$ 4	\$ 10	\$ (3)	\$ 7
Total liability derivatives	\$ 7	\$ (5)	\$ 2	\$ 6	\$ (3)	\$ 3

We are required to maintain cash margin accounts in connection with funding the settlement of open positions for exchange-traded commodity derivative instruments. At January 27, 2019, and July 29, 2018, a cash margin account balance of \$7 and \$2, respectively, was included in Other current assets in the Consolidated Balance Sheets.

The following tables show the effect of our derivative instruments designated as cash-flow hedges for the three- and six- month periods ended January 27, 2019, and January 28, 2018, in other comprehensive income (loss) (OCI) and the Consolidated Statements of Earnings:

Derivatives Designated as Cash-Flow Hedges	Total Cash-Flow Hedge OCI Activity	
	January 27, 2019	January 28, 2018
Three Months Ended		
OCI derivative gain (loss) at beginning of quarter	\$ (7)	\$ (27)
Effective portion of changes in fair value recognized in OCI:		
Foreign exchange forward contracts	(1)	(5)
Forward starting interest rate swaps	—	7
Amount of (gain) loss reclassified from OCI to earnings:	Location in Earnings	
Foreign exchange forward contracts	Cost of products sold	2
Forward starting interest rate swaps	Interest expense	1
OCI derivative gain (loss) at end of quarter	\$ (8)	\$ (22)

Six Months Ended		
OCI derivative gain (loss) at beginning of year	\$ (8)	\$ (34)
Effective portion of changes in fair value recognized in OCI:		
Foreign exchange forward contracts	(1)	1
Forward starting interest rate swaps	—	10
Amount of (gain) loss reclassified from OCI to earnings:	Location in Earnings	
Forward starting interest rate swaps	Interest expense	1
OCI derivative gain (loss) at end of quarter	\$ (8)	\$ (22)

Based on current valuations, the amount expected to be reclassified from OCI into earnings within the next 12 months is a gain of \$1. The ineffective portion and amount excluded from effectiveness testing were not material.

The following table shows the effects of our derivative instruments not designated as hedges for the three- and six-month periods ended January 27, 2019, and January 28, 2018, in the Consolidated Statements of Earnings:

Derivatives not Designated as Hedges	Location of (Gain) Loss Recognized in Earnings	Amount of (Gain) Loss Recognized in Earnings on Derivatives			
		Three Months Ended		Six Months Ended	
		January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018
Foreign exchange forward contracts	Other expenses / (income)	\$ —	\$ —	\$ —	\$ (1)
Commodity derivative contracts	Cost of products sold	—	(2)	1	—
Deferred compensation derivative contracts	Administrative expenses	—	(4)	3	(5)
Treasury rate lock contracts	Interest expense	—	(1)	—	(1)
Total (gain) loss at end of quarter		\$ —	\$ (7)	\$ 4	\$ (7)

12. Variable Interest Entity

In February 2016, we agreed to make a capital commitment subject to certain qualifications of up to \$125 to Acre, a limited partnership formed to make venture capital investments in innovative new companies in food and food-related industries. Acre is managed by its general partner, Acre Ventures GP, LLC, which is independent of us. We are the sole limited partner of Acre and own a 99.8% interest. Our share of earnings (loss) is calculated according to the terms of the partnership agreement. Acre is a VIE. We have determined that we are the primary beneficiary. Therefore, we consolidate Acre and account for the third-party ownership as a noncontrolling interest. Through January 27, 2019, we funded \$82 of the capital commitment. On August 29, 2018, we provided notice of termination of the investment period and have no obligation to make any further capital contributions to Acre for new investments, but are required to pay obligations made prior to the notice of termination, the management fee and permitted partnership expenses.

Acre elected the fair value option to account for qualifying investments to more appropriately reflect the value of the investments in the financial statements. The investments were \$70 and \$77 as of January 27, 2019, and July 29, 2018, respectively, and are included in Other assets on the Consolidated Balance Sheets. Changes in the fair values of investments for which the fair value option was elected are included in Other expenses / (income) on the Consolidated Statements of Earnings. Current assets and liabilities of Acre were not material as of January 27, 2019, or July 29, 2018.

13. Fair Value Measurements

We categorize financial assets and liabilities based on the following fair value hierarchy:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with observable market data.
- Level 3: Unobservable inputs, which are valued based on our estimates of assumptions that market participants would use in pricing the asset or liability.

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. When available, we use unadjusted quoted market prices to measure the fair value and classify such items as Level 1. If quoted market prices are not available, we base fair value upon internally developed models that use current market-based or independently sourced market parameters such as interest rates and currency rates. Included in the fair value of derivative instruments is an adjustment for credit and nonperformance risk.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents our financial assets and liabilities that are measured at fair value on a recurring basis as of January 27, 2019, and July 29, 2018, consistent with the fair value hierarchy:

	Fair Value as of January 27, 2019	Fair Value Measurements at January 27, 2019 Using Fair Value Hierarchy			Fair Value as of July 29, 2018	Fair Value Measurements at July 29, 2018 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets								
Foreign exchange forward contracts ⁽¹⁾	\$ 3	\$ —	\$ 3	\$ —	\$ 4	\$ —	\$ 4	\$ —
Commodity derivative contracts ⁽²⁾	4	2	2	—	5	5	—	—
Deferred compensation derivative contracts ⁽³⁾	2	—	2	—	1	—	1	—
Deferred compensation investments ⁽⁴⁾	4	4	—	—	6	6	—	—
Fair value option investments ⁽⁵⁾	70	—	—	70	77	—	—	77
Total assets at fair value	\$ 83	\$ 6	\$ 7	\$ 70	\$ 93	\$ 11	\$ 5	\$ 77

	Fair Value as of January 27, 2019	Fair Value Measurements at January 27, 2019 Using Fair Value Hierarchy			Fair Value as of July 29, 2018	Fair Value Measurements at July 29, 2018 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Liabilities								
Foreign exchange forward contracts ⁽¹⁾	\$ 3	\$ —	\$ 3	\$ —	\$ 2	\$ —	\$ 2	\$ —
Commodity derivative contracts ⁽²⁾	4	3	1	—	4	3	1	—
Deferred compensation obligation ⁽⁴⁾	105	105	—	—	108	108	—	—
Total liabilities at fair value	\$ 112	\$ 108	\$ 4	\$ —	\$ 114	\$ 111	\$ 3	\$ —

(1) Based on observable market transactions of spot currency rates and forward rates.

(2) Based on quoted futures exchanges and on observable prices of transactions in the marketplace.

(3) Based on LIBOR and equity index swap rates.

(4) Based on the fair value of the participants' investments.

(5) Primarily represents investments in equity securities that are not readily marketable and are accounted for under the fair value option. The investments were funded by Acre. See Note 12 for additional information. Fair value is based on analyzing recent transactions and transactions of comparable companies, and the discounted cash flow method. In addition, allocation methods, including the option pricing method, are used in distributing fair value among various equity holders according to rights and preferences.

The following table summarizes the changes in fair value of Level 3 investments for the six-month periods ended January 27, 2019 and January 28, 2018:

	Six Months Ended	
	January 27, 2019	January 28, 2018
Fair value at beginning of year	\$ 77	\$ 49
Gains / (losses)	(7)	9
Purchases	—	12
Fair value at end of quarter	\$ 70	\$ 70

Items Measured at Fair Value on a Nonrecurring Basis

In addition to assets and liabilities that are measured at fair value on a recurring basis, we are also required to measure certain items at fair value on a nonrecurring basis.

In 2019, we recognized impairment charges on trademarks, plant assets, customer relationships and technology in connection with interim assessments of fair value on intangible and tangible assets in Campbell Fresh. See also Note 5 for additional information on the impairment charges.

In the fourth quarter of 2018, as part of our annual review of intangible assets, we recognized an impairment charge of \$54 on the *Plum* trademark, which reduced the carrying value to fair value of \$61.

Fair value was determined based on unobservable Level 3 inputs. The fair value of plant assets was determined based on cash flows associated with the asset group that include significant management assumptions, including expected proceeds. The fair values of trademarks, customer relationships and technology were determined based on discounted cash flow analyses that include significant management assumptions such as revenue growth rates, weighted average cost of capital, assumed royalty rates and attrition.

The following table presents 2019 fair value measurements:

January 27, 2019	Impairment Charges				Fair Value			
	Plant Assets	Trademarks	Customer Relationships	Technology	Plant Assets	Trademarks	Customer Relationships	Technology
Bolthouse Farms carrot and carrot ingredients	\$ 104	\$ 18	\$ 40	\$ 15	\$ 102	\$ 30	\$ 15	\$ 10
Bolthouse Farms refrigerated beverages and salad dressings	\$ 9	\$ 74	\$ 22		\$ 100	\$ 76	\$ 12	
Garden Fresh Gourmet	\$ 2	\$ 23	\$ 39		\$ 25	\$ —	\$ —	
October 28, 2018								
Refrigerated soup	\$ 14				\$ 38			

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings, excluding the current portion of long-term debt, approximate fair value.

Cash equivalents of \$19 at January 27, 2019, and \$14 at July 29, 2018, represent fair value as these highly liquid investments have an original maturity of three months or less. Fair value of cash equivalents is based on Level 2 inputs.

The fair value of long-term debt, including the current portion of long-term debt in Short-term borrowings, was \$8,028 at January 27, 2019, and \$8,347 at July 29, 2018. The carrying value was \$8,325 at January 27, 2019, and \$8,595 at July 29, 2018. The fair value of long-term debt is principally estimated using Level 2 inputs based on quoted market prices or pricing models using current market rates.

14. Share Repurchases

In March 2017, the Board authorized a share repurchase program to purchase up to \$1,500. The program has no expiration date, but it may be suspended or discontinued at any time. In addition to this publicly announced program, we have a separate Board authorization to purchase shares to offset the impact of dilution from shares issued under our stock compensation plans. We suspended our share repurchases as of the second quarter of 2018. Approximately \$1,296 remained available under the March 2017 program as of January 27, 2019. During the six-month period ended January 28, 2018, we repurchased 2 million shares at a cost of \$86.

15. Stock-based Compensation

We provide compensation benefits by issuing stock options, unrestricted stock and restricted stock units (including time-lapse restricted stock units, EPS performance restricted stock units, total shareholder return (TSR) performance restricted stock units, and free cash flow (FCF) performance restricted stock units). In 2019, we issued stock options, time-lapse restricted stock units, unrestricted stock, TSR performance restricted stock units and FCF performance restricted stock units. We have not issued EPS performance restricted stock units in 2019.

Total pre-tax stock-based compensation expense and tax-related benefits recognized in the Consolidated Statements of Earnings were as follows:

	Three Months Ended		Six Months Ended	
	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018
Total pre-tax stock-based compensation expense	\$ 17	\$ 18	\$ 31	\$ 32
Tax-related benefits	3	2	6	7

The following table summarizes stock option activity as of January 27, 2019:

	Options (Options in thousands)	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life (In years)	Aggregate Intrinsic Value
Outstanding at July 29, 2018	1,537	\$ 50.36		
Granted	596	\$ 35.74		
Exercised	—	\$ —		
Terminated	(74)	\$ 49.05		
Outstanding at January 27, 2019	2,059	\$ 46.17	7.8	\$ —
Exercisable at January 27, 2019	1,035	\$ 50.88	6.4	\$ —

No options were exercised during the six-month period ended January 28, 2018. We measure the fair value of stock options using the Black-Scholes option pricing model. The expected term of options granted was based on the weighted average time of vesting and the end of the contractual term. We utilized this simplified method as we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term.

The weighted-average assumptions and grant-date fair values for grants in 2019 and 2018 were as follows:

	2019	2018
Risk-free interest rate	2.79%	2.06%
Expected dividend yield	3.84%	2.95%
Expected volatility	25.28%	19.60%
Expected term	6.1 years	6 years
Grant-date fair value	\$6.27	\$6.67

We expense stock options on a straight-line basis over the vesting period, except for awards issued to retirement eligible participants, which we expense on an accelerated basis. As of January 27, 2019, total remaining unearned compensation related to nonvested stock options was \$3, which will be amortized over the weighted-average remaining service period of 2.4 years.

The following table summarizes time-lapse restricted stock units and EPS performance restricted stock units as of January 27, 2019:

	Units (Restricted stock units in thousands)	Weighted- Average Grant-Date Fair Value
Nonvested at July 29, 2018	1,652	\$ 47.01
Granted	1,171	\$ 36.35
Vested	(641)	\$ 47.90
Forfeited	(188)	\$ 41.50
Nonvested at January 27, 2019	1,994	\$ 40.98

We determine the fair value of time-lapse restricted stock units and EPS performance restricted stock units based on the quoted price of our stock at the date of grant. We expense time-lapse restricted stock units on a straight-line basis over the vesting period, except for awards issued to retirement-eligible participants, which we expense on an accelerated basis. We expense EPS performance restricted stock units on a graded-vesting basis, except for awards issued to retirement-eligible participants, which we expense on an accelerated basis. There were 66 thousand EPS performance target grants outstanding at January 27, 2019, with a weighted-average grant-date fair value of \$49.10. The actual number of EPS performance restricted stock units issued at the vesting date could range from 0% to 100% of the initial grant, depending on actual performance achieved. We estimate expense based on the number of awards expected to vest.

As of January 27, 2019, total remaining unearned compensation related to nonvested time-lapse restricted stock units and EPS performance restricted stock units was \$47, which will be amortized over the weighted-average remaining service period of 1.9 years. The fair value of restricted stock units vested during the six-month periods ended January 27, 2019, and January 28, 2018,

was \$24, and \$30, respectively. The weighted-average grant-date fair value of the restricted stock units granted during the six-month period ended January 28, 2018, was \$46.95.

In 2019, we issued approximately 388 thousand FCF performance restricted stock units for which vesting is contingent upon the achievement of free cash flow (defined as Net cash provided by operating activities less capital expenditures and certain investing and financing activities) compared to annual operating plan objectives over a three-year period. An annual objective will be established each fiscal year for three consecutive years. Performance against these objectives will be averaged at the end of the three-year period to determine the number of underlying units that will vest at the end of the three years. The actual number of FCF performance restricted stock units issued at the vesting date could range from 0% to 200% of the initial grant depending on actual performance achieved. The fair value of FCF performance restricted stock units will be based upon the quoted price of our stock at the date of grant. We will expense FCF performance restricted stock units over the requisite service period of each objective.

The following table summarizes TSR performance restricted stock units as of January 27, 2019:

	Units (Restricted stock units in thousands)		Weighted- Average Grant-Date Fair Value
Nonvested at July 29, 2018	1,664	\$	46.66
Granted	388	\$	31.29
Vested	—	\$	—
Forfeited	(689)	\$	56.57
Nonvested at January 27, 2019	1,363	\$	37.28

We estimated the fair value of TSR performance restricted stock units at the grant date using a Monte Carlo simulation. Weighted-average assumptions used in the Monte Carlo simulations were as follows:

	2019	2018
Risk-free interest rate	2.80%	1.58%
Expected dividend yield	3.79%	2.95%
Expected volatility	24.50%	19.07%
Expected term	3 years	3 years

We recognize compensation expense on a straight-line basis over the service period. As of January 27, 2019, total remaining unearned compensation related to TSR performance restricted stock units was \$21, which will be amortized over the weighted-average remaining service period of 1.9 years. In the first quarter of 2019, recipients of TSR performance restricted stock units earned 0% of the initial grants based upon our TSR ranking in a performance peer group during a three-year period ended July 27, 2018. In the first quarter of 2018, recipients of TSR performance restricted stock units earned 125% of the initial grants based upon our TSR ranking in a performance peer group during a three-year period ended July 28, 2017. As a result, approximately 160 thousand additional shares were awarded. The fair value of TSR performance restricted stock units vested during the six-month period ended January 28, 2018, was \$38. The grant-date fair value of the TSR performance restricted stock units granted during 2018 was \$39.39.

The excess tax deficiencies of \$2 in the six-month period ended January 27, 2019, and the excess tax benefits of \$4 in the six-month period ended January 28, 2018, on vested restricted stock were presented as cash flows from operating activities.

16. Commitments and Contingencies

We are involved in various pending or threatened legal or regulatory proceedings, including purported class actions, arising from the conduct of business both in the ordinary course and otherwise. Modern pleading practice in the U.S. permits considerable variation in the assertion of monetary damages or other relief. Jurisdictions may permit claimants not to specify the monetary damages sought or may permit claimants to state only that the amount sought is sufficient to invoke the jurisdiction of the trial court. In addition, jurisdictions may permit plaintiffs to allege monetary damages in amounts well exceeding reasonably possible verdicts in the jurisdiction for similar matters. This variability in pleadings, together with our actual experiences in litigating or resolving through settlement numerous claims over an extended period of time, demonstrates to us that the monetary relief which may be specified in a lawsuit or claim bears little relevance to its merits or disposition value.

Due to the unpredictable nature of litigation, the outcome of a litigation matter and the amount or range of potential loss at particular points in time is normally difficult to ascertain. Uncertainties can include how fact finders will evaluate documentary

evidence and the credibility and effectiveness of witness testimony, and how trial and appellate courts will apply the law in the context of the pleadings or evidence presented, whether by motion practice, or at trial or on appeal. Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel will themselves view the relevant evidence and applicable law.

On January 7, 2019, three purported shareholder class action lawsuits pending in the United States District Court for the District of New Jersey were consolidated under the caption, *In re Campbell Soup Company Securities Litigation*, Civ. No. 1:18-cv-14385-NLH-JS (the Action). Oklahoma Firefighters Pension and Retirement System was appointed lead plaintiff in the Action and, on March 1, 2019, filed an amended consolidated complaint. The company, Denise Morrison (the company's former President and Chief Executive Officer), and Anthony DiSilvestro (the company's Senior Vice President and Chief Financial Officer) are defendants in the Action. The consolidated complaint alleges that, in public statements between July 19, 2017 and May 17, 2018, the defendants made materially false and misleading statements and/or omitted material information about the company's business, operations, customer relationships, and prospects, specifically with regard to the Campbell Fresh segment. The consolidated complaint seeks unspecified monetary damages and other relief. We intend to vigorously defend against the Action.

We establish liabilities for litigation and regulatory loss contingencies when information related to the loss contingencies shows both that it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. It is possible that some matters could require us to pay damages or make other expenditures or establish accruals in amounts that could not be reasonably estimated as of January 27, 2019. While the potential future charges could be material in a particular quarter or annual period, based on information currently known by us, we do not believe any such charges are likely to have a material adverse effect on our consolidated results of operations or financial condition.

17. Supplemental Financial Statement Data

Balance Sheets

	January 27, 2019	July 29, 2018
Inventories		
Raw materials, containers and supplies	\$ 465	\$ 478
Finished products	611	721
Total	<u>\$ 1,076</u>	<u>\$ 1,199</u>

Statements of Earnings

	Three Months Ended		Six Months Ended	
	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018
Other expenses / (income)				
Amortization of intangible assets	\$ 15	\$ 4	\$ 30	\$ 8
Impairment of intangible assets ⁽¹⁾	231	75	231	75
Net periodic benefit income other than the service cost	(20)	(22)	(40)	(64)
Investment (gains) / losses	(2)	(8)	7	—
Transaction costs ⁽²⁾	—	24	—	24
Other	2	(3)	2	(2)
Total	<u>\$ 226</u>	<u>\$ 70</u>	<u>\$ 230</u>	<u>\$ 41</u>

⁽¹⁾ In 2019 we recognized impairment charges of \$231 related to intangible assets within the Campbell Fresh segment. In 2018, we recognized an impairment charge of \$75 related to the goodwill of the Bolthouse Farms carrot and carrot ingredients reporting unit. See Note 5 for additional information.

⁽²⁾ In 2018, we recognized transaction costs of \$24 related to the acquisition of Snyder's-Lance. See Note 3 for additional information.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

This Management's Discussion and Analysis of Financial Condition and Results of Operations is provided as a supplement to, and should be read in conjunction with, the Consolidated Financial Statements and the Notes to the Consolidated Financial Statements in "Part I - Item 1. Financial Statements," and our Form 10-K for the year ended July 29, 2018, including but not limited to "Part I - Item 1A. Risk Factors" and "Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Executive Summary

Unless otherwise stated, the terms "we," "us," "our" and the "company" refer to Campbell Soup Company and its consolidated subsidiaries.

We are a manufacturer and marketer of high-quality, branded food and beverage products. We operate in a highly competitive industry and experience competition in all of our categories. On December 12, 2017, we completed the acquisition of Pacific Foods of Oregon, LLC (Pacific Foods). The purchase price was \$688 million. On March 26, 2018, we completed the acquisition of Snyder's-Lance, Inc. (Snyder's-Lance) for total consideration of \$6.112 billion. For additional information on our recent acquisitions, see Note 3 to the Consolidated Financial Statements.

In August 2018, we announced the results of our comprehensive Board of Directors-led strategy and portfolio review. The Board of Directors concluded that the best path forward is to: optimize our portfolio and focus on our core businesses with an emphasis on execution; divest certain non-core businesses in order to focus the company, while significantly paying down debt; and increase our cost savings initiatives, while driving improved asset efficiency. Following the review, we commenced plans to pursue the divestiture of businesses within two operating segments: our international biscuits and snacks operating segment, which includes Arnott's, Kelsen and our operations in Indonesia, Malaysia, Hong Kong and Japan; and the Campbell Fresh operating segment, which includes Bolthouse Farms, Garden Fresh Gourmet and the U.S. refrigerated soup business. The international biscuits and snacks operating segment and the Campbell Fresh operating segment combined represent approximately \$2.1 billion in net sales in 2018. We expect to use the proceeds from these divestitures to reduce debt. On February 25, 2019, we sold our refrigerated soup plant and we entered into an agreement to sell our Garden Fresh Gourmet business. Proceeds are expected to be approximately \$60 million.

Through the fourth quarter of 2018, our simple meals and shelf-stable beverage business in Latin America was managed as part of the Global Biscuits and Snacks segment. Beginning in 2019, our business in Latin America is managed as part of the Meals and Beverages segment. Segment results have been adjusted retrospectively to reflect this change.

Summary of Results

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

- Net sales increased 24% in the current quarter to \$2.713 billion, reflecting a 26-point benefit from the acquisitions of Snyder's-Lance and Pacific Foods. Excluding the acquisitions, net sales declined due to the negative impact from currency translation and higher promotional spending.
- Gross profit, as a percent of sales, decreased to 26.3% from 35.1% in the year-ago quarter. The decrease was primarily due to impairment charges in the current quarter on the plant assets of Campbell Fresh, cost inflation and higher supply chain costs, and the dilutive impact of acquisitions, partially offset by productivity improvements.
- Marketing and selling expenses increased 16% to \$264 million from \$228 million in the year-ago quarter. The increase was primarily due to the impact of acquisitions, partially offset by lower marketing overhead spending.
- Administrative expenses increased 9% to \$180 million from \$165 million in the year-ago quarter. The increase was primarily due to the impact of acquisitions and costs associated with planned divestitures in the current year, partially offset by lower costs associated with cost savings initiatives.
- Other expenses / (income) increased to expense of \$226 million in the current quarter from expense of \$70 million in the year-ago quarter. The current quarter included non-cash impairment charges of \$231 million on the intangible assets of Campbell Fresh. The year-ago quarter included a non-cash impairment charge of \$75 million on the intangible assets of the Bolthouse Farms carrot and carrot ingredients reporting unit and transaction costs of \$24 million associated with the acquisition of Snyder's-Lance. The remaining change was primarily due to higher amortization of intangible assets from the recent acquisitions in the current quarter and lower gains on investments.
- Interest expense increased to \$93 million in the current quarter from \$32 million in the year-ago quarter primarily due to higher levels of debt associated with funding the acquisitions discussed above.

- The effective tax rate was 19.2% in the current quarter compared to negative 35.1% in the year-ago quarter. The current quarter included a tax charge of \$2 million on a transition tax on unremitted foreign earnings as a result of the enactment of the Tax Cuts and Jobs Act of 2017 (the Act). The year-ago quarter included a \$124 million net tax benefit related to the remeasurement of deferred tax assets and liabilities and a transition tax on unremitted foreign earnings as a result of the Act. After adjusting for these amounts, the remaining increase was primarily due to the cumulative year-to-date benefit in the prior year of the lower U.S. federal tax rate resulting from the enactment of the Act in December 2017.
- We reported a loss per share of \$.20 in the current quarter, compared to earnings of \$.95 in the year-ago quarter. The impact of the adoption new accounting guidance for revenue recognition was an increase of \$.03 per share in the current quarter. The current and prior-year quarter included expenses of \$.97 and \$.05 per share, respectively, from items impacting comparability as discussed below.
- Cash flows from operations were \$846 million in 2019, compared to \$660 million in 2018. The increase was primarily due to lower working capital requirements, reflecting significant improvements in our working capital management efforts, and lapping payments on hedges associated with an anticipated debt issuance in the prior year, partially offset by lower cash earnings.

Net Earnings attributable to Campbell Soup Company

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

- In 2015, we implemented initiatives to reduce costs and to streamline our organizational structure. In 2017, we expanded these cost savings initiatives by further optimizing our supply chain network, primarily in North America, continuing to evolve our operating model to drive efficiencies, and more fully integrating our recent acquisitions. In January 2018, as part of the expanded initiatives, we authorized additional costs to improve the operational efficiency of our thermal supply chain network in North America by closing our manufacturing facility in Toronto, Ontario, and to optimize our information technology infrastructure by migrating certain applications to the latest cloud technology platform. In August 2018, we announced that we will continue to streamline our organization, expand our zero-based budgeting efforts and optimize our manufacturing network. In 2019, we began to include costs associated with the Snyder's-Lance cost transformation program and integration with these initiatives. In the second quarter of 2019, we recorded a pre-tax restructuring charge of \$2 million and implementation costs and other related costs of \$10 million in Administrative expenses, \$9 million in Cost of products sold, \$2 million in Marketing and selling expenses, and \$1 million in Research and development expenses (aggregate impact of \$18 million after tax, or \$.06 per share) related to these initiatives. Year-to-date in 2019, we recorded a pre-tax restructuring charge of \$21 million and implementation costs and other related costs of \$23 million in Administrative expenses, \$21 million in Cost of products sold, \$4 million in Marketing and selling expenses, and \$1 million in Research and development expenses (aggregate impact of \$53 million after tax, or \$.18 per share) related to these initiatives. In the second quarter of 2018, we recorded a pre-tax restructuring charge of \$33 million and implementation costs and other related costs of \$26 million in Administrative expenses and \$1 million in Cost of products sold (aggregate impact of \$46 million after tax, or \$.15 per share) related to these initiatives. Year-to-date in 2018, we recorded a pre-tax restructuring charge of \$35 million and implementation costs and other related costs of \$38 million in Administrative expenses and \$6 million in Cost of products sold (aggregate impact of \$58 million after tax, or \$.19 per share) related to these initiatives. See Note 7 to the Consolidated Financial Statements and "Restructuring Charges and Cost Savings Initiatives" for additional information;
- In the second quarter of 2019, interim impairment assessments were performed on the intangible and tangible assets within Campbell Fresh, which includes Garden Fresh Gourmet, Bolthouse Farms carrot and carrot ingredients and Bolthouse Farms refrigerated beverages and salad dressings, as we continue to pursue the divestiture of these businesses. We revised our future outlook for earnings and cash flows for each of these businesses as the divestiture process progressed. We recorded non-cash impairment charges of \$104 million on the tangible assets and \$73 million on the intangible assets of Bolthouse Farms carrot and carrot ingredients; \$96 million on the intangible assets and \$9 million on the tangible assets of Bolthouse Farms refrigerated beverages and salad dressings; and \$62 million on the intangible assets and \$2 million on the tangible assets of Garden Fresh Gourmet. The aggregate impact of the impairment charges was \$346 million, of which \$115 million was recorded in Cost of products sold and \$231 million in Other expenses / (income), (\$264 million after tax, or \$.88 per share).

In the first quarter of 2019, we recorded a non-cash impairment charge of \$14 million in Cost of products sold (\$11 million after tax, or \$.04 per share) on our U.S. refrigerated soup plant assets. Year-to-date in 2019, we recorded non-cash impairment charges of \$360 million, of which \$129 million was recorded in Cost of products sold and \$231 million in Other expenses / (income), (\$275 million after tax, or \$.91 per share).

In the second quarter of 2018, we performed an interim impairment assessment on the intangible assets of the Bolthouse Farms carrot and carrot ingredients reporting unit as operating performance was below expectations. We revised our

outlook for future earnings and cash flows and recorded a non-cash impairment charge of \$75 million in Other expenses / (income) (\$74 million after tax, or \$.25 per share);

- In the first quarter of 2019, we announced our intent to divest our Campbell International and Campbell Fresh businesses. In the second quarter of 2019, we incurred costs of \$10 million in Administrative expenses (\$8 million after tax, or \$.03 per share) associated with the planned divestitures. Year-to-date in 2019, we incurred costs of \$12 million in Administrative expenses (\$9 million after tax, or \$.03 per share) associated with the planned divestitures;
- In the second quarter of 2019 and 2018, we reflected the impact on taxes of the enactment of the Act that was signed into law in December 2017. In the second quarter of 2019, we recorded a tax charge of \$2 million (\$.01 per share) related to a transition tax on unremitted foreign earnings. In the second quarter of 2018, we recorded a tax benefit of \$183 million due to the remeasurement of deferred tax assets and liabilities, and a tax charge of \$59 million related to a transition tax on unremitted foreign earnings. The net impact was a tax benefit of \$124 million (\$.41 per share);
- In the second quarter of 2018, we announced our intent to acquire Snyder's-Lance and incurred transaction costs of \$24 million in Other expenses / (income) (\$19 million after tax, or \$.06 per share); and
- Year-to-date in 2018, we recognized gains of \$14 million in Other expenses / (income) (\$10 million after tax, or \$.03 per share) associated with mark-to-market adjustments for defined benefit pension and postretirement plans.

The items impacting comparability are summarized below:

(Millions, except per share amounts)	Three Months Ended			
	January 27, 2019		January 28, 2018	
	Earnings Impact	EPS Impact	Earnings Impact	EPS Impact
Net earnings (loss) attributable to Campbell Soup Company	\$ (59)	\$ (.20)	\$ 285	\$.95
Restructuring charges, implementation costs and other related costs	\$ (18)	\$ (.06)	\$ (46)	\$ (.15)
Impairment charges	(264)	(.88)	(74)	(.25)
Costs associated with planned divestitures	(8)	(.03)	—	—
Tax reform	(2)	(.01)	124	.41
Transaction costs	—	—	(19)	(.06)
Impact of items on Net earnings (loss) ⁽¹⁾	\$ (292)	\$ (.97)	\$ (15)	\$ (.05)

⁽¹⁾ Sum of the individual amounts does not add due to rounding.

(Millions, except per share amounts)	Six Months Ended			
	January 27, 2019		January 28, 2018	
	Earnings Impact	EPS Impact	Earnings Impact	EPS Impact
Net earnings attributable to Campbell Soup Company	\$ 135	\$.45	\$ 560	\$ 1.85
Restructuring charges, implementation costs and other related costs	\$ (53)	\$ (.18)	\$ (58)	\$ (.19)
Impairment charges	(275)	(.91)	(74)	(.25)
Costs associated with planned divestitures	(9)	(.03)	—	—
Tax reform	(2)	(.01)	124	.41
Transaction costs	—	—	(19)	(.06)
Pension and postretirement benefit mark-to-market adjustments	—	—	10	.03
Impact of items on Net earnings ⁽¹⁾	\$ (339)	\$ (1.12)	\$ (17)	\$ (.06)

⁽¹⁾ Sum of the individual amounts does not add due to rounding.

Net losses attributable to Campbell Soup Company were in \$59 million (\$.20 per share) in the current quarter, compared to net earnings of \$285 million (\$.95 per share) in the year-ago quarter. After adjusting for items impacting comparability, earnings decreased due to declines in earnings before interest and taxes in the base business, a higher effective tax rate and the dilutive impact from acquisitions.

Net earnings attributable to Campbell Soup Company were \$135 million (\$.45 per share) in the six-month period this year, compared to \$560 million (\$1.85 per share) in the year-ago period. After adjusting for items impacting comparability, earnings decreased primarily due to declines in earnings before interest and taxes in the base business.

SECOND-QUARTER DISCUSSION AND ANALYSIS

Sales

An analysis of net sales by reportable segment follows:

(Millions)	Three Months Ended		% Change
	January 27, 2019	January 28, 2018	
Meals and Beverages	\$ 1,230	\$ 1,214	1
Global Biscuits and Snacks	1,243	708	76
Campbell Fresh	239	257	(7)
Corporate	1	1	—
	<u>\$ 2,713</u>	<u>\$ 2,180</u>	<u>24</u>

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

	Meals and Beverages	Global Biscuits and Snacks	Campbell Fresh	Total
Volume and Mix	—%	3%	(7)%	—%
Price and Sales Allowances	—	1	—	—
Increased Promotional Spending ⁽¹⁾	(1)	(1)	—	(1)
Currency	(1)	(2)	—	(1)
Acquisitions	3	75	—	26
	<u>1%</u>	<u>76%</u>	<u>(7)%</u>	<u>24%</u>

⁽¹⁾ Represents revenue reductions from trade promotion and consumer coupon redemption programs. The adoption of new accounting guidance for revenue recognition resulted in a reduction of promotional spending of 50 basis points on Net sales.

In Meals and Beverages, sales increased 1%, as the benefit of the acquisition of Pacific Foods and gains in shelf stable beverages were partially offset by declines in the retail business in Canada, *Plum* products and *Prego* pasta sauces. The adoption of new accounting guidance for revenue recognition resulted in a positive 1-point impact on sales. Excluding Pacific Foods, sales of U.S. soup were comparable to the prior year with gains in ready-to-serve soups and broth, offset by declines in condensed soups. Excluding Pacific Foods, retail consumer takeaway of U.S. soup decreased 5% in the quarter, based on IRI Total U.S. Multi-Outlet data. Retailer inventory returned to more historical levels in the quarter, which benefited U.S. soup sales performance this quarter.

In Global Biscuits and Snacks, sales increased 76% with a 75-point benefit from the acquisition of Snyder's-Lance. Excluding the benefit from the acquisition of Snyder's-Lance and the negative impact of currency translation, sales increased due to continued growth in Pepperidge Farm, driven by consumption gains in Pepperidge Farm fresh bakery products and *Goldfish* crackers, as well as gains in Arnott's biscuits, fueled by innovation.

In Campbell Fresh, sales decreased 7% primarily due to declines in refrigerated soup, reflecting the impact of certain major private label customers beginning to insource production this year, as well as declines in *Bolthouse Farms* refrigerated beverages and Garden Fresh Gourmet, offset partly by gains in carrots.

Gross Profit

Gross profit, defined as Net sales less Cost of products sold, decreased by \$52 million in 2019 from 2018. As a percent of sales, gross profit was 26.3% in 2019 and 35.1% in 2018.

The 8.8 percentage-point decrease in gross profit percentage was due to the following factors:

	Margin Impact
Impairment charges on plant assets	(4.2)%
Cost inflation, supply chain costs and other factors ⁽¹⁾	(3.4)
Impact of acquisitions	(2.0)
Higher level of promotional spending	(0.6)
Higher restructuring-related costs	(0.3)
Mix	0.2
Price and sales allowances	0.3
Productivity improvements	1.2
	(8.8)%

⁽¹⁾ Includes a positive margin impact of 0.8 from cost savings initiatives, which was more than offset by cost inflation and other factors, including higher than expected distribution costs associated with the startup of a new distribution facility in Findlay, Ohio, operated by a third-party logistics provider, and higher interplant freight to maintain customer service levels.

Marketing and Selling Expenses

Marketing and selling expenses as a percent of sales were 9.7% in 2019 compared to 10.5% in 2018. Marketing and selling expenses increased 16% in 2019 from 2018. The increase was primarily due to the impact of acquisitions (approximately 22 percentage points) and higher costs related to costs savings initiatives (approximately 1 percentage point), partially offset by lower marketing overhead spending (approximately 4 percentage points); increased benefits from cost savings initiatives (approximately 2 percentage points); and lower selling expenses (approximately 1 percentage point).

Administrative Expenses

Administrative expenses as a percent of sales were 6.6% in 2019 compared to 7.6% in 2018. Administrative expenses increased 9% in 2019 from 2018. The increase was primarily due to the impact of acquisitions (approximately 13 percentage points); costs associated with planned divestitures in the current year (approximately 6 percentage points) and costs associated with the proxy contest in the current year (approximately 2 percentage points), partially offset by lower costs associated with cost savings initiatives (approximately 10 percentage points) and increased benefits from cost savings initiatives (approximately 3 percentage points).

Other Expenses / (Income)

Other expenses were \$226 million in 2019 and \$70 million in 2018. Other expenses in 2019 included non-cash impairment charges of \$231 million on the intangible assets of Campbell Fresh. Other expenses in 2018 included a non-cash impairment charge of \$75 million on the intangible assets of the Bolthouse Farms carrot and carrots ingredients reporting unit and \$24 million of transaction costs associated with the acquisition of Snyder's-Lance. Excluding the items impacting comparability, the remaining change was primarily due to higher amortization of intangible assets from the recent acquisitions in the current year and lower gains on investments.

Operating Earnings

Segment operating earnings increased 4% in 2019 from 2018.

An analysis of operating earnings by segment follows:

(Millions)	Three Months Ended		% Change ⁽²⁾
	January 27, 2019	January 28, 2018	2019/2018
Meals and Beverages	\$ 255	\$ 284	(10)
Global Biscuits and Snacks	185	137	35
Campbell Fresh	(14)	(11)	n/m
	426	410	4
Corporate	(405)	(134)	
Restructuring charges ⁽¹⁾	(2)	(33)	
Earnings before interest and taxes	\$ 19	\$ 243	

⁽¹⁾ See Note 7 to the Consolidated Financial Statements for additional information on restructuring charges.

⁽²⁾ n/m - Not meaningful.

Operating earnings from Meals and Beverages decreased 10%. The decrease was primarily due to higher levels of cost inflation and higher warehousing and transportation costs, as well as higher promotional spending, offset partly by lower marketing and selling expenses.

Operating earnings from Global Biscuits and Snacks increased 35%. The increase reflects a 34-point benefit from the acquisition of Snyder's-Lance. Excluding Snyder's-Lance, operating earnings increased primarily due to volume gains, partially offset by higher levels of cost inflation.

Operating earnings from Campbell Fresh were a loss of \$14 million in the current quarter, compared to a loss of \$11 million in the year-ago quarter. The decrease was primarily due to the decline in refrigerated soup volume, offset partly by improved operational efficiency in Bolthouse Farms.

Corporate in 2019 included non-cash impairment charges of \$346 million on the intangible and tangible assets of Campbell Fresh, costs of \$22 million related to cost savings initiatives and \$10 million in costs associated with the planned divestitures. Corporate in 2018 included a non-cash impairment charge of \$75 million on the intangible assets of the Bolthouse Farms carrot and carrot ingredients reporting unit, costs of \$27 million related to cost savings initiatives and transaction costs of \$24 million associated with the acquisition of Snyder's-Lance. Excluding these amounts, the remaining increase in costs was primarily due to lower investment gains in the current quarter and higher administrative expenses.

Interest Expense

Interest expense increased to \$93 million in 2019 from \$32 million in 2018. The increase in interest expense was due to higher levels of debt associated with funding the acquisitions and higher average interest rates on the debt portfolio.

Taxes on Earnings

The effective tax rate was 19.2% in 2019 and negative 35.1% in 2018.

The following items impacted the effective rate in 2019 and 2018:

- In 2019, we recognized a \$6 million tax benefit on \$24 million of restructuring charges, implementation costs and other related costs. In 2018, we recognized a \$14 million tax benefit on \$60 million of restructuring charges, implementation costs and other related costs;
- In 2019, we recognized an \$82 million tax benefit on \$346 million of impairment charges on the intangible and tangible assets of Campbell Fresh. In 2018, we recognized a \$1 million tax benefit on the \$75 million impairment charge on the intangible assets of the Bolthouse Farms carrot and carrot ingredients reporting unit;
- In 2019, we recognized a \$2 million tax benefit on \$10 million of costs associated with our planned divestitures;
- In 2019, we recognized a transition tax on unremitted foreign earnings of \$2 million related to the enactment of the Act. In 2018, we recognized a net tax benefit of \$124 million related to the enactment of the Act on the remeasurement of deferred tax assets and liabilities and a transition tax on unremitted foreign earnings; and
- In 2018, we recognized a \$5 million tax benefit on \$24 million of transaction costs associated with the acquisition of Snyder's-Lance.

After adjusting for the items above, the remaining increase in the effective rate was primarily due to the cumulative year-to-date benefit in the prior year of the lower U.S. federal tax rate resulting from the enactment of the Act in December 2017.

SIX-MONTH DISCUSSION AND ANALYSIS

Sales

An analysis of net sales by reportable segment follows:

(Millions)	Six Months Ended		% Change
	January 27, 2019	January 28, 2018	
Meals and Beverages	\$ 2,474	\$ 2,453	1
Global Biscuits and Snacks	2,461	1,396	76
Campbell Fresh	471	491	(4)
Corporate	1	1	—
	<u>\$ 5,407</u>	<u>\$ 4,341</u>	<u>25</u>

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

	Meals and Beverages	Global Biscuits and Snacks ⁽²⁾	Campbell Fresh	Total ⁽²⁾
Volume and Mix	(1)%	1%	(4)%	(1)%
Price and Sales Allowances	—	1	—	—
Increased Promotional Spending ⁽¹⁾	(2)	(1)	—	(1)
Currency	—	(2)	—	(1)
Acquisitions	4	78	—	27
	<u>1%</u>	<u>76%</u>	<u>(4)%</u>	<u>25%</u>

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

⁽²⁾ Sum of the individual amounts does not add due to rounding.

In Meals and Beverages, sales increased 1% reflecting a 4-point benefit from the acquisition of Pacific Foods, partially offset by declines in U.S. soup, the retail business in Canada and Prego pasta sauces. Excluding Pacific Foods, sales of U.S. soup decreased 4% due to declines in condensed and ready-to-serve soups, partly offset by gains in broth. The decline in U.S. soup was driven primarily by continued competitive pressure across the market as well as increased promotional spending.

In Global Biscuits and Snacks, sales increased 76% with a 78-point benefit from the acquisition of Snyder's-Lance. Excluding Snyder's-Lance and the negative impact of currency translation, sales increased primarily due to gains in Pepperidge Farm fresh bakery products and Goldfish crackers.

In Campbell Fresh, sales decreased 4% primarily driven by refrigerated soup, Garden Fresh Gourmet and Bolthouse Farms refrigerated beverages, partly offset by gains in carrots. Sales of refrigerated soup were negatively impacted as certain major private label customers begin to insource production in 2019.

Gross Profit

Gross profit, defined as Net sales less Cost of products sold, decreased by \$11 million in 2019 from 2018. As a percent of sales, gross profit was 28.4% in 2019 and 35.7% in 2018.

The 7.3 percentage-point decrease in gross profit percentage was due to the following factors:

	Margin Impact
Cost inflation, supply chain costs and other factors ⁽¹⁾	(3.2)%
Impairment charge on plant assets	(2.4)
Impact of acquisitions	(1.9)
Higher level of promotional spending	(1.0)
Higher restructuring-related costs	(0.3)
Price and sales allowances	0.3
Productivity improvements	1.2
	(7.3)%

⁽¹⁾ Includes a positive margin impact of 0.8 from cost savings initiatives, which was more than offset by cost inflation and other factors, including higher than expected distribution costs associated with the startup of a new distribution facility in Findlay, Ohio, operated by a third-party logistics provider, and higher interplant freight to maintain customer service levels.

Marketing and Selling Expenses

Marketing and selling expenses as a percent of sales were 9.5% in 2019 compared to 10.3% in 2018. Marketing and selling expenses increased 15% in 2019 from 2018. The increase was primarily due to the impact of acquisitions (approximately 25 percentage points) and higher costs related to costs savings initiatives (approximately 1 percentage point), partially offset by lower advertising and consumer promotion expenses (approximately 6 percentage points); lower marketing overhead spending (approximately 2 percentage points); lower selling expenses (approximately 2 percentage points) and increased benefits from cost savings initiatives (approximately 1 percentage point). The reduction in advertising and consumer promotion expenses was primarily in Meals and Beverages, reflecting a reallocation from advertising to promotional spending classified as revenue reductions, reduced support levels in light of distribution challenges faced in the first quarter and a later start to our U.S. soup campaign relative to the prior year.

Administrative Expenses

Administrative expenses as a percent of sales were 6.6% in 2019 compared to 7.2% in 2018. Administrative expenses increased 13% in 2019 from 2018. The increase was primarily due to the impact of acquisitions (approximately 14 percentage points); costs associated with planned divestitures in the current year (approximately 4 percentage points); and costs associated with the proxy contest in the current year (approximately 3 percentage points), partially offset by lower costs associated with cost savings initiatives (approximately 5 percentage points) and increased benefits from cost savings initiatives (approximately 3 percentage points).

Other Expenses / (Income)

Other expenses were \$230 million in 2019 and \$41 million in 2018. Other expenses in 2019 included non-cash impairment charges of \$231 million on the intangible assets of Campbell Fresh. Other expenses in 2018 included a non-cash impairment charge of \$75 million on the intangible assets of the Bolthouse Farms carrot and carrots ingredients reporting unit and \$24 million of transaction costs associated with the acquisition of Snyder's-Lance. In addition, 2018 included gains on pension and postretirement benefit mark-to-market adjustments of \$14 million. Excluding the items impacting comparability, the remaining change was primarily due to higher amortization of intangible assets from the recent acquisitions in the current year, lower net periodic benefit income and higher losses on investments.

Operating Earnings

Segment operating earnings increased 2% in 2019 from 2018.

An analysis of operating earnings by segment follows:

(Millions)	Six Months Ended		% Change
	January 27, 2019	January 28, 2018	2019/2018
Meals and Beverages	\$ 549	\$ 615	(11)
Global Biscuits and Snacks	339	254	33
Campbell Fresh	(17)	(17)	—
	871	852	2
Corporate	(481)	(162)	
Restructuring charges ⁽¹⁾	(21)	(35)	
Earnings before interest and taxes	\$ 369	\$ 655	

⁽¹⁾ See Note 7 to the Consolidated Financial Statements for additional information on restructuring charges.

Operating earnings from Meals and Beverages decreased 11%. The decrease was primarily due to higher levels of cost inflation and higher warehousing and transportation costs, as well as higher promotional spending, offset partly by lower advertising expenses.

Operating earnings from Global Biscuits and Snacks increased 33%. The increase reflects a 39-point benefit from the acquisition of Snyder's-Lance. Excluding Snyder's-Lance, operating earnings declined primarily due to higher levels of cost inflation.

Operating earnings from Campbell Fresh were a loss of \$17 million in 2019, comparable to a year ago, as improved operational efficiency in Bolthouse Farms was offset by the decline in refrigerated soup volume.

Corporate in 2019 included non-cash impairment charges of \$360 million on the intangible and tangible assets of Campbell Fresh; costs of \$49 million related to cost savings initiatives; and \$12 million in costs associated with the planned divestitures. Corporate in 2018 included a non-cash impairment charge of \$75 million on the intangible assets of the Bolthouse Farms carrot and carrot ingredients reporting unit; a \$14 million gain associated with pension and postretirement benefit mark-to-market adjustments; costs of \$44 million related to cost savings initiatives; and transaction costs of \$24 million associated with the acquisition of Snyder's-Lance. Excluding these amounts, the remaining increase in costs was primarily due to lower pension and postretirement benefit income in the current year, higher administrative costs and higher losses on investments.

Interest Expense

Interest expense increased to \$187 million in 2019 from \$63 million in 2018. The increase in interest expense was due to higher levels of debt associated with funding the acquisitions and higher average interest rates on the debt portfolio.

Taxes on Earnings

The effective tax rate was 26.6% in 2019 and 5.6% in 2018.

The following items impacted the effective rate in 2019 and 2018:

- In 2019, we recognized a \$17 million tax benefit on \$70 million of restructuring charges, implementation costs and other related costs. In 2018, we recognized a \$21 million tax benefit on \$79 million of restructuring charges, implementation costs and other related costs;
- In 2019, we recognized an \$85 million tax benefit on \$360 million of impairment charges on the intangible and tangible assets of Campbell Fresh. In 2018, we recognized a \$1 million tax benefit on the \$75 million impairment charges on the intangible assets of the Bolthouse Farms carrot and carrot ingredients reporting unit;
- In 2019, we recognized a \$3 million tax benefit on \$12 million of costs associated with our planned divestitures;
- In 2019, we recognized a transition tax on unremitted foreign earnings of \$2 million related to the enactment of the Act. In 2018, we recognized a net tax benefit of \$124 million related to the enactment of the Act as described above;
- In 2018, we recognized tax expense of \$4 million on \$14 million of pension and postretirement benefit mark-to-market gains; and
- In 2018, we recognized a \$5 million tax benefit on \$24 million of transaction costs associated with the acquisition of Snyder's-Lance.

After adjusting for the items above, the remaining increase in the effective rate was primarily due to the favorable resolution of a state tax matter in the prior year and higher taxes on foreign earnings, partially offset by the lower U.S. federal tax rate as a result of the Act.

Restructuring Charges and Cost Savings Initiatives

2015 Initiatives and Snyder's-Lance Cost Transformation Program and Integration

In fiscal 2015, we implemented initiatives to reduce costs and to streamline our organizational structure. As part of these initiatives, we commenced a voluntary employee separation program available to certain U.S.-based salaried employees nearing retirement who met age, length-of-service and business unit/function criteria.

In February 2017, we announced that we were expanding these initiatives by further optimizing our supply chain network, primarily in North America, continuing to evolve our operating model to drive efficiencies, and more fully integrating our recent acquisitions. In January 2018, as part of the expanded initiatives, we authorized additional pre-tax costs to improve the operational efficiency of our thermal supply chain network in North America by closing our manufacturing facility in Toronto, Ontario, and to optimize our information technology infrastructure by migrating certain applications to the latest cloud technology platform. In August 2018, we announced that we will continue to streamline our organization, expand our zero-based budgeting efforts and optimize our manufacturing network.

On March 26, 2018, we completed the acquisition of Snyder's-Lance. Prior to the acquisition, in April 2017, Snyder's-Lance launched a cost transformation program following a comprehensive review of its operations with the goal of significantly improving its financial performance. We expect to continue to implement this program and to achieve a majority of the program's targeted savings. In addition, we have identified opportunities for additional cost synergies as we integrate Snyder's-Lance.

Cost estimates, as well as timing for certain activities, are continuing to be developed.

A summary of the restructuring charges and charges recorded in Administrative expenses, Cost of products sold, Marketing and selling expenses, and Research and development expenses related to both programs is as follows:

(Millions, except per share amounts)	Three Months Ended		Six Months Ended		Recognized as of January 27, 2019 ⁽¹⁾
	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018	
Restructuring charges	\$ 2	\$ 33	\$ 21	\$ 35	\$ 238
Administrative expenses	10	26	23	38	228
Cost of products sold	9	1	21	6	70
Marketing and selling expenses	2	—	4	—	7
Research and development expenses	1	—	1	—	1
Total pre-tax charges	\$ 24	\$ 60	\$ 70	\$ 79	\$ 544
Aggregate after-tax impact	\$ 18	\$ 46	\$ 53	\$ 58	
Per share impact	\$.06	\$.15	\$.18	\$.19	

⁽¹⁾ Includes \$13 million of Restructuring charges and \$12 million of Administrative expenses associated with the Snyder's-Lance cost transformation program and integration recognized in 2018.

A summary of the pre-tax costs associated with both programs is as follows:

(Millions)	Recognized as of January 27, 2019
Severance pay and benefits ⁽¹⁾	\$ 214
Asset impairment/accelerated depreciation	66
Implementation costs and other related costs ⁽²⁾	264
Total	\$ 544

⁽¹⁾ Includes \$13 million of charges associated with the Snyder's-Lance cost transformation program and integration recognized in 2018.

⁽²⁾ Includes \$12 million of charges associated with the Snyder's-Lance cost transformation program and integration recognized in 2018.

The total estimated pre-tax costs for actions that have been identified under both programs are approximately \$620 million to \$665 million. This estimate will be updated as costs for the expanded initiatives are developed.

We expect the costs for actions that have been identified to date under both programs to consist of the following: approximately \$215 million to \$220 million in severance pay and benefits; approximately \$70 million in asset impairment and accelerated depreciation; and approximately \$335 million to \$375 million in implementation costs and other related costs. We expect these pre-tax costs to be associated with our segments as follows: Meals and Beverages - approximately 37%; Global Biscuits and Snacks - approximately 39%; Campbell Fresh - approximately 2%; and Corporate - approximately 22%.

Of the aggregate \$620 million to \$665 million of pre-tax costs identified to date, we expect approximately \$540 million to \$585 million will be cash expenditures. In addition, we expect to invest approximately \$325 million in capital expenditures through 2021, of which we invested approximately \$184 million as of January 27, 2019. The capital expenditures primarily related to the U.S. warehouse optimization project, improvement of quality, safety and cost structure across the Snyder's-Lance manufacturing network, transition of production of the Toronto manufacturing facility to our U.S. thermal plants, insourcing of manufacturing for certain simple meal products, optimization of information technology infrastructure and applications, and optimization of the Snyder's-Lance warehouse and distribution network.

We expect to incur substantially all of the costs for the actions that have been identified to date through 2020 and to fund the costs through cash flows from operations and short-term borrowings.

We expect the initiatives for actions that have been identified to date under both programs to generate pre-tax savings of over \$575 million in 2019, and once all phases are implemented, to generate annual ongoing savings of approximately \$945 million by the end of 2022. In the six-month period ended January 27, 2019, we generated an additional \$95 million of pre-tax savings. The annual pre-tax savings generated by both programs were as follows:

(Millions)	Year Ended			
	July 29, 2018	July 30, 2017	July 31, 2016	August 2, 2015
Total pre-tax savings	\$ 455	\$ 325	\$ 215	\$ 85

Segment operating results do not include restructuring charges, implementation costs and other related costs because we evaluate segment performance excluding such charges. A summary of the pre-tax costs associated with segments is as follows:

(Millions)	January 27, 2019		
	Three Months Ended	Six Months Ended	Costs Incurred to Date ⁽¹⁾
Meals and Beverages	\$ 12	\$ 35	\$ 213
Global Biscuits and Snacks	7	16	192
Campbell Fresh	—	3	14
Corporate	5	16	125
Total	\$ 24	\$ 70	\$ 544

⁽¹⁾ Includes \$25 million of pre-tax costs associated with the Global Biscuits and Snacks segment recognized in 2018 related to the Snyder's-Lance cost transformation program and integration.

LIQUIDITY AND CAPITAL RESOURCES

We expect foreseeable liquidity and capital resource requirements to be met through anticipated cash flows from operations; long-term borrowings; short-term borrowings, including commercial paper; credit facilities; and cash and cash equivalents. We believe that our sources of financing will be adequate to meet our future requirements.

In August 2018, we announced the results of our comprehensive Board of Directors-led strategy and portfolio review, which included plans to pursue the divestiture of our international biscuits and snacks operating segment and our Campbell Fresh operating segment. In addition, we are driving improved asset efficiency in working capital and capital expenditures to generate cash. We expect to use the proceeds from these divestitures and cash flows from operations to reduce debt, and improve our leverage ratio over time.

We generated cash flows from operations of \$846 million in 2019, compared to \$660 million in 2018. The increase in 2019 was primarily due to lower working capital requirements, reflecting significant improvements in our working capital management efforts, and lapping payments on hedges associated with an anticipated debt issuance in the prior year, partially offset by lower cash earnings.

Current assets are less than current liabilities as a result of our level of current maturities of long-term debt and short-term borrowings and our focus to lower core working capital requirements by reducing trade receivables and inventories while extending payment terms for accounts payables. We had negative working capital of \$1.004 billion as of January 27, 2019, and \$1.298 billion as of July 29, 2018. Debt maturing within one year was \$1.454 billion as of January 27, 2019, and \$1.896 billion as of July 29, 2018.

Capital expenditures were \$198 million in 2019 compared to \$132 million in 2018. Capital expenditures are expected to total approximately \$400 million in 2019. Capital expenditures in 2019 included a U.S. warehouse optimization project, transition of production of the Toronto manufacturing facility to our U.S. thermal plants, replacement of a Pepperidge Farm refrigeration system, a Snyder's-Lance regional distribution center and insourcing manufacturing for certain simple meal products.

On December 12, 2017, we completed the acquisition of Pacific Foods. The purchase price was \$688 million and was funded through the issuance of commercial paper. On October 30, 2018, we purchased the remaining ownership interest in Yellow Chips Holdings B.V., and began consolidating the business. The purchase price was \$18 million.

Dividend payments were \$212 million in 2019 and \$216 million in 2018. We repurchased approximately 2 million shares at a cost of \$86 million in 2018. As a result of the acquisition of Snyder's-Lance, we suspended our share repurchases as of the second quarter of 2018. See Note 14 to the Consolidated Financial Statements for additional information.

On September 18, 2018, we repaid a portion of our Australian notes and refinanced the remainder by borrowing AUD \$400 million, or \$284 million, at a rate of 2.82% under a single-draw syndicated facility that matures on September 18, 2019. The interest rate on the AUD \$400 million loan under the syndicated facility resets in one, two, three, or six-month periods dependent on our election. The syndicated facility contains a financial covenant based on our maximum leverage ratio and contains other customary covenants and events of default for credit facilities of this type.

As of January 27, 2019, we had \$1.454 billion of short-term borrowings due within one year, of which \$813 million was comprised of commercial paper borrowings. As of January 27, 2019, we issued \$57 million of standby letters of credit. We have a committed revolving credit facility totaling \$1.85 billion that matures in December 2021. This U.S. facility remained unused at January 27, 2019, except for \$1 million of standby letters of credit that we issued under it. The U.S. facility supports our commercial paper programs and other general corporate purposes. As of January 27, 2019, the total commitment under our Canadian committed revolving credit facility was CAD \$125 million, or \$95 million, and we had borrowings of CAD \$27 million, or \$20 million, at a rate of 3.49% under this facility. The Canadian facility supports general corporate purposes. The Canadian facility matures in July 2019. We expect to continue to access the commercial paper markets, bank credit lines and utilize cash flows from operations to support our short-term liquidity requirements.

In 2018, we entered into a \$900 million 3-year senior unsecured term loan facility that contains a maximum leverage ratio. The senior unsecured term loan facility may be prepaid at par at any time. In addition, the senior unsecured term loan facility contains other customary covenants and events of default for credit facilities of this type. The maximum leverage ratio covenant is also incorporated into our U.S. and Canadian facilities for so long as that covenant is in effect under the senior unsecured term loan facility. The covenant in the Australian syndicated facility is substantially consistent with the maximum leverage ratio covenant in our senior unsecured term loan facility. We are in compliance with the covenants contained in our revolving credit facilities and debt securities.

SIGNIFICANT ACCOUNTING ESTIMATES

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the periods presented. Actual results could differ from those estimates and assumptions. Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements in the Annual Report on Form 10-K for the year ended July 29, 2018 (2018 Annual Report on Form 10-K). The accounting policies we used in preparing these financial statements are substantially consistent with those we applied in our 2018 Annual Report on Form 10-K, with the exception of the adoption of revised guidance on the recognition of revenue as described in Note 2 to the Consolidated Financial Statements. The following areas all require the use of subjective or complex judgments, estimates and assumptions: trade and consumer promotion programs; the valuation of long-lived assets; pension and postretirement benefits; and income taxes. Our significant accounting estimates are described in Management's Discussion and Analysis included in the 2018 Annual Report on Form 10-K.

Trade and consumer promotion programs — We offer various sales incentive programs to customers and consumers, such as feature price discounts, in-store display incentives, cooperative advertising programs, new product introduction fees, and coupons. The mix between these forms of variable consideration, which are classified as reductions in revenue and recognized upon sale, and advertising or other marketing activities, which are classified as marketing and selling expenses, fluctuates between periods based on our overall marketing plans, and such fluctuations have an impact on revenues. The measurement and recognition of the costs for trade and consumer promotion programs involves the use of judgment related to performance and redemption estimates.

Estimates are made based on historical experience and other factors, including expected volume. Typically, programs that are offered have a very short duration. Historically, the difference between actual experience compared to estimated redemptions and performance has not been significant to the quarterly or annual financial statements. Differences between estimates and actual costs are recognized as a change in estimate in a subsequent period. However, actual expenses may differ if the level of redemption rates and performance were to vary from estimates. We adopted revised guidance on the recognition of revenue in the first quarter of 2019. See Notes 1 and 2 to the Consolidated Financial Statements for additional information.

Valuation of long-lived assets — Fixed assets and amortizable intangible assets are reviewed for impairment as events or changes in circumstances occur indicating that the carrying value of the asset may not be recoverable. Undiscounted cash flow analyses are used to determine if impairment exists. If impairment is determined to exist, the loss is calculated based on estimated fair value.

Indefinite-lived intangible assets are tested for impairment by comparing the fair value of the asset to the carrying value. Fair value is determined based on discounted cash flow analyses that include significant management assumptions such as revenue growth rates, weighted average cost of capital, and assumed royalty rates. If the carrying value exceeds fair value, an impairment charge will be recorded to reduce the asset to fair value.

On August 30, 2018, we announced plans to pursue the divestiture of our international biscuits and snacks operating segment and the Campbell Fresh operating segment. As we continue to pursue the divestiture of these businesses, in the second quarter of 2019 we performed interim impairment assessments on the intangible and tangible assets within Campbell Fresh, which includes Garden Fresh Gourmet, Bolthouse Farms carrot and carrot ingredients, and Bolthouse Farms refrigerated beverages and salad dressings. We revised our future outlook for earnings and cash flows for each of these businesses as the divestiture process progressed and we received initial indications of value.

Within Bolthouse Farms carrot and carrot ingredients, we recorded impairment charges of \$18 million on the trademark, and \$159 million on the plant assets and amortizable intangible assets. Within Bolthouse Farms refrigerated beverages and salad dressings, we recorded impairment charges of \$74 million on the trademark, and \$31 million on the plant assets and amortizable intangible assets. On Garden Fresh Gourmet, we recorded impairment charges of \$23 million on the trademark and \$39 million on customer relationships, which eliminated the carrying value of these assets, and \$2 million on plant assets. There is no goodwill in Campbell Fresh. See Notes 5 and 13 to the Consolidated Financial Statements for additional information on intangible assets.

The estimates of future cash flows involve considerable management judgment and are based upon assumptions about expected future operating performance, economic conditions, market conditions, cost of capital and potential divestitures. Inherent in estimating the future cash flows are uncertainties beyond our control, such as changes in capital markets. The actual cash flows could differ materially from management's estimates due to changes in any of the assumptions.

If assumptions are not achieved or market conditions decline, potential additional impairment charges could result. We will continue to monitor the valuation of our long-lived assets.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2 to the Consolidated Financial Statements for information on recent accounting pronouncements.

FORWARD-LOOKING STATEMENTS

This Report contains "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect our current expectations regarding our future results of operations, economic performance, financial condition and achievements. These forward-looking statements can be identified by words such as "anticipate," "believe," "estimate," "expect," "will," "goal," "plan," "vision" and similar expressions. One can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts, and may reflect anticipated cost savings or implementation of our strategic plan. These statements reflect our current plans and expectations and are based on information currently available to us. They rely on several assumptions regarding future events and estimates which could be inaccurate and which are inherently subject to risks and uncertainties.

We wish to caution the reader that the following important factors and those important factors described in our other Securities and Exchange Commission filings, or in our 2018 Annual Report on Form 10-K, could affect our actual results and could cause such results to vary materially from those expressed in any forward-looking statements made by, or on behalf of, us:

- our ability to execute on and realize the expected benefits from the actions we intend to take as a result of our recent strategy and portfolio review;
- our ability to differentiate our products and protect our category leading positions, especially in soup;
- our ability to complete and to realize the projected benefits of planned divestitures and other business portfolio changes;

- our ability to realize the projected benefits, including cost synergies, from the recent acquisitions of Snyder's-Lance and Pacific Foods;
- our ability to realize projected cost savings and benefits from efficiency and/or restructuring initiatives;
- our indebtedness and ability to pay such indebtedness;
- disruptions to our supply chain, including fluctuations in the supply of and inflation in energy and raw and packaging materials cost;
- our ability to manage changes to our organizational structure and/or business processes, including selling, distribution, manufacturing and information management systems or processes;
- the impact of strong competitive responses to our efforts to leverage brand power with product innovation, promotional programs and new advertising;
- the risks associated with trade and consumer acceptance of product improvements, shelving initiatives, new products and pricing and promotional strategies;
- changes in consumer demand for our products and favorable perception of our brands;
- changing inventory management practices by certain of our key customers;
- a changing customer landscape, with value and e-commerce retailers expanding their market presence, while certain of our key customers maintain significance to our business;
- product quality and safety issues, including recalls and product liabilities;
- the costs, disruption and diversion of management's attention associated with campaigns commenced by activist investors;
- the uncertainties of litigation and regulatory actions against us;
- the possible disruption to the independent contractor distribution models used by certain of our businesses, including as a result of litigation or regulatory actions affecting their independent contractor classification;
- the impact of non-U.S. operations, including trade restrictions, public corruption and compliance with foreign laws and regulations;
- impairment to goodwill or other intangible assets;
- our ability to protect our intellectual property rights;
- increased liabilities and costs related to our defined benefit pension plans;
- a material failure in or breach of our information technology systems;
- our ability to attract and retain key talent;
- changes in currency exchange rates, tax rates, interest rates, debt and equity markets, inflation rates, economic conditions, law, regulation and other external factors; and
- unforeseen business disruptions in one or more of our markets due to political instability, civil disobedience, terrorism, armed hostilities, extreme weather conditions, natural disasters or other calamities.

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

Item 3. Quantitative and Qualitative Disclosure About Market Risk

For information regarding our exposure to certain market risk, see Item 7A, Quantitative and Qualitative Disclosure About Market Risk, in the 2018 Annual Report on Form 10-K. There have been no significant changes in our portfolio of financial instruments or market risk exposures from the 2018 year-end.

Item 4. Controls and Procedures

a. Evaluation of Disclosure Controls and Procedure

We, under the supervision and with the participation of our management, including the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of January 27, 2019 (Evaluation Date). Based on such evaluation, the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective.

b. Changes in Internal Controls

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) that materially affected, or were likely to materially affect, such control over financial reporting during the quarter ended January 27, 2019.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Information regarding reportable legal proceedings is contained in Note 16 to the Consolidated Financial Statements and incorporated herein by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 6. Exhibits

The Index to Exhibits, which immediately precedes the signature page, is incorporated by reference into this Report.

INDEX TO EXHIBITS

3	<u>By-Laws of Campbell Soup Company, amended and restated effective December 20, 2018, are incorporated by reference to Exhibit 3 to Campbell's Form 8-K (SEC file number 1-3822) filed with the SEC on December 21, 2018.</u>
10(a)*	<u>Letter Agreement executed December 20, 2018 by and between Mark A. Clouse and Campbell Soup Company is incorporated by reference to Exhibit 10 to Campbell's Form 8-K (SEC file number 1-3822) filed with the SEC on December 21, 2018.</u>
10(b)*	<u>First Amendment to the Campbell Soup Company Supplemental Retirement Plan effective November 30, 2018.</u>
31(a)	<u>Certification of Mark A. Clouse pursuant to Rule 13a-14(a).</u>
31(b)	<u>Certification of Anthony P. DiSilvestro pursuant to Rule 13a-14(a).</u>
32(a)	<u>Certification of Mark A. Clouse pursuant to 18 U.S.C. Section 1350.</u>
32(b)	<u>Certification of Anthony P. DiSilvestro pursuant to 18 U.S.C. Section 1350.</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

*This exhibit is a management contract or compensatory plan or arrangement.

SIGNATURES

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

March 6, 2019

CAMPBELL SOUP COMPANY

By: /s/ Anthony P. DiSilvestro

Anthony P. DiSilvestro

Senior Vice President and Chief Financial Officer

By: /s/ Stanley Polomski

Stanley Polomski

Vice President and Controller

**First Amendment to the
Campbell Soup Company
Supplemental Retirement Plan**

WHEREAS, Campbell Soup Company (“Company”) previously established the Campbell Soup Company Supplemental Retirement Plan (the “Plan”) primarily to provide eligible executives of the Company and any designated subsidiary with an additional method of planning for retirement and other significant saving needs with respect to amounts deferred or vested after 2004;

WHEREAS, pursuant to Article IX of the Plan, the corporate officer in charge of Human Resources of the Company reserves the right to amend or terminate the Plan;

WHEREAS, pursuant to Article I, Sections 1.20 and 1.3 of the Plan, respectively, the corporate officer in charge of Human Resources of the Company reserves the right to designate a participating employer in the Plan and approve an Employer’s annual incentive program for deferral under the Plan; and

WHEREAS, the corporate officer in charge of Human Resources desires to amend the Plan to designate additional participating employers in the Plan and approve an additional Employer annual incentive program for deferral under the Plan.

NOW, THEREFORE, BE IT:

RESOLVED, effective January 1, 2019 and August 1, 2018, respectively, Pacific Foods of Oregon, LLC and Snyder’s-Lance, Inc. and certain applicable subsidiaries are hereafter deemed participating employers in the Plan and each entity is hereafter included in the definition of “Employer” under Article I, Section 1.20 of the Plan and as set forth in Exhibit A, which is attached hereto;

RESOLVED, effective August 1, 2018, Article I, Section 1.3 of the Plan is amended to read, in its entirety, as follows:

1.3 “Annual Incentive Compensation” means any Employer annual incentive program or sales incentive program which the Plan Administrator has approved for deferral under the Plan, including the Campbell Soup Company Annual Incentive Plan and the annual performance incentive plan sponsored by Snyder’s-Lance, Inc. for fiscal 2019.

RESOLVED, effective August 1, 2018, Article II, Section 2.1 is amended to read, in its entirety, as follows:

2.1 **Eligibility.** Each Eligible Executive with a salary level of A, B, or C may elect to defer his or her Compensation in accordance with the Plan. Notwithstanding the foregoing and any provision of the Plan to the contrary, each Eligible Executive of Snyder’s-Lance, Inc. designated with a salary level of A21 or higher may elect to defer his or her Annual Incentive Compensation in accordance with the Plan until such applicable Company salary level of designation is made. Each Director may elect to defer his or her Director’s Fees in accordance with the Plan. Rules regarding both Initial Distribution Elections and Subsequent Deferral Elections by Eligible Executives are provided in Article V.

Each Eligible Executive with a salary grade of A, B, C, or D, whose annual base salary and annual incentive compensation award equal or exceed the amount required by the Plan Administrator shall be eligible for Supplemental Match contributions. Each Eligible Executive who commences employment with, or is rehired by, an Employer on or after January 1, 2011, and is not eligible to accrue benefits under the SERP, shall be eligible

for Supplemental Retirement Contributions if the Eligible Executive's annual base salary and annual incentive compensation award equal or exceed the amount required by the Plan Administrator. Each Eligible Executive hired, rehired or promoted into a position with either a salary grade of 46 or above on or after January 1, 2011 who is not eligible to accrue benefits under the Mid-Career Plan, or with a salary level of A on or after August 1, 2015, shall be eligible for Executive Retirement Contributions. In addition, the Chief Executive Officer reserves the right to designate certain Eligible Executives to receive this benefit.

RESOLVED, effective August 1, 2018, Article III, Section 3.1(a) is amended to read, in its entirety, as follows:

(a) **Annual Incentive Compensation Deferral.** On behalf of a Participant with a salary level of A, B or C or an Eligible Executive of Snyder's-Lance, Inc. with a salary level of at least A21 who participates in an Annual Incentive Compensation program, the Company shall credit to his or her Account Balance an amount equal to that portion of an Annual Incentive Compensation award that the Participant has elected to defer under the Plan.

RESOLVED, effective August 1, 2018, Article V, Section 5.1(a) is amended to read, in its entirety, as follows:

(a) **Annual Incentive Compensation.** An Eligible Executive with a salary level of A, B or C or an Eligible Executive of Snyder's-Lance, Inc. with a salary level of at least A21 may elect to defer any portion of his or her Annual Incentive Compensation up to 90% (in 10% increments).

IN WITNESS WHEREOF, this instrument has been executed on November 30, 2018.

Campbell Soup Company

By: /s/ Xavier Boza

Xavier Boza

SVP & Chief Human Resources Officer

Exhibit A

Designated Subsidiaries

January 1, 2011

Campbell Investment Company
Campbell Finance Corp. LLC
Campbell Food Service Company
Campbell Sales Company
Campbell Soup Supply Company LLC
Campbell Urban Renewal Corporation
CSC Brands LP
CSC Insights, Inc.
CSC Standards, Inc.
Ecce Panis, Inc.
Garden Fresh Gourmet Foods, Inc. (the legal entity formerly known as Stockpot, Inc.).
Joseph Campbell Company
Pepperidge Farm, Incorporated

January 1, 2014

Plum PBC

January 1, 2016

Kelsen, Inc.

January 1, 2017

Wm. Bolthouse Farms, Inc.

August 1, 2018

Baptista's Bakery, LLC
S-L Distribution Company, LLC
S-L Snacks AZ, LLC
S-L Snacks GA, LLC
S-L Snacks IN, LLC
S-L Snacks Logistics, LLC
S-L Snacks MA, LLC
S-L Snacks National, LLC
S-L Snacks NC, LLC
S-L Snacks OH, LLC
S-L Snacks OR, LLC
S-L Snacks PA, LLC
S-L Snacks WI, LLC
Snyder's-Lance, Inc.

January 1, 2019

Pacific Foods of Oregon, LLC

**CERTIFICATION PURSUANT
TO RULE 13a-14(a)**

I, Mark A. Clouse, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Campbell Soup Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 6, 2019

By: /s/ Mark A. Clouse

Name: Mark A. Clouse

Title: President and Chief Executive Officer

**CERTIFICATION PURSUANT
TO RULE 13a-14(a)**

I, Anthony P. DiSilvestro, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Campbell Soup Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 6, 2019

By: /s/ Anthony P. DiSilvestro

Name: Anthony P. DiSilvestro

Title: Senior Vice President and Chief Financial
Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Campbell Soup Company (the "Company") on Form 10-Q for the fiscal quarter ended January 27, 2019 (the "Report"), I, Mark A. Clouse, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 6, 2019

By: /s/ Mark A. Clouse
Name: Mark A. Clouse
Title: President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required under Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Campbell Soup Company (the "Company") on Form 10-Q for the fiscal quarter ended January 27, 2019 (the "Report"), I, Anthony P. DiSilvestro, Senior Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 6, 2019

By: /s/ Anthony P. DiSilvestro
Name: Anthony P. DiSilvestro
Title: Senior Vice President and Chief Financial
Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required under Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.